

Revised Draft
Economic Development Summary Report
November 24, 2010

I. REGULATORY CONTEXT

Complying with Goal 9, Economic Development in Oregon

The Oregon legislature passed Senate Bill 100 in 1973, requiring the state, through a broad engagement program, to establish statewide land use planning goals that would require Oregon communities to develop plans consistent with certain commonly-held values. To “assure the highest possible livability in Oregon,” Senate Bill 100 required all cities and counties to develop comprehensive plans including goals for the local economy and housing. These goals continue to be a priority for the state. Goal 9 is a specific focus area for the periodic review of Lake Oswego’s Comprehensive Plan. The statewide goal is “To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare and prosperity of Oregon citizens.....”

Lake Oswego’s Comprehensive Plan was first acknowledged in 1984 and is currently being updated. This process is expected to take up to three years and will be grounded in the City’s emerging sustainability framework through extensive community engagement.

This summary document synthesizes information from several sources, including the City’s existing Comprehensive Plan, its Economic Development Strategy, a technical background paper by ECONorthwest (ECO), population and demographic trends by FCS GROUP (FCS) and several Lake Grove Village commercial area economic development market studies and associated strategy documents. It describes existing conditions and trends and identifies key issues and opportunities that should be considered by elected and appointed reviewing bodies and addressed by the community as Lake Oswego updates its Comprehensive Plan.

Metro Urban Growth Management Functional Plan

Metro’s Urban Growth Management Functional Plan (Functional Plan) contains requirements for meeting statewide economic development goals to meet the regions’ objectives for livability. These livability goals were developed through extensive community engagement and are embedded in the Region’s 2040 Growth Concept.

Title 4 of the Functional Plan governs industrial and other employment areas. Specifically, it places restrictions on certain land uses in three designations on the 2040 Growth Concept Map: Regionally Significant Industrial Areas, Significant Industrial Areas