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Routing

Debunking Portland The City That Doesn't Work

by Randal O'Toole

Executive Summary

Though many people consider Portland, Oregon, a model of 21st-century urban planning, the region's integrated land-use and transportation plans have greatly reduced the area's livability. To halt urban sprawl and reduce people's dependence on the automobile, Portland's plans use an urban-growth boundary to greatly increase the area's population density, spend most of the region's transportation funds on various rail transit projects, and promote construction of scores of high-density, mixed-use developments.

When judged by the results rather than the intentions, the costs of Portland's planning far outweigh the benefits. Planners made housing unaffordable to force more people to live in multi-family housing or in homes on tiny lots. They allowed congestion to increase to near-gridlock levels to force more people to ride the region's expensive rail transit lines. They diverted billions of dollars of taxes from schools, fire, public health, and other essential services to subsidize the construction of transit and high-density housing projects.

Those high costs have not produced the utopia planners promised. Far from curbing sprawl, high housing prices led tens of thousands of families to

move to Vancouver, Washington, and other cities outside the region's authority. Far from reducing driving, rail transit has actually reduced the share of travel using transit from what it was in 1980. And developers have found that so-called transit-oriented developments only work when they include plenty of parking.

Portland-area residents have expressed their opposition to these plans by voting against light rail and density and voting for a property-rights measure that allows landowners to claim either compensation or waivers for land-use rules passed since they purchased their property. Opposition turned to anger when a 2004 scandal revealed that an insider network known as the "light-rail mafia" had manipulated the planning process to direct rail construction contracts and urban-renewal subsidies to themselves.

These problems are all the predictable result of a process that gives a few people enormous power over an entire urban area. Portland should dismantle its planning programs, and other cities that want to maintain their livability would do well to study Portland as an example of how not to plan.

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In 1995, Portland started calling itself “The City That Works” without any sense of irony that it borrowed the slogan from a city famous for patronage, pork, and a political machine.

Introduction

The city of Portland, Oregon, has received enormous publicity in recent years for its land-use and transportation planning. The *New York Times* calls Portland “the city that loves mass transit.”¹ Portland is “successfully getting people out of their cars,” says the BBC.²

From all over the country, city planners, elected officials, and reporters travel to Portland to examine the region’s urban-growth boundary, rail transit system, and transit-oriented developments. “It sometimes seems as if the whole country is looking to Portland as a role model for 21st-century urban development,” says *Governing* magazine.³ Portland’s plans have won numerous awards from the American Planning Association, and Congress happily gives the city more than its share of federal transit dollars to fund expansion of the region’s light-rail system.

Residents of the Portland area are not as enthusiastic about the region’s planning process. Recent elections reveal that most citizens are upset by the unaffordable housing, traffic congestion, increasing taxes, declining urban services, and disappearing jobs that have resulted from the plans.

In 1995, the city council adopted the slogan, “The City That Works.”⁴ No one on the council felt any sense of irony that Portland was borrowing a slogan first applied to Chicago by Mayor Richard J. Daley. Daley, of course, was famous for using a political machine of patronage and pork to get himself reelected five times. Since few Portland mayors remain in office for more than two terms, no one imagined in 1995 that the Northwest city was also run by a machine.

The head of that machine, Neil Goldschmidt, had been mayor of Portland in the 1970s. President Carter appointed him Secretary of Transportation in 1979, and in the late 1980s Goldschmidt served as governor of Oregon. In 1991 he left public office and started a political consulting firm that used his federal, state, and local contacts to promote seemingly idealistic schemes that

quietly diverted billions of dollars in public funds to Goldschmidt’s clients and cronies.

Known to insiders as the “light-rail mafia,” Goldschmidt’s machine suffered a huge setback in 2004 when the public learned that, while mayor, Goldschmidt had a three-year sexual relationship with a teenage girl starting when she was just 14. The former mayor disappeared from view, leaving his allies to fend for themselves. Today, public employee unions, neighborhood groups, and county officials are among those challenging what remains of the machine, and the main goal of many of these groups is to halt the diversion of funds from essential urban services to expensive transit and land-use projects.

History

The planning that made Portland famous attempts to integrate land-use and transportation. Urban planners have long believed in a *land-use-transportation connection* that would allow them to manipulate one through the other. So Portland plans land uses to try to reduce the amount of driving people do while it plans transportation to try to slow the conversion of rural land to urban purposes.

No such integration was contemplated in 1973, when the Oregon legislature required every city and county to write plans that conformed to goals and guidelines established by a Land Conservation and Development Commission appointed by the governor. The rules aimed to protect farmland from leapfrog development (subdivisions not physically adjacent to the nearest urban area) by requiring all cities in the state to draw urban-growth boundaries. Development inside the boundaries was allowed to proceed unchecked while development outside was strictly limited to rural uses.

The commission’s rules specified that the initial urban-growth boundaries should include enough land to accommodate twenty years worth of growth. As that land was developed, cities were to expand the boundaries to maintain land and housing affordability.

Indeed, due in part to a severe recession, housing in Portland and other Oregon cities remained very affordable through 1989.⁵ The goal was to keep development orderly and efficient, not to slow or stop development.

Transportation planning was a completely separate process, responding mainly to federal funding and mandates. Inspired by federal support for 90 percent of the cost of urban interstate freeways, Portland had planned a gridded network of such highways. But the early 1970s saw a backlash against urban interstates from neighborhood residents who argued that freeways reduced their property values. In response, Congress passed a law allowing cities to cancel planned interstate highway projects and to spend the money on mass transit capital improvements instead.⁶

Under Mayor Neil Goldschmidt, Portland became one of the first cities to take advantage of the law, canceling a road known as the Mt. Hood Freeway in 1974. But that created a dilemma for the city. The federal share of the freeway cost would be enough to buy hundreds of new buses. But Portland's transit agency did not have the funds to operate that many new buses. Moreover, simply buying buses did not create the local construction jobs and profits that would have been gained from freeway construction.

Goldschmidt's solution was light-rail transit, a sort of heavy-duty streetcar that sometimes operated in streets and sometimes on an exclusive right of way. The term *light rail* had been coined in 1972; *light* referred not to weight of the vehicles or the rails but to the smaller numbers of people carried by these rail vehicles relative to the large numbers carried by the New York City subway or other *heavy-rail* lines such as Washington's Metro.

For Goldschmidt, the big advantage of light rail was that it was expensive, easily costing enough to absorb most of the federal funds that had been allocated to the Mt. Hood Freeway and (as it turned out) much more. Rail construction also provided lots of jobs and profits for local contractors.

At the time, few observers noted the irony that an urban transit technology was selected

precisely because of its high cost. President Carter was so impressed with Goldschmidt's innovative solution to the freeway controversy that he made Goldschmidt his second secretary of transportation. As it turned out, light rail required so much planning and design work that construction did not begin until Goldschmidt had left that office in 1981 and was not completed until Goldschmidt was running for governor of Oregon in 1986.

