

Appendix 15:

Damascus Disincorporation Scenario

Purpose and background

The draft 2014 Urban Growth Report identified the uncertainty around forecasting residential growth capacity in the City of Damascus. This was also one of the topics that the Metro Council identified for further discussion when accepting the draft Urban Growth Report.

To better understand the potential for development in the area, on May 12, 2015, the Metro Council held a joint work session with the Damascus City Council. At the joint work session, the Damascus City Council stated that they believe residents are likely to vote for city disincorporation next year. Recent state legislation (House Bills 3084, 3085 and 3086) will facilitate that outcome with a simple majority vote. City councilors also said that, as a consequence, the western area of current city limits is likely to develop as portions annex to Happy Valley and other areas develop in unincorporated Clackamas County. The eastern area is likely to see little residential construction consistent with existing rural residential and exclusive farm use zoning designations.

Metro staff has worked with representatives from Damascus, Happy Valley and Clackamas County to estimate what this means from a growth capacity perspective. A summary of that technical work is included in this appendix. Generally, parties agree upon the following model assumptions:

- Reduce the land area assumed to be buildable in the next 20 years.
- Increase the assumed residential density for the area that is deemed buildable to reflect Damascus' draft urban zoning.
- Reduce the amount of land assumed developable for industrial and commercial employment to reflect Damascus' draft urban zoning.
- Speed up the assumed availability of the westernmost portions of the area for development in the City of Happy Valley.

Metro staff used its economic land use model to test 20-year market responses to these updated assumptions.

Scenario disclaimer: other things being equal, assume all other medium "baseline" MetroScope Urban Growth Report scenario input assumptions, but replace westside Damascus with the latest zoning concept from the city and remove the urbanization assumptions for eastside Damascus and replace with 233 units of rural residential SF capacity. These assumptions do not represent a Metro policy position.

For additional information about the UGR scenario and general forecast assumptions and model input specifications, please see: 2014 UGR, Appendix 11. (<http://www.oregonmetro.gov/public-projects/growth-management-decision/2014-urban-growth-report>)

BLI changes in the “No eastside Damascus” scenario:

1. The following table describes the aggregate changes in residential capacity for a Damascus area

- Original BLI Assumptions: What’s in the draft Urban Growth Report
- Orig. BLI Exclude E. Damascus: Existing BLI zoning assumptions but excluding east of the watershed boundary
- Full Damascus Zoning: Updated Zoning, BLI for the entire City
- Damascus Disincorporation: Updated Zoning, Excluding east of watershed boundaries.

Zoning codes abbreviated

SFR = single-family residential
MUR = mixed-use residential
MFR = multifamily residential
COM = commercial
IND = industrial

Table 1: Damascus area Buildable Land Inventory (BLI)

Residential Units				
	Original BLI Assumptions	Orig.BLI Exclude E. Damascus	Full Damascus Zoning	Damascus Disincorporation
SFR Units	15,554	9,080	14,571	10,871
MUR Units	3,874	1,444	6,366	4,810
MFR Units	129	129	0	0
Subtotal Units	19,557	10,653	20,937	15,681
Employment Acres				
	Original BLI Assumptions	Orig.BLI Exclude E. Damascus	Full Damascus Zoning	Damascus Disincorporation
COM	44	29	55	50
IND	539	252	59	25
MUR	792	281	261	222
Subtotal Acres	1,375	561	375	297
Gross Acres				
	Original BLI Assumptions	Orig.BLI Exclude E. Damascus	Full Damascus Zoning	Damascus Disincorporation
Gross Taxlot Acres	9,731	5,793	9,731	5,793