Until that point, there was still no connection between Portland's land-use and transportation planning. But when the light-rail line opened, the city zoned much of the land near light-rail stations for high-density housing in order to allow more people to live within walking distance of the light rail.

During Goldschmidt's term as governor, the Land Conservation and Development Commission began writing a transportation-planning rule.⁷ This rule was heavily influenced by controversy over another proposed freeway, this one skirting the southwestern suburbs of Portland. A land-use group called 1000 Friends of Oregon argued that the highway would lead to expansion of the urban-growth boundary and that the city could avoid such expansion by integrating its land-use and transportation planning to emphasize compact development that relied on transit, walking, and cycling instead of driving.⁸

The proposed highway was never built and the final transportation-planning rule endorsed the 1000 Friends' ideas. The rule directed planners in all of Oregon's major urban areas to change "land-use patterns and transportation systems" so as to reduce per-capita driving by 10 percent in 20 years and 20 percent in 30 years.⁹ To reach those goals, the rule specified that planners must increase residential densities, promote mixed-use developments, mandate pedestrian-friendly design (meaning, among other things, that retail shops should front on sidewalks and not be separated from streets by large parking lots), and various related policies.¹⁰ In 1996, Maryland governor Parris Glendening applied the term *smart growth* to this planning philosophy.¹¹

The transportation rule effectively killed

In the 1970s, Mayor Neil Goldschmidt selected light-rail technology precisely because its high cost would allow him to spend lots of federal dollars creating construction jobs and profits for local contractors.

**After 1990,
Goldschmidt
built a “light-rail
mafia” consisting
of contractors,
developers, and
landowners eager
to cash in on the
city’s rail transit
and high-density
development
mania.**

the idea of expanding urban-growth boundaries to make room for growth. In 1993, Oregon homebuilders asked the legislature to require that boundaries be expanded to maintain a supply of land, but Portland planners convinced the legislature to allow them to instead accommodate growth by rezoning existing neighborhoods to higher densities.

In the meantime, Goldschmidt announced in 1990 that he would not run for re-election as governor. His decision, which he blamed on marital issues, was mysterious, as most people believed he would have easily been re-elected and probably gone on to the U.S. Senate. Portlanders later learned that the woman he had seduced when she was a teenager was seeking a settlement—he eventually paid her \$350,000—and he feared the statutory rape would be made public.¹²

Out of office, Goldschmidt immediately started a political consulting firm that eventually became known as Goldschmidt Imeson Carter. Early clients included Bechtel, Nike, and Weyerhaeuser. Goldschmidt used his many federal, state, and local political contacts to grease the skids for those companies to operate in Oregon’s regulatory environment. Goldschmidt also used his political muscle to have friends, relatives, and political protégés appointed to various high offices.

The resulting light-rail mafia shaped Oregon’s integrated land-use and transportation planning system to favor Goldschmidt’s clients and friends. Some of the members of the mafia included:

- *Bechtel Corporation*—Goldschmidt arranged for Bechtel to receive a no-bid contract to build an extension of Portland’s light-rail line to the city’s airport. Under the contract, Bechtel was paid \$95 million and given a 99-year lease to 120 acres of valuable land near the airport.
- *Tom Walsh*—Longtime Goldschmidt friend and co-owner of Walsh Construction, which specializes in building high-density housing projects. Goldschmidt arranged for Walsh to be appointed general manager of Portland’s transit

agency. From that position, Walsh handed out millions of dollars in subsidies to high-density, transit-oriented developments, many of which were built by Walsh Construction.

- *Homer Williams*—Goldschmidt arranged for hundreds of millions of dollars of federal and local subsidies to an urban-renewal area popularly known as the Pearl District. Goldschmidt client Homer Williams built many of the developments in the Pearl and, later, the North Macadam District.
- *Schnitzer Group and Zidell Marine*—Owners of a large block of former industrial lands on Portland’s Willamette River waterfront south of downtown, an area called either the North Macadam or South Waterfront district. They hired Goldschmidt to help them plan a low-rise residential development, but Goldschmidt persuaded them to go for a high-rise development instead. The development, which is being built by Homer Williams, is enjoying nearly \$300 million in public subsidies.
- *Oregon Health Sciences University*—Goldschmidt served on the board of directors of this nominally public school that operates a hospital two-thirds of a mile away and 500 feet above the Schnitzer-Zidell land. Goldschmidt persuaded the hospital to build an aerial tramway to access offices and clinics in the waterfront development and convinced the Portland city council to help subsidize this tram, whose cost ballooned from Goldschmidt’s initial \$5 million estimate to \$57 million.¹³

Goldschmidt’s efforts were not entirely directed to land-use and transportation issues. In 2003, he was involved in a shady deal to take over Portland General Electric, a utility that served two-thirds of Portland’s residents.¹⁴ The State Accident Insurance Fund paid him a million dollars to help shield the government agency from private competition. Goldschmidt’s wife was superintendent of Portland’s schools, which hired Goldschmidt’s brother in a lucra-

tive consulting contract. His wife was also a vice-president of Pacific Power & Light, Oregon's largest electric utility.¹⁵

All in all, Goldschmidt was easily the most powerful man in Oregon.¹⁶ In response to that power, "the city and the Portland Development Commission went crazy," observes Lewis & Clark law professor (and popular blogger) Jack Bogdanski, "throwing money at Goldschmidt clients like there was no tomorrow, making all sorts of dubious deals."¹⁷

Was Portland's land-use and transportation planning system nothing more than a giant real estate scam for Goldschmidt's clients and cronies? To help answer that question, this paper will first examine some of the benefits claimed for Portland's planning system and then look at some of the costs.

The Portland Myths

Portland planners and officials have done their best to promote claims that their integrated planning process is successful. In particular, they say that

1. Investments in transit and land-use changes promoted by planning rules have significantly reduced auto use;
2. Transit-oriented developments have proven commercially successful and have moved many people out of their cars;
3. Rail transit has, in turn, stimulated billions of dollars of land-use developments;
4. The urban-growth boundary and other planning rules have significantly reduced sprawl; and
5. Portlanders love their plans.

Myth #1: Portland Loves Transit

"Car junkies like me are becoming an endangered species," enthused a reporter vis-

iting Portland for the BBC.¹⁸ Portland "loves to ride" transit, said the *New York Times*.¹⁹ But the sad truth is that Portland's transit numbers are little better than mediocre.

More than 97 percent of all motorized passenger travel (and virtually all freight movement) in the Portland area is by automobile. Though transit's share of passenger travel has fluctuated between 1.8 and 2.6 percent over the past 35 years, it has never made a significant dent in auto usage.

Portland's transit agency, TriMet, accurately brags that Portland transit usage grew faster than driving in the 1990s. But it fails to mention that transit's share declined in the 1980s, when the region's first light-rail line was under construction. In 1980 more than 2.6 percent of motorized passenger travel in the Portland area used transit. By 1990, that had fallen to 1.8 percent. Over the next 12 years, it slowly climbed to 2.3 percent but still remained well below the 1980 level. Since 2002 it has stagnated or slightly fallen.²⁰ Even if it were still increasing, the difference between 1.8 and 2.6 percent means taking less than 1 percent of cars off the road.

Because transit's major market is commuters, many prefer to measure transit by its share of commuting rather than of total passenger travel. During the 1970s, TriMet made many improvements in bus service, including building a downtown transit mall, increasing bus frequencies, and providing commuters with park-and-ride stations. Between 1970 and 1980, total transit ridership tripled and the share of commuters taking transit to work increased from 7.0 to 9.8 percent.²¹

After construction began on Portland's first light-rail line, however, cost overruns forced TriMet to raise bus fares and reduce service. By 1990, four years after the light-rail line opened, only 6.7 percent of commuters rode transit to work—less than in 1970. Ridership recovered in the 1990s, but by 2000 the share of commuters using transit was still only 7.7 percent, well under the 1980 rate. By comparison, buses in Portland's rival to the north, Seattle, carried a smaller percentage of travel than Portland in 1980, but

Transit's shares of Portland travel and commuting are lower today than they were before the city began building light rail.

Despite light rail and streetcars, between 2001 and 2005, the number of downtown Portland commuters taking transit to work declined by more than 20 percent, while the number driving to work increased.

were ahead of Portland's bus-and-light-rail system in 1990 and 2000.²²

Transit works best at taking commuters to centrally located jobs. In 2001, TriMet was proud to say that 46 percent of all downtown Portland workers rode transit to work. Only 11 percent of Portland-area commuters work downtown, so on a regional level this is not very important. But transit did help relieve congestion and parking problems in the downtown area. By 2005, however, the number of downtown workers commuting by transit declined by more than 20 percent, while the number driving to work increased. The result was that transit's share of downtown commuting fell to just 38 percent.²³

One reason for this decline is that TriMet had to make service cuts due to the 2001 recession. The high cost of new rail lines and inflexible light-rail mortgage payments forced the agency to cut deeper than would have been necessary if it operated a debt-free, bus-only system.²⁴

High gas prices in 2006 led to record ridership levels for many transit agencies.²⁵ But due to budget and service cuts, Portland transit ridership grew by an anemic 0.1 percent.²⁶

Even with adequate budgets, Portland planners themselves do not predict that their plans will lead to a huge shift in travel habits. A 1997 regional plan called for a 70 percent increase in population densities within the urban-growth boundary and the construction of 125 miles of rail transit and scores of high-density, transit-oriented developments. Planners projected that these actions would reduce the share of trips taken by automobile from 92 percent in 1990 down to 88 percent in 2040. Since planners also anticipate a 70 percent population increase during that time, the small decline in driving's share of travel would not prevent a huge increase in traffic congestion.²⁷

In short, Portland's integrated land-use and transportation planning has not produced any miracles for transit. If transit plays a slightly greater role in regional travel than in some other cities, it plays a smaller role

than in Portland's closest peer, Seattle, which until 2000 had no rail transit.

Myth #2: Transit-Oriented Development

One of the highlights of any tour of Portland offered by planning officials is a visit to one of the many transit-oriented developments that have sprung up all over the region. These high-density, mixed-use developments are supposed to herald a new lifestyle that uses less land and resources because people live in multifamily housing or in homes on tiny lots, walk to shops, take transit to work, and generally drive far less than people living in traditional suburbs.

Many transit-oriented developments, or TODs as planners call them, are built right next to light-rail stations. A typical development is four to five stories tall, with shops and offices on the ground floor and apartments or condos above. One famous transit-oriented village, Orenco, was built when a light-rail line was constructed across prime farmland with the express purpose of subdividing that land into a high-density development.

Tour guides usually neglect to mention several important points about Portland TODs:

1. They are heavily subsidized, many receiving tens of millions of dollars of support in the form of tax breaks, infrastructure subsidies, below-market land sales, and direct grants.
2. Despite the subsidies, vacancy rates are often high, particularly in areas designated for shops.
3. While these developments may attract some people who prefer not to drive, there is little evidence that they have significantly changed people's travel habits.

As previously noted, when Portland's first light-rail line opened for business in 1986, the city zoned much of the land near light-

rail stations for high-density development. Ten years later, city planner Mike Saba sadly reported to the Portland city council, “we have not seen any of the kind of development—of a mid-rise, higher-density, mixed-use, mixed-income type—that we would’ve liked to have seen” along the light-rail line. City Commissioner Charles Hales noted, “We are in the hottest real estate market in the country,” yet city planning maps revealed that “most of those sites [along the light-rail line] are still vacant.”²⁸ To correct this, Hales convinced the council to offer developers 10 years of property tax waivers for any high-density housing built near light-rail stations.

Over the next decade, the city experienced a boom in high-density developments, virtually all of which were subsidized. Even with the subsidies, planners and developers soon learned that so-called transit-oriented developments only work if they have plenty of parking.

For example, the state of Oregon owned land next to a light-rail station in east Portland. In 1998, the state sold the land to developers at below-market prices and developers received a total of \$13 million in subsidies to build a \$31-million, high-density project called Center Commons. The development provides less than two-thirds of a parking space per dwelling unit, but residents handle that by freely parking on the sidewalk and in areas clearly marked as fire lanes.²⁹

Despite those problems, the city considers the project a success. When asked for a definition of success, an official replied, “When the construction was completed, the project became a success.” In other words, “it’s not just a matter of ‘build it and they will come,’” comments John Charles of the Cascade Policy Institute; “simply building it is enough.”³⁰

Another development called The Round is located in the Portland suburb of Beaverton. Beaverton gave \$12.4 million in subsidies to the developer, who was supposed to build a retail-office-housing complex surrounding a light-rail station.³¹ Yet banks were unwilling to finance a development with inadequate parking, so the developer went bankrupt and the project sat half-com-

pleted for several years. Finally, the city found a new developer who finished it—on the condition that the design would be modified to include 700 parking spaces. “The key component is parking,” said the developer.³² Yet vacancy rates remained high after construction, partly because the development still had parking shortages.³³

Another development, Beaverton Creek, is located next to a huge light-rail park-and-ride lot. But the parking is open only to light-rail riders. With little or no parking available to customers of the ground-floor retail shops, nearly all of those shops remain vacant several years after it was completed.