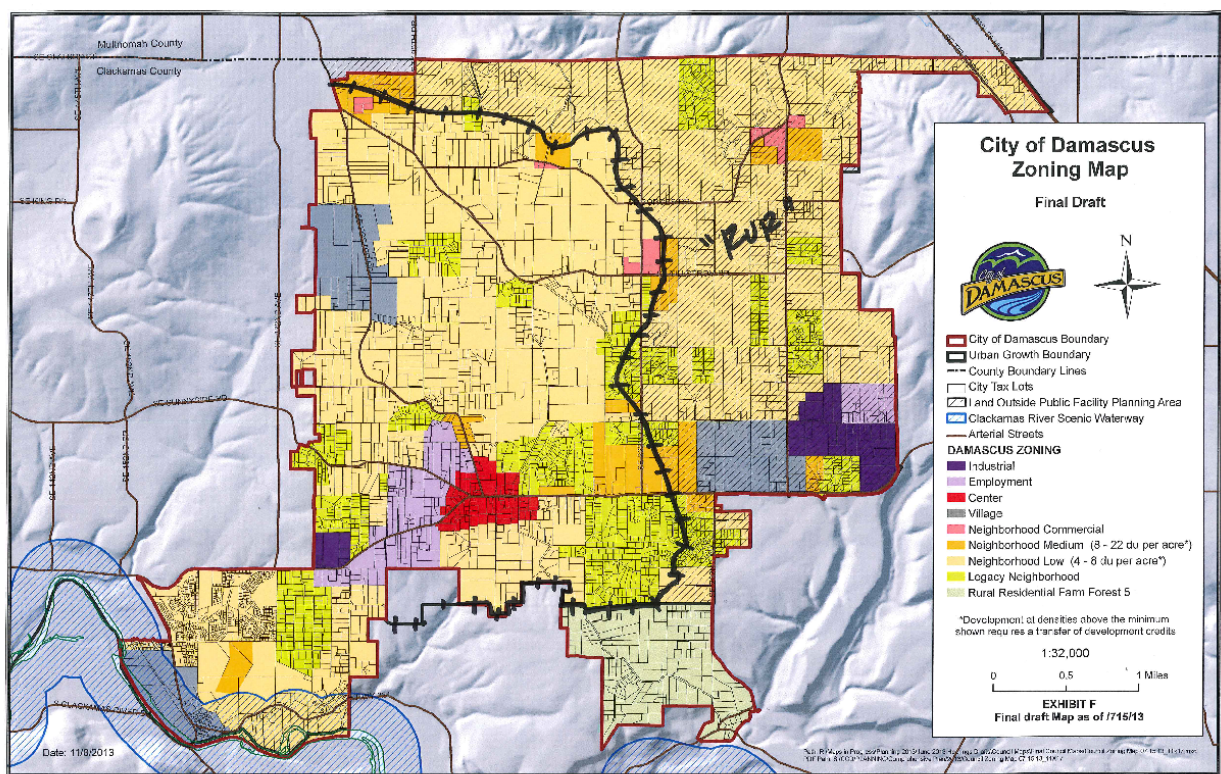
- Net residential BLI effect is **less** single family capacity = -4,683 SFR units
- Net residential BLI effect is **more** apartment capacity = +807 MFR/MUR units
- Commercial BLI effect is 6 (50 – 44 = 6) **more** employment acres
- Mixed Use (MUR) BLI effect is 456 **fewer** employment acres. Note: the MUR supply is counted with commercial (and by assumption splits out 20% for apartment uses and 80% for commercial, office or retail uses). $456 = (44-50)+0.8*(792-222)$
- Industrial BLI effect is 514 (539 – 25 = 514) **fewer** industrial acres.

Table 2: Net Change in the Non-residential Buildable Land Inventory (BLI) – Damascus Disincorporation scenario

Industrial Supply change	Commercial + MUR Supply change
514 fewer acres in BLI	450 fewer acres in BLI

- The geography for the Damascus disincorporation scenario is bounded by a known watershed boundary (see cross-hatched black line in map 1.) Area to the west of the watershed line is included in the scenario. Area east of the line reverts to existing rural densities in the disincorporation scenario.

Map 1: Damascus “Disincorporation Scenario”



- The updated zoning concepts for the disincorporation scenario is based on the latest zoning information provided by city of Damascus as shown in map 1 and summarized in the following table:

Table 2: Damascus Zoning Concepts

Damascus Zone	Metro Zone Class	% Res	Expected Density
Legacy Neighborhood	SFR1	100	1 du/acre
Center	MUR4	20	29.1 du/acre
Village	MUR2	40	18.2 du/acre
Neighborhood Commercial	MUR2	5	18.2 du/acre
Neighborhood Medium	MUR1	90	11.2 du/acre
Neighborhood Low	SFR4	100	4 du/acre

The *Metro Zone Class* designation is a research center interpretation of *the Damascus Zone*. The Metro Zone Class represent several standardized RLIS regional zone class categories of which there are 48 categories in all that are used to characterize the many and various zone districts throughout the metropolitan area.