Parking problems also plagued Orenco, the pride and joy of Portland-area planners. Planners allowed only limited parking in the areas closest to the light-rail station, and more parking further away. As a result, the areas near the station were the last to be developed, so most of the residences are not within walking distance of the station.³⁴ The developer who built much of Orenco called it “our nonprofit wing,” implying that his company only built it so it could get permits to build more lucrative developments of single-family homes on larger lots.³⁵

A survey of Orenco residents by Lewis & Clark College researcher Bruce Podobnik found that most of them liked the development but that few had changed their travel habits. “Though some have increased their reliance on mass transit for occasional trips since moving into Orenco Station, most residents of the neighborhood report using alternative modes of transportation far less than do their counterparts in Northeast Portland,” says Podobnik. “A key objective, that of significantly altering resident transportation habits, therefore remains to be achieved in Orenco Station.”³⁶

One of the most embarrassing failures of Portland’s transit-oriented planning was Cascade Station, an office-and-retail park that was supposed to be built on the 120 acres of land given to Bechtel in exchange for the company building the airport light-rail line. Because the land was immediately adja-

Even when they are next to light-rail stations, transit-oriented developments only work when they have plenty of parking.

If light rail works so well, why was a new garage needed and in what sense did rail stimulate its construction?

cent to the airport, it was not suitable for residential use, but planners zoned it for small-box retail—shops no larger than 60,000 square feet—because big-box retail (stores of 100,000 to 300,000 square feet) would be too “auto dependent.” Although the city spent \$28 million on parks, utilities, streets, and sidewalks, no one wanted to lease a small shop or office on a site that was miles from any residential areas, so the area remained vacant for five years after the light-rail line opened in 2001.³⁷

Rail skeptics were amused that every light-rail car going to and from the airport dutifully stopped at both of Cascade Station’s rail stations, even though no one wanted to get on or off. Apparently, not stopping would have disrupted the schedules. Critics were even more amused when a passenger did board the rail car one day: a coyote looking for solitude aboard one of TriMet’s empty trolley cars.³⁸

Finally, planners caved in to developers who insisted that small-box retail made no sense at the site. Instead, the city has persuaded Ikea to build a 280,000-square-foot store on the site and hopes to attract at least one other big-box store (though not one headquartered in Bentonville). Apparently, cheap Asian-made goods sold by a Scandinavian retailer are more politically correct than cheap Asian-made goods sold by an Arkansas retailer. Though Ikea will deliver purchases to any customers who arrive by light rail or stow their bikes in one of the mandated 75 bike racks, the store expects most of its customers to use one of its 1,200 parking spaces.³⁹

Myth #3: Development-Oriented Transit

Portland planners believe in the “field of dreams”: “Build it, and they will come.”⁴⁰ TriMet claimed that Portland’s first light-rail line stimulated more than \$1 billion worth of development.⁴¹ After Portland built a downtown streetcar line, planners claimed that it stimulated \$2.3 billion worth of develop-

ment.⁴² And after Portland’s aerial tram was built, planners claimed it generated \$1 billion worth of development.⁴³

The first problem with these claims is planners’ assumption that correlation proves causation. In counting developments supposedly “stimulated” by transit, planners simply added up all the value of developments within a few blocks of transit lines or stations. They made no attempt to insure that the developments really had anything to do with transit.

Measured by value, the vast majority of the \$1 billion of investments supposedly stimulated by the light rail consists of government buildings, some built in response to executive orders by President Clinton and Oregon’s Governor Barbara Roberts that all federal and state agencies should relocate to downtown areas.⁴⁴ One government-funded building supposedly stimulated by the light-rail line was a \$5 million downtown parking garage. If light-rail works so well, why is a new garage needed and in what sense did light rail stimulate the construction of that garage?

The second problem with claims that transit stimulated new development is that they are based on double counting. For example, the streetcar and aerial tram both serve the same area, so all of the \$1 billion in development supposedly stimulated by the aerial tram is included in the \$2.3 billion in development supposedly stimulated by the streetcar.⁴⁵

The biggest problem with the claim that transit stimulates development is that most of the private developments themselves received huge subsidies. The Portland Development Commission (the city’s urban-renewal agency) uses tax-increment financing and federal grants to subsidize developments in urban-renewal areas. In recent years, those areas have focused on transit zones and corridors. (For a description of how tax-increment financing works, see “Problem #3” below.)

The Portland streetcar, for example, travels almost entirely within the River, South Park Blocks, and North Macadam urban-renewal districts. New developments in these districts received more than \$665 million of

tax-increment financed subsidies from the Portland Development Commission. The North Macadam District, which received at least \$289 million of these subsidies, is also the location of the aerial tram. It is fair to say that the subsidies played a much larger role in redevelopment than a 7-mile-per-hour streetcar line or 13-mile-per-hour tram.

Other subsidies include Federal Transit Administration grants to transit-oriented developments; U.S. Department of Transportation grants for “congestion mitigation,” and (as previously mentioned) below-market land sales and 10-year tax waivers for high-density housing.⁴⁶ When tax-increment finance districts aimed at supporting new light-rail lines are added, subsidies to Portland-area transit-oriented developments probably come close to \$2 billion, not counting the cost of light rail, streetcars, or other transit projects.

Portland’s story of spending \$90 million on a streetcar line to get \$2.3 billion of development, or \$57 million on an aerial tram to get \$1 billion of development, sounds attractive to officials from other cities. It might not sound so attractive if Portland admitted that it really had to spend \$665 million, in addition to the cost of the streetcar line and tram, not to mention 10-year tax waivers on at least \$100 million of development, to get that \$2.3 billion worth of development.

“It is a myth to think that the market will take care of development along transit corridors,” said Portland City Commissioner Charles Hales in 1996, when he proposed to subsidize such developments.⁴⁷ “The \$55 million streetcar line has sparked more than \$1.5 billion (and growing) in new development,” said consultant Charles Hales 10 years later, working to sell streetcars to other cities and conveniently forgetting about the subsidies he promoted when he was on the city council.⁴⁸

“Look at all the cranes in the city,” says developer Homer Williams. “Outside of two or three exceptions, it’s all because of the streetcar.”⁴⁹ Yes, because of the streetcar and the hundreds of millions of dollars in subsidies in the areas served by the streetcar. While transit

may be a catalyst for subsidies to development, it is not itself a catalyst for development.

Myth #4: Portland Curbed Sprawl

Even if Portland’s integrated land and transportation planning is not changing people’s travel habits, planning advocates content themselves with the thought that Portland is at least preserving farmland and curbing sprawl. After all, according to the Census Bureau, between 1990 and 2000, the population density of the Portland *urbanized area* increased by 10.6 percent.⁵⁰

One problem with this reasoning is that many urban areas that have no urban-growth boundaries increased their densities by even more than 10.6 percent. During the 1990s, Kansas City’s density increased by 39 percent; Phoenix’s by 34 percent; Dallas-Ft. Worth’s by 33 percent; San Antonio’s by 26 percent; Houston’s by 20 percent; and Orlando’s by 13 percent.⁵¹ One reason for these increases is that the Census Bureau changed its definition of urbanized area so as to eliminate vacant lands that had previously been included.

Another reason for Portland’s increased density is that much of the growth took place as “infill” on prime farmlands, such as Orenco, that happened to be inside the region’s urban-growth boundary. This suggests that planners are not so much protecting farmlands as determining which farmers get to enjoy windfall profits because they are inside an imaginary line.