- MetroScope takes the “Damascus zoning” concepts and UGR scenario BLI and inputs that information into the scenario run as such:

Table 3: Capacity Concepts Assumed in the MetroScope Disincorporation Scenario

"Include"	Res Units	Emp Acres	"Exclude"	Res Units	Emp Acres
C	582	64	AGF	0	0
E	0	68	EFU	0	0
I	0	25	RA2	12	0
LN	63	0	RC	0	0
NC	30	17	RRFF5	220	0
NL	10,808	0	TBR	0	0
NM	1,906	14			
V	2,292	127	Total	232	0
Total	15,681	315			

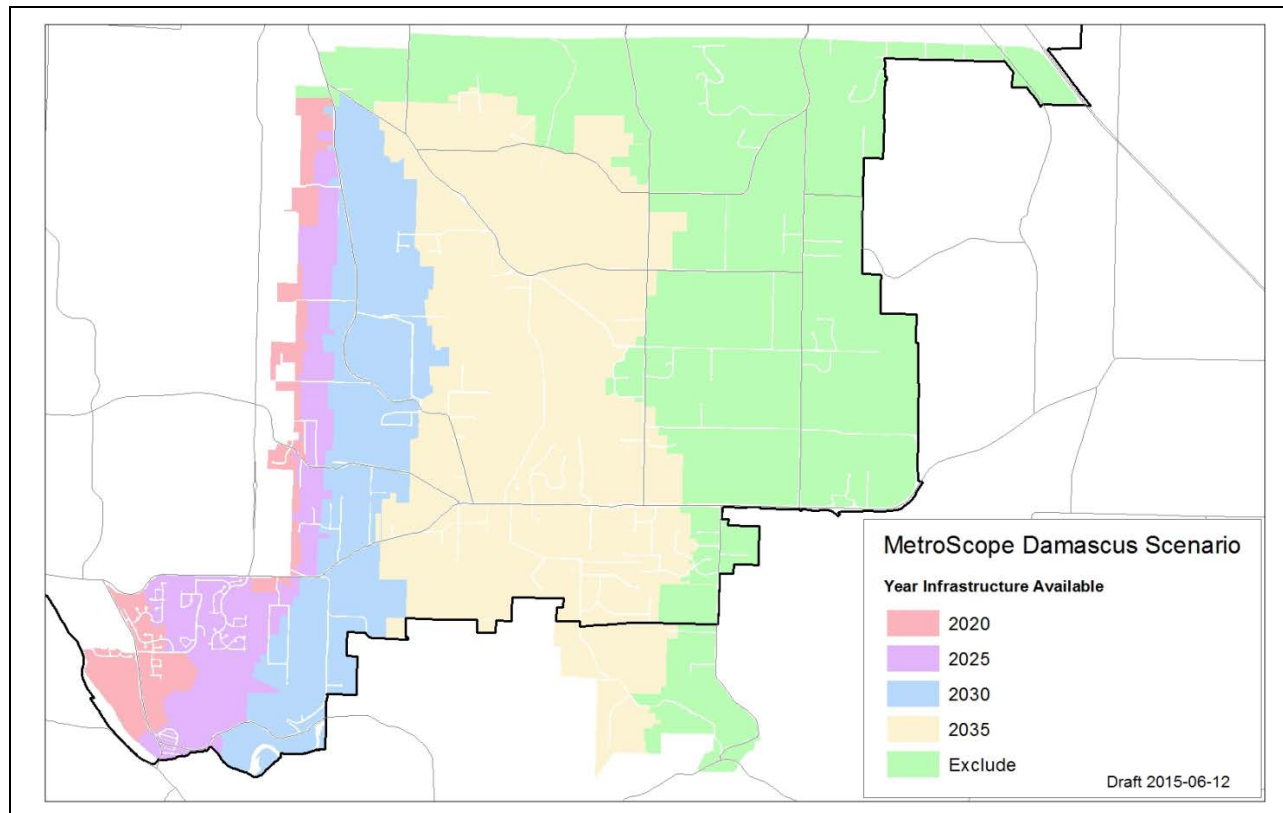
Notes:

- There is less overall capacity in the disincorporation scenario because the land area in the scenario is roughly cut in half, but, based on the draft zoning, the disincorporation scenario assumes more relative density than assumed by the UGR scenario in the remaining west-side portion.*
- The Damascus eastside (of the watershed boundary) is “excluded” from urban style densities and for modeling purposes reverts back to the zoning concepts that the county has in place today.*

Land and infrastructure timing assumptions

- Phasing assumptions: capacity is phased-in in 5-year increments beginning in 2020 and ending in 2035.
- The so-called “Exclude” area (green in the map 2) is deemed entirely rural and assumed to be phase in its entirety in year 2015. (The area assumes rural densities per today’s Clackamas County zoning districts.)

Map 2: Capacity Phase-in Assumptions for the Dis-incorporation Scenario

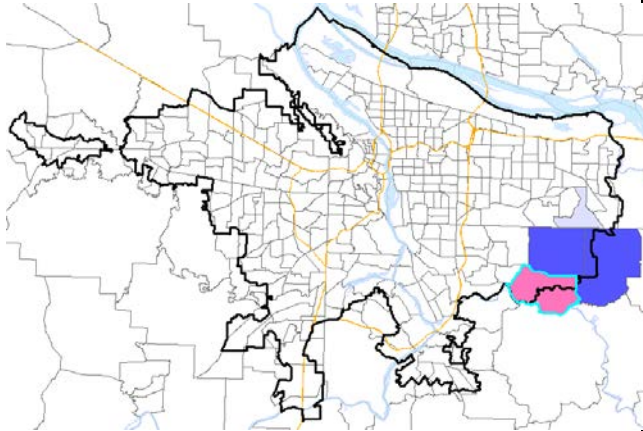


Assumption source: Michael Walter, Happy Valley planning director

- Rationale: Not all capacity is deemed market ready all at once. Areas closer-in to Happy Valley have been deemed available sooner because of a combination of governance and/or regulatory readiness and an ability to more or less provide infrastructure and financing where needed. The phasing attempts to mimic readiness of a section of land based on the its capacity for a) governance (e.g., permitting regulations, zoning and other legal framework); b) infrastructure (e.g., readiness provision for basic sewer, water, roads, etc.); c) financing (i.e., local government financing for basic infrastructure and other level of service requirements deemed necessary for health and safety).

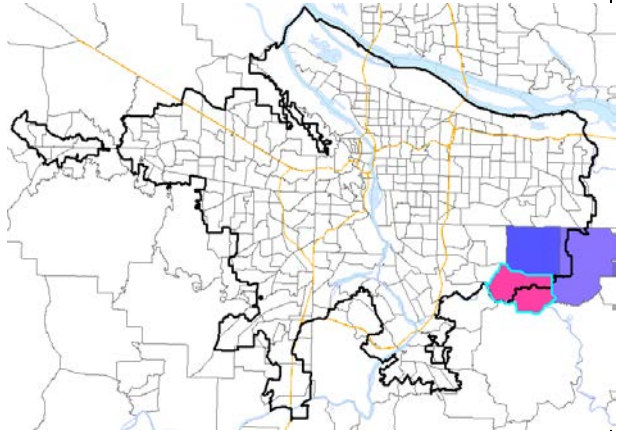
Map 3: Capacity (dwelling unit supply) Assumptions through year 2035 per the Disincorporation scenario (MetroScope scenario #1511)

Map showing change in SFR capacity thru year 2035 in the disincorporation scenario



5,800 fewer SF unit capacity in area denoted in blue
1,000 more SF unit capacity in area denoted in pink

Map showing change in MFR capacity thru year 2035 in the disincorporation scenario