At the same time that newcomers increased the Portland area’s density, large numbers of other people escaped Portland’s planning system by moving to Vancouver, Washington; Salem, Oregon; and other communities outside the reach of Portland planners. As land-use rules drove up housing prices, many people with Portland-area jobs moved to communities outside the boundary. “Middle-class people are moving to the suburbs for bigger houses,” admits Portland city commissioner Erik Sten.⁵²

Rail transit is not a catalyst for development; it is a catalyst for subsidies to development.

**Thanks to
planning-induced
housing
shortages, the
fastest growing
city in the
Portland area is
Vancouver,
Washington.**

Between 1990 and 2000, Portland grew by 21 percent, while its Oregon suburbs such as Beaverton and Gresham grew by 30 to 40 percent. Meanwhile, Vancouver, Washington—directly across the Columbia River from Portland but beyond the reach of Portland planners—grew by 210 percent.⁵³ Though Vancouver started the decade with barely 10 percent of Portland’s population, it actually gained more new residents during the 1990s than the city of Portland.

Meanwhile, 45 miles south of Portland, Salem grew fast enough to overtake Eugene as Oregon’s second-largest city in 2001. Like all Oregon cities, Salem has an urban-growth boundary, but planners there were less aggressive than in Portland and so Salem’s housing market has remained more affordable.⁵⁴

Rather than preventing sprawl, Portland’s planning has to some degree accelerated it. Instead of leading people to drive less, the plans are forcing people to commute long distances to find affordable housing.

Myth #5: Portlanders Love Planning

Portland’s planning represents “true direct democracy in action,” says the BBC.⁵⁵ Hardly: Several recent elections and other events have seen defeats for the planners, but they continue to plan anyway.

- In 1995, planners began rezoning neighborhoods to higher densities. The first neighborhood targeted for densification was Oak Grove, where I lived at the time. When planners held public hearings to find out how residents felt about the plan, they were confronted by hundreds of angry homeowners. Local government officials reluctantly asked Metro, Portland’s regional planning agency, to take Oak Grove off the list of neighborhoods slated for rezoning, saying “there is no community support” for the plan.⁵⁶ Metro and other local governments responded by not holding

public hearings in most other neighborhoods slated for densification. Instead, plans were written by committees consisting of a few neighborhood residents who were prescreened to insure they supported Portland’s densification, along with many more nonresidents, such as officials representing TriMet and other government agencies.

- In 1997 voters in the Portland suburb of Milwaukie recalled their mayor and a majority of their city council from office because the council had approved a plan to rezone part of the city for higher densities.⁵⁷ Planners were greatly relieved when no other city followed the suburb’s example.
- Public hearings held in 1998 on light-rail expansion plans revealed planners’ lack of commitment to the democratic process. At the first few hearings, planners intimidated anyone who attempted to distribute anti-light-rail literature, even just copies of their testimony, by threatening them with arrest for “criminal trespass.”⁵⁸ Metro changed this policy after it realized that the First Amendment allowed people to express their opinions at public hearings.
- In November, 1998, Portland-area voters rejected, by 47-to-53, the proposed expansion to the light-rail system. Yet TriMet is expanding anyway, using tax-increment financing—the only way local officials in Oregon can use property taxes without a public vote—to finance the new lines.
- In 2002 planning opponents put a measure on the ballot that would forbid Metro, Portland’s regional planning agency, from requiring that more neighborhoods be rezoned to higher densities. Having already densified dozens of neighborhoods, Metro responded with its own measure that put a moratorium on densification through 2015. Planning advocates claimed victory when Metro’s measure won—but if they had really believed that voters supported

their density plans, they would simply have opposed the original anti-density measure.

- In 2004 property-rights activists put measure 37 on the ballot, allowing anyone whose property values had been reduced by planning and zoning to ask for either compensation or to have the rules waived. Planning advocates spent \$2.7 million to argue that this would destroy Oregon's land-use planning system. Though measure 37's supporters spent barely a third of that amount promoting it, the measure passed by 61 percent, winning a majority of the votes in every county in the Portland area.
- In 2005 Portland's incoming mayor, Tom Potter, announced a "VisionPDX" process that would allow Portland residents to "create a vision for Portland for the next 20 years and beyond."⁵⁹ After collecting people's opinions for more than a year, a draft report revealed significant uneasiness with the Portland's plans. Respondents "worry about a growing gap between Portland's haves and have-nots—in schools, health care and the priorities of city government," says the draft. In particular, many people think "the tram/South Waterfront/North Macadam development (not to mention the Pearl, which seems to have become a verb, as in 'to Pearlize') was a total waste of money."⁶⁰

Far from representing direct democracy in action, Portland's programs are a classic example of arrogant government planners doing their best to sidestep the public's wishes. "Portland-area residents have not knowingly consented to be willing research subjects in a radical experiment," warned a Portland State University professor of urban studies in 1995.⁶¹ The Goldschmidt affair revealed that, not only was Portland's plan a radical experiment, it was manipulated by special interests to maximize the profits of selected developers and rail contractors. The

only question left is how Portlanders will overturn the dominant paradigm.

Problems with Portland's Plans

The previous discussion has already hinted at some of the major drawbacks of Portland's integrated land-use and transportation planning. These include the following:

1. Increasingly unaffordable housing prices.
2. Increased traffic congestion.
3. Higher taxes or reduced urban services as tax revenues are diverted to rail transit and transit-oriented development.
4. A reputation for having an unfriendly business environment, leading to higher unemployment.

Problem #1: Unaffordable Housing

During the 1990s, housing affordability declined by more in Portland than in any other urban area in the United States. Today, Portland remains more affordable than most California housing markets, but it is far less affordable than many less-regulated housing markets, such as Atlanta, Raleigh, and Houston.

A standard measure of a region's affordability is median home price divided by median family income. A price-to-income ratio of 2 or less is very affordable, whereas markets with ratios above 3 verge on unaffordable. At current interest rates and a price-to-income ratio of 3, a family devoting a quarter of its income to mortgage payments would need 17 years to pay it off. At a ratio of 4, it would need 32 years, and at a ratio of 5, it could never pay it off.

The decennial census estimates both median family income and median home value for the year prior to each census. Census data reveal that almost all U.S. regions outside of Hawaii (which passed growth-management planning legislation in 1960) had affordable housing in

Far from representing direct democracy in action, Portland's programs are a classic example of arrogant government planners doing their best to sidestep the public's wishes.

In 2005, planners were elated to find that, thanks to housing that they made unaffordable, developers were voluntarily tearing down suburban homes and replacing them with high-density housing.

1969. During the 1970s, many counties in California imposed urban-growth boundaries and other growth-management tools. By 1979, most California housing prices had become as unaffordable as those found in Hawaii.

Oregon urban-growth boundaries were imposed in 1979–85, but a severe recession that caused the state to actually lose population during some years in the 1980s kept housing affordable through 1989. As the state’s economy recovered after that year, prices rapidly accelerated.