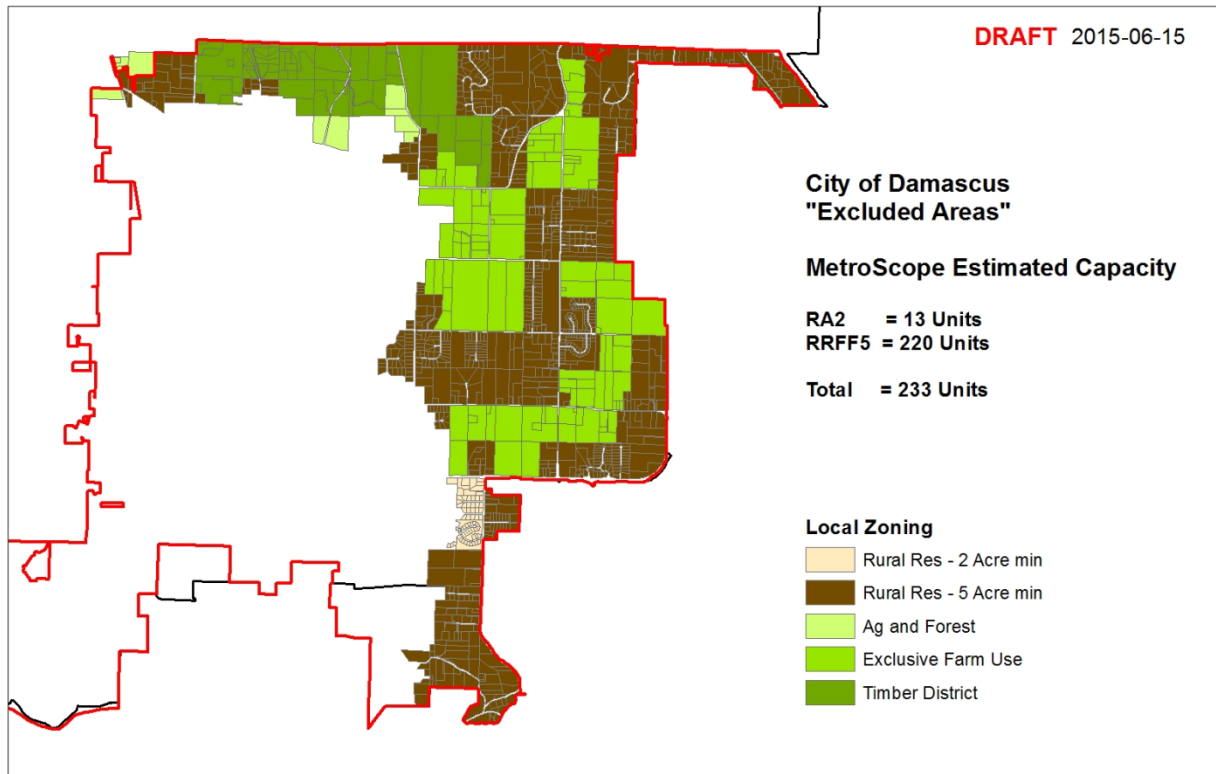


800 fewer MF unit capacity denoted in blue
1,600 more MF unit capacity denoted in pink

Note: based on direction from city and county staff, the phasing in of capacity differs between the original UGR scenario and this Damascus disincorporation scenario. Also, there is generally more apartment unit capacity (i.e., MFR or MUR zoning) in the disincorporation scenario as compared to the UGR scenario. As would be expected, there is less SFR capacity in the disincorporation scenario.

What capacity is assumed in the “excluded” or eastside of Damascus area in the disincorporation scenario?