Growth boundaries limit the supply of land available for new home construction. In 1990, builders could buy an acre suitable for residential use in the Portland area for \$25,000.⁶² By 1997, the cost of the same acre was between \$150,000 and \$200,000. Because median incomes had not increased significantly, the National Association of Home Builders ranked Portland the second-least affordable housing market in the country.⁶³

Growth boundaries are not the only cause of unaffordable housing. Other problems include impact fees and an onerous permitting process that allows anyone in the state to challenge a proposed development without hiring an attorney. One result of this regulation is reduced competition in the housing market. “The urban growth boundary has really been our friend,” says a leading Portland homebuilder. “It kept the major builders out of the market.”⁶⁴ Of course, in this case what is good for homebuilders is bad for homebuyers.

In 1989, Portland’s value-to-income ratio was less than 2. By 1999, it had increased to more than 3. It was no fluke that this increase was greater than that of any other U.S. urban area: the second- and third-greatest increases were in Salem and Eugene, Oregon. Today, as noted in the discussion of Mayor Potter’s VisionPDX, housing affordability is a major concern for many Portland-area residents.

Unaffordable housing hits low-income families particularly hard. With the growth boundary limiting new home construction, many young families are gentrifying low-income neighborhoods in Portland, pushing former renters in those neighborhoods out

of single-family homes and into multifamily housing.⁶⁵ “People who don’t have choices are getting pushed out as rents go up,” says city commissioner Eric Sten.⁶⁶

Although planners never actually said they wanted to increase housing prices, it is not clear that they see high prices as a problem. “If people want a compact urban area,” said Metro’s chief land-use planner in 1996, “some increase in the price of housing is going to occur.”⁶⁷ Higher prices would discourage people from living in homes with large yards and encourage more people to live in multi-family housing, which planners considered to be a good thing. In 2005, planners were elated to find that land and housing prices had gone so high that—without any subsidies—developers were tearing down suburban homes and replacing them with high-density housing.⁶⁸

Yet high housing prices cause several serious problems. First, they deny low-income families the opportunity to achieve the American dream of homeownership. “Insidiously, the burden of site-supply restrictions will fall disproportionately on poor and minority families,” says Portland economist Randall Pozdena. Pozdena estimates that if Portland’s planning measures had been applied nationwide during the 1990s, more than a million young and low-income families would have been prevented from buying homes.⁶⁹

High housing prices may create windfall profits for some homeowners—but it is merely a paper profit unless they plan to sell and then move to a lower-cost region or a smaller home. However, this windfall, too, is inequitable, as the people buying their first homes tend to be less wealthy than those who already own their homes.

High housing prices also slow the growth of urban areas. Silicon Valley saw an exodus of firms to the Portland area in the early 1990s, when Portland was still affordable. But by 2000, Portland’s high housing prices led many potential employers to look to Boise, Omaha, or other affordable communities.

Research in Britain, which has practiced growth management since 1947 and suffers from some of the highest housing prices in

the world, found that neighborhoods with high homeownership rates tend to have higher unemployment rates than communities with high rental rates.⁷⁰ High housing prices make the cost of moving unaffordable, effectively immobilizing the population.

Harvard economist Edward Glaeser has found that growth management makes both housing prices and local employment rates more volatile. “In the long run, firms generally leave high-cost areas,” says Glaeser, so “places with rapid price increases over one five-year period are more likely to have income and employment declines over the next five-year period.”⁷¹ It is not surprising, then, that in much of 2001 and 2002 Portland had some of the highest unemployment rates of any major metropolitan area.⁷²

Problem #2: Congestion

Between 1982 and 2003, the amount of time the average commuter wasted in traffic increased more rapidly in Portland than in Atlanta, Boston, Denver, Los Angeles, New York, Phoenix, or San Francisco—more, in fact, than in almost any other U.S. urban area.⁷³ This was not an unintended consequence of Portland’s planning—in fact, it was part of the plan.

Increased congestion will “signal positive urban development,” says a 1996 report from Portland’s Metro.⁷⁴ Three years later, Metro’s regional transportation plan declared, “transportation solutions aimed solely at relieving congestion are inappropriate.”⁷⁵ In fact, Metro has decided that “level of service F”—the transportation engineer’s term for near gridlock—is “acceptable” during rush hour throughout most of the Portland area. Why? Because, says Metro’s leading transportation planner, relieving congestion “would eliminate transit ridership.”⁷⁶

Following are just a few examples of how Portland planners are letting congestion increase.

- The biggest bottleneck in the Portland area is on Interstate 5 between Portland and Vancouver, just south of the bridge

crossing the Columbia River, where the three southbound lanes shrink to two lanes for just 0.8 miles. The result is huge traffic backups as all the Portland workers who found affordable housing in Vancouver try to get to work each morning. Metro’s 1995 transportation plan estimated that it would cost only \$10 million to add a third lane to this segment, but to this date nothing has been done.⁷⁷ In 1998, Henry Hewitt, chair of the Oregon Transportation Commission, told a legislative committee that Metro had asked the department not to fix the bottleneck.⁷⁸

- U.S. Representative David Wu (D), who represents west Portland, earmarked federal funds to expand state highway 217, which may be the second-most congested freeway in the Portland area after I-5. Metro turned the money down, saying it had other priorities.⁷⁹
- Portland’s 82-year-old Sellwood Bridge, the busiest two-lane bridge in Oregon, is structurally failing and was closed to trucks and buses in 2004. The Bechtel Corporation offered to replace the bridge by 2010, but Metro and Multnomah County (which owns the bridge) turned them down. Due to their lengthy planning processes, they don’t even expect to begin construction before 2010.⁸⁰ When they finally do, they almost certainly will not add capacity for anything except bicycles.
- Rather than increase roadway capacity, Portland is actively reducing the capacity of many arterials and collectors to handle traffic. Speed humps and curb extensions have been added to such collectors as Belmont and Stark streets, while arterials such as Sandy, Barbur, and McLoughlin have been slated for boulevarding, also known as arterial traffic calming, which means removing right- and left-turn lanes.

The Texas Transportation Institute estimates that congestion cost Portland-area

When U.S. Representative David Wu (D) earmarked funds to expand one of the most congested freeways in Oregon, Portland-area planners turned the money down.

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commuters more than \$500 million in wasted time and fuel in 2003, a 1900-percent increase from 1982.⁸¹ A study prepared for Metro and the Portland Business Alliance estimates that the cost of congestion to businesses is of the same order of magnitude.⁸²

In its 2020 regional transportation plan (published in 2002), Metro predicted that its plans would increase the amount of time Portlanders waste sitting in traffic more than 6.6 times.⁸³ Congestion would increase despite all of the region’s land-use and transit plans because those programs, predicted planners, would attract no more than about 4 percent of auto drivers to other modes of travel.⁸⁴ When asked about those predictions, which were in his own agency’s report, Mike Burton, Metro’s elected executive, told a legislative committee, “Nobody believes those numbers.”⁸⁵

In 2007, the Federal Highway Administration chastised Metro for its anti-auto transportation plans. “It is difficult to find the transportation focus” in Metro’s regional transportation plan. Metro “should acknowledge that automobiles are the preferred mode of transport by the citizens of Portland,” added the agency. “They vote with their cars every day.”⁸⁶ Based on that “vote,” “The transportation solution for a large and vibrant metropolitan region like metropolitan Portland should include additional highway capacity options.”⁸⁷

Problem #3: Increased Taxes/Reduced Urban Services

On September 17, 2006, developer Homer Williams was eating dinner on the patio at the Bluehour, the ritziest restaurant in the Pearl District, when he saw police subdue a man on the sidewalk outside. Williams later told police he was struck by the “casualness” of the situation.⁸⁸

It was anything but casual for James Chasse, the man in custody. A talented musician who had schizophrenia, Chasse was fine as long as he took his medications. But a

nonprofit mental health clinic received a report on September 15 that he was not eating and had probably stopped taking his medicine. When someone working for the clinic tried to find him, Chasse fled in panic.

Two days later, police officer Christopher Humphries saw Chasse and assumed he was drunk or on drugs. When Humphries tried to approach, Chasse ran away. Humphries tackled him and, according to witnesses, punched and kicked him several times.⁸⁹ While in custody, Chasse died of chest injuries.

Portland mental health advocates were outraged that many of the programs that could have saved Chasse’s life had suffered recent budget cuts: community policing,⁹⁰ a crisis triage center,⁹¹ and the city’s mental health program.⁹² Yet the city continues to spend tens of millions of dollars a year subsidizing high-density developments. “So while some poor mentally ill guy lay there with his life ebbing away,” blogger Jack Bogdanski scathingly comments, “the big-shot real-estate sharpie sat with his cloth napkin on, eating his braised veal ravioli with truffles.”⁹³

Between 10-year property tax waivers for high-density housing and tax-increment financing for transit-oriented developments, Portland has diverted tens of millions of dollars of tax revenues a year from schools, police, fire, public health, and other urban services. This has contributed to funding crises for many of those services, even as developers like Homer Williams continue to enjoy hundreds of millions of dollars in subsidies for their projects.

As of 2003 nearly \$1.4 billion worth of property had received tax waivers in Multnomah County (where most of Portland is located). About \$214 million of that was specifically for Portland’s high-density or transit-oriented plans, representing lost tax revenues of about \$4 million per year. Another \$600 million is for improvements and renovations to historic properties. About 60 percent of these improvements, by value, are near the light-rail or streetcar lines, and many were counted by Portland planners as developments stimulated by rail transit.⁹⁴

Portland has 10 urban-renewal districts, at least 7 of which were created specifically to support rail transit and transit-oriented developments. The city uses tax-increment financing (TIF), a technique first developed to promote urban renewal in California in 1953. Since then, TIF has become the primary means of financing urban renewal in every state but Arizona. Tax-increment financing provides the funds used for eminent domain in urban-renewal areas; without TIF, cases like *Kelo v. City of New London* would never have happened.

Originally, urban renewal was supposed to be a way for cities to kick-start development in areas so blighted that property owners and developers would not invest in improvements. Today, it is often used by planners to shape development in areas that developers would gladly invest in without subsidies.⁹⁵ Planners use the TIF money to subsidize developments that are less marketable but more politically correct than the ones developers would build without subsidies. Often, that means high-density, mixed-use developments.

Under tax-increment financing, the existing property taxes collected from an urban renewal district are frozen, meaning they are distributed, as before, to schools and other services. All property taxes collected on new improvements—the increment—are used to subsidize those improvements. In most cases, planners estimate the revenues they will get from those improvements, then sell bonds that will be repaid by those revenues. The bonds are used to pay for infrastructure, below-market land sales, and sometimes direct grants to the developers.

Portland has authorized the sale of \$1.7 billion worth of TIF bonds to support its 10 urban renewal districts. About \$1.2 billion of the bonds are for the seven districts created specifically for rail and transit-oriented development. They include the River District (created for the streetcar and the Pearl; \$234 million), Airport Way (created for the airport light rail and Cascade Station; \$73 million), North Macadam (created for the South Waterfront/aerial tram/streetcar; \$289 million), Interstate (created for the Interstate light-rail; \$335 million),

Gateway (created for the airport light-rail; \$164 million), Lents (created for a proposed light rail to Clackamas County; \$75 million), and Central Eastside (created for a proposed light-rail line and transit-oriented developments; \$66 million).⁹⁶ It is likely that bonding authority for the Central Eastside and Lents districts will increase as plans for those areas progress.

At least some of the money spent on the districts not created specifically for rail transit and TODs has still gone to support those activities. The streetcar was built with the help of \$7.5 million of the \$144 million in bonds for the South Park Blocks District.⁹⁷ Many of the improvements in that district and the Convention Center District (\$168 million) were counted by planners as investments generated by rail transit.⁹⁸

According to Multnomah County, the actual taxes diverted to Portland urban renewal totaled \$66 million in 2006, \$41 million of which went to the rail-TOD districts.⁹⁹ That amounts to about 6 to 7 percent of total property tax collections in Multnomah County.¹⁰⁰ Many of Portland's suburbs, including Gresham, Wilsonville, and Tualatin, have their own urban-renewal districts used to subsidize their own transit-oriented developments.

The Chasse tragedy symbolized the many problems caused by the diversion of funds from schools, police, public health, and other services. Portland's schools are particularly squeezed by tax breaks and urban renewal.

Due to Portland's high housing prices, a disproportionate number of families with children have moved to suburban or exurban areas where they can afford a house with a yard. As a result, only 21 percent of city of Portland residents are under the age of 18, compared to 27 percent of Portland's suburban residents.¹⁰¹ While suburban school districts are building new schools, Portland's is closing five to seven schools per year. Despite the closures, Portland's school district projected a \$57 million shortfall in its 2007 budget. Such shortfalls are only driving more families with children to the suburbs.¹⁰² When Portland's mayor suggested a city income tax to help schools, the idea sank like a lead aerial tram.¹⁰³

Tax-increment financing provides the money for eminent domain in urban-renewal areas; without TIF, cases like *Kelo v. City of New London* would never have happened.

Though there was no light rail near Columbia Sportswear's proposed office building and voters turned down funds to build it, Portland planners wanted to build it anyway so they told the company it could not provide surface parking because "it's a light-rail station."