Map 4: MetroScope Disincorporation Capacity Assumption for the Rural Area



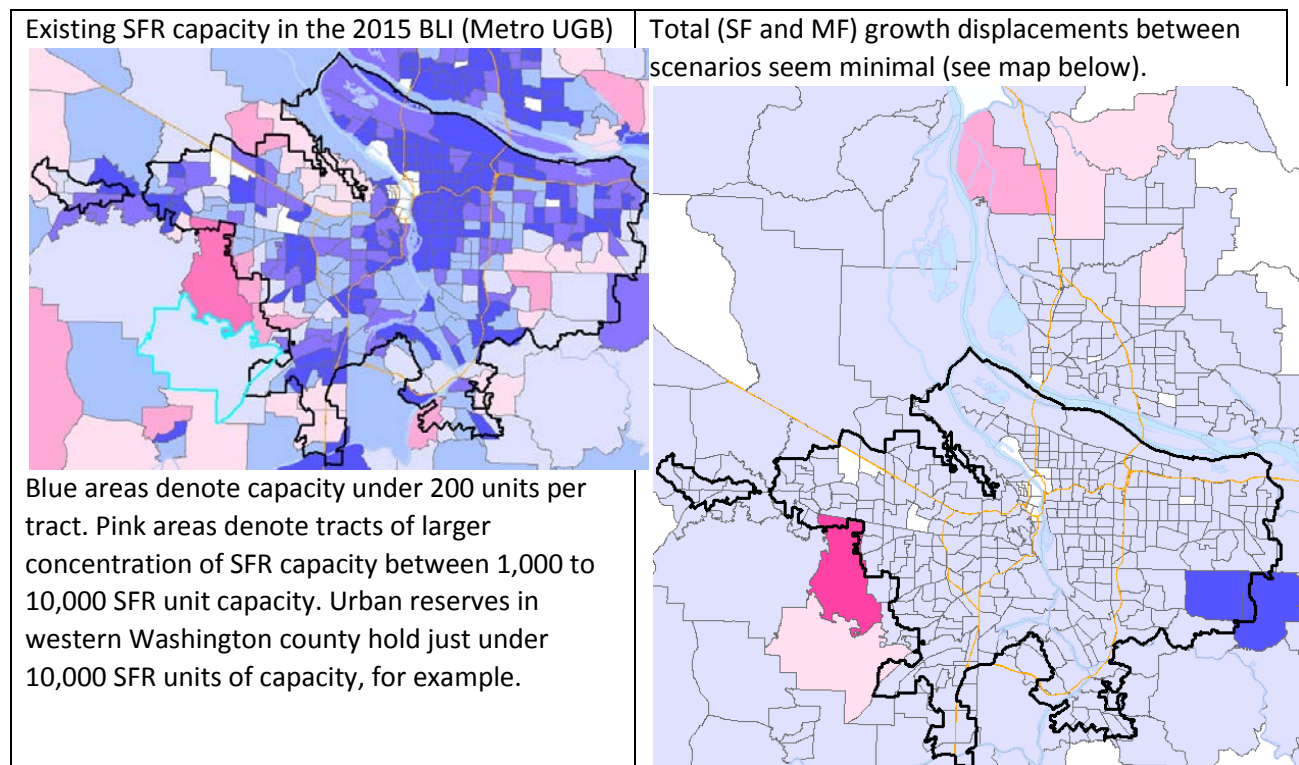
- A total of 233 rural residential SF units is assumed in the disincorporation scenario

Scenario results

What gets built and where because of the changes in capacity assumptions?

- 4,000 fewer SFR in the Damascus area are absorbed by year 2035
- 20% of growth is displaced and shifted north into Clark county (+800 units, +600 SFR and +200 MFR)
- 25% of growth is displaced and shifted over to south Hillsboro urban reserve expansion area (+1,100 SFR units).
- The remainder are scattered as infill throughout the other census tracts which are already inside the existing Metro UGB. These tracts individually generally have less than a couple hundred units of SF capacity available in each.
- Very little change in MFR distributions because the difference is apartment capacity is a miniscule change. (If the SFR capacity change were a bit larger, we would see more elasticity response between households demanding switching between SFR and MFR, but as the case is not too much switching is occurring due to the small change in MFR capacity.)

Map 5 and 6

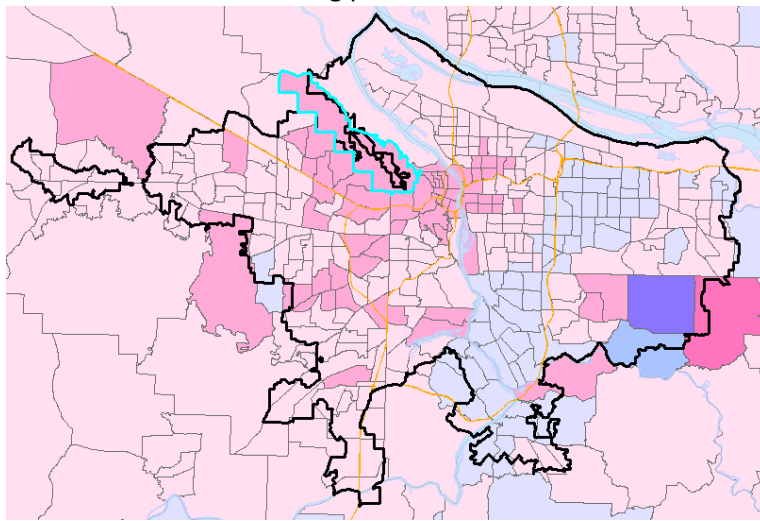


What happens to residential location prices between scenarios when the capacity is altered in Damascus/Happy Valley vicinity and entirely removed from eastside Damascus? (Comparison is between UGR scenario and disincorporation scenario)

- Because of the displacement of SFR development out of Damascus, anywhere that has capacity to absorb the displacement of SFR units sees modest price appreciation because of additional demand. The result is a modest increase in residential location prices on the order of 2 percent in the light pink areas and up to 5 percent more in the pinker hued tracts.

Map 7

Intensity of pink translates to relatively higher housing prices in the disincorporation scenario while blue areas indicate lower housing prices



2035 SFR price differences

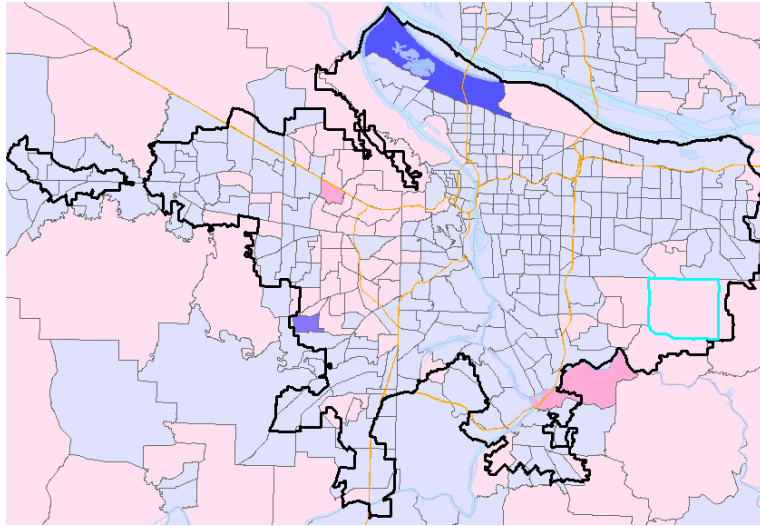
Aside: 5% in today's median sales price of over \$300,000 per home amounts to \$15,000 more in home purchase price. Anticipating over a 20 year time frame, average home sales price could be \$500,000 per house and an additional 5% more would amount to \$25,000 more tacked on to the sales price of an average house.

What about relative price changes between scenarios for apartments (MFR and MUR units)?

- The disincorporation appears not to generate significant dislocations in the multi-family markets as seen in Map 8.

Map 8

Light blue indicates no change; light pink shows a 1 to 2% increase in disincorporation over UGR scenario.