All of these diversions have raised the ire of the public employees' unions and others who work for or rely on the services that are being cut. These groups are engaged in "a huge battle for the control of the Rose City," observes writer Phil Stanford, author of *Portland Confidential*, a book about corruption in the 1950s and '60s. "What's left of the old Neil Goldschmidt machine," says Stanford, is "struggling to maintain the hold it's had on the city's purse strings."¹⁰⁴

One of the leading opponents of the Goldschmidt program, City Commissioner Randy Leonard, represented firefighter unions before being elected. Since Portland firefighters get more than 90 percent of their funds from property taxes, they are understandably concerned about tax-increment financing.¹⁰⁵ Another opponent, Amanda Fritz—who challenged an incumbent Goldschmidt supporter for city council in 2006—has represented nurses unions. Although Fritz did not win, Leonard survived a strong challenge from a Goldschmidt supporter in the same election.

Most recently, groups ranging from the League of Women Voters to the chair of the Multnomah County Commission are opposing an extension of the Portland streetcar that would require more TIF money. The League worries that TIF saps spending on schools and social services. Multnomah County says that urban renewal costs it \$14 million per year.¹⁰⁶ In any case, says Stanford, "it looks like the political machine that's called the shots in Portland for almost 50 years is crumbling."¹⁰⁷

Problem #4: Business-Unfriendly Environment

Columbia Sportswear, one of Oregon's largest companies, was headquartered in North Portland but wanted to relocate to a larger space. In 2000 it found a location in the Central Eastside urban-renewal district, and the city of Portland was pleased to welcome the company there.

After making plans for the new office, however, the company was told by Portland plan-

ners that it could not have any surface parking at the site because "it's a light-rail station." There is no light-rail line anywhere nearby, and voters had turned down funds to build such a line, but the city hoped to eventually build the line anyway, so it declared the parking rule to be "nonnegotiable."¹⁰⁸ The company moved to suburban Washington County instead, and its CEO blasted the city for its anti-business climate.¹⁰⁹

Homer Williams may find Portland to be a business-friendly environment. But for those who cannot hire a Neil Goldschmidt to smooth their way to riches, the cost of doing business in the Portland area is high. That cost includes

- The high cost of land for office, industrial, or retail operations;
- The cost of overcoming Oregon's lengthy and onerous land-use planning process when siting such operations;
- The cost of congestion, especially for businesses that make daily deliveries of goods and materials;
- The cost of paying workers enough so that they can afford housing and other consumer costs; and
- The high tax rates needed to support rail transit and other expensive programs.

Portland seemed to have a business-friendly environment in the early 1990s. Housing was still very affordable, especially when compared to housing in California. In 1993, the state legislature was prompted by Intel to pass a law allowing cities and counties to tax only the first \$200 million of the value of chip-making plants, which were often worth \$1 billion or more. This seemed reasonable to many because such factories did not consume any more public services than, say, sawmills or other pre-silicon plants.

As a result, at least 10 chip factories located in the Portland area, each employing thousands of people. Between 1992 and 1998, the region gained nearly 200,000 new jobs, a 26-percent increase. Then job growth slowed as high prices for land and housing led employers to look to

Boise and other low-cost regions to site new facilities. At its peak, in December 2000, the Portland area had just under a million jobs. By January, 2004, employment had fallen nearly 8 percent to less than 920,000 jobs. Since then, employment has recovered but today stands only slightly above the 2000 peak.¹¹⁰

Conclusions and Recommendations

Portland planning did not start out as a real estate scheme aimed at enriching Neil Goldschmidt and his friends and clients, but it ended up that way. Portland's planning process was conceived by ideologues who disliked the automobile and wanted to preserve all of Oregon's abundant open space no matter what the cost. It was endorsed by politicians who refused to believe, or simply ignored, predictions that it would hugely increase congestion and housing costs. And it was manipulated by a cabal of politically connected businesses seeking to divert the flow of tax dollars into their own pockets. The opportunities for such manipulation were so obvious that, if Neil Goldschmidt had not started the light-rail mafia, it would have been someone else; and if it were not for Goldschmidt's statutory rape, many Portland-area residents never would have learned about this cabal.

The results have been a disaster for the average Portland-area resident. The light-rail and streetcar lines, vibrant downtown streets, and scenic vistas outside the urban-growth boundary may seem attractive to visitors. But residents have to live in unaffordable housing, creep along in traffic congestion, and pay higher taxes or suffer reduced urban services so that the region's political leaders can fund their rail transit and transit-oriented development schemes.

Portlanders always hoped that planning would save their region from becoming like Los Angeles, the nation's most congested, most polluted urban area. When Portland planners were in the midst of writing their plan for densifying and railifying the region,

they examined the nation's 50 largest urban areas to see which was closest to the vision they had for Portland.

It turned out that one region almost precisely matched that vision. The nation's densest urban area was also the major urban area with the fewest number of miles of freeway per capita. That same area also happened to be spending billions of dollars building new rail transit lines. Which urban area was that? Why, Los Angeles.

Despite the popular belief that Los Angeles is the epitome of urban sprawl, it is actually the densest urban area in America—about one third denser than the New York urban area (which includes southwestern Connecticut and northeastern New Jersey). The Los Angeles urban area (which includes Pasadena and much of Orange County) also has only about 53 freeway miles per million residents, compared with a national urban area average of 108 miles. Los Angeles is congested because it packs so many people into a small area and doesn't have enough roads for them to drive on. It is polluted because cars pollute the most in stop-and-go traffic.

"In public discussions we gather the general impression that Los Angeles represents a future to be avoided," wrote Metro in 1994. Yet "with respect to density and road per capita mileage it displays an investment pattern we desire to replicate" in Portland. Rather than see this as a sign that there might be something wrong with their plan, planners merely attributed this to a difference between "perception and reality."¹¹¹

Portland and Oregon can take several steps to remedy Portland's problems before they get any worse:

- Portland-area voters should dissolve Metro, the regional planning agency, and return planning functions to local governments.
- The state legislature should repeal the land-use planning laws that are driving up housing prices and immobilizing the region's transportation systems.
- As an intermediate step, the state should

The opportunities for manipulating the system were so obvious that, if Neil Goldschmidt had not started the light-rail mafia, someone else would have.

People who want to see their regions remain livable should look at Portland only as an example of how not to plan.

pass legislation requiring Metro or local governments to make enough land available for development at marketable densities to maintain a 20-year supply of land. Similar legislation is currently being considered by the California legislature.¹¹²

- As suggested by University of Maryland public policy professor Robert Nelson, the state could also pass legislation giving groups of homeowners and landowners the ability to opt out of local land-use planning and zoning by creating a homeowners' or landowners' association that writes its own plans and protective covenants.¹¹³
- The state should also create a regional tollroads authority that can sell bonds backed to tolls to build highways to meet the demand as measured by motorists' willingness to pay tolls that are priced to minimize congestion.
- The region should halt construction of rail transit lines and other transportation projects that are not cost effective in relieving congestion.
- The legislature should eliminate or strictly limit the ability of local governments use tax-increment financing. At the very least, such financial support should be provided to developers only if an area is so blighted that no development would take place without initial financial support.

Until these changes are made, cities outside the Portland area should scrutinize Portland's claims with skepticism. People who want to see their regions remain affordable, uncongested, and livable should look at Portland only as an example of how not to plan.

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