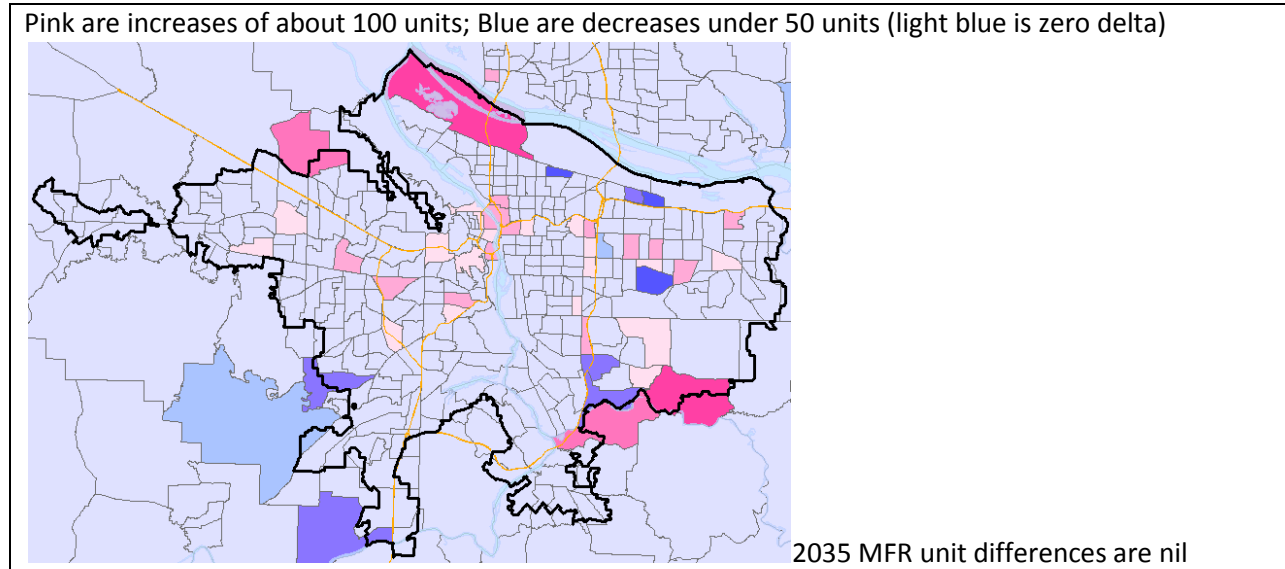


2035 MFR price differences

Do we see absolute or relative residential locations shifts in MFR (and MUR) units?

- Don't be fooled by the map below. The relative and absolute changes represented are actually very small – increases (in pink) are about 100 units and decreases (in blue) are under 50 units. These changes between scenarios are immaterial.

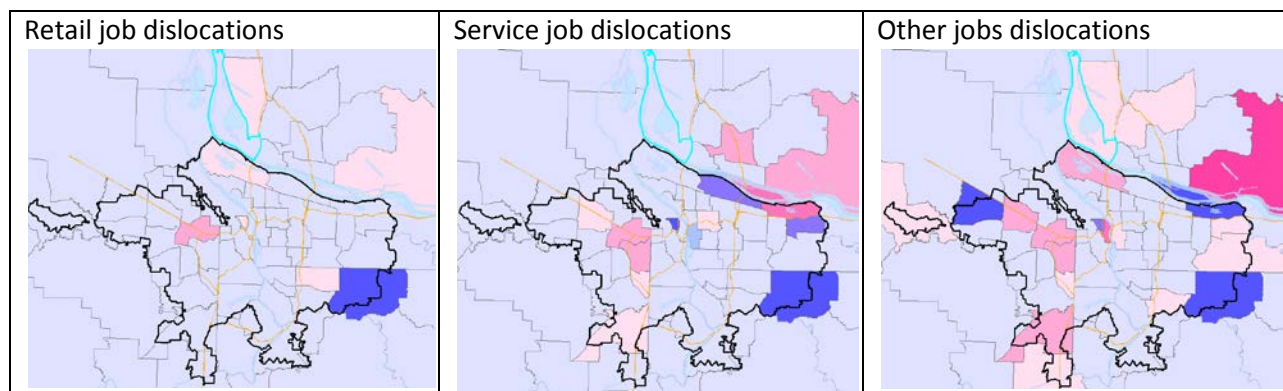
Map 9



What - if any – material changes in employment distribution might occur as a result of the Damascus disincorporation?

- The area that is currently incorporated as the City of Damascus loses over 5,000 jobs between scenarios (in year 2035)
 - -1,100 retail jobs
 - -1,700 service sector jobs
 - -2,200 non-retail / non-service jobs
- +100 retail jobs shift to Happy Valley; +300 to Beaverton downtown; +150 to Jantzen Beach / Delta Park; over +500 to Clark County
- +700 in Columbia southshore area east of I-205; +1000 jobs; +1000 jobs to Clark County (not all displacement are sourced from Damascus as some equilibrium disturbances are from other areas inside UGB too)
- More volatility seen in other jobs with over +2000 jobs shifting north into Clark county

Map 10



- Clark county gains around +3,500 more jobs by 2035 in the Damascus disincorporation scenario (#1511) as compared to the UGR scenario (#1501)
 - +500 retail jobs
 - +1,000 service sector jobs
 - + 2,000 “other jobs”

What’s the real impact on overall employment real estate / land prices?

- Overall, no unexpected or significant blips are seen in the redistribution of jobs and real estate. Because the employment dislocations appear to be more widespread, they seemingly are not very significant. We in fact do see prices edge higher, but on an annualized basis it is not very much. Non-residential real estate prices go up a peak of 35% (for an annual real price appreciation on the order of 1% increase year-to-year) for only the “hottest” zones inside the Metro UGB; otherwise all else being almost equal.

- Retail shifts are least affected in the scenario, with manufacturing and other jobs most dislocated by the scenario. However, manufacturing jobs is a declining share going forward so its total impact is muted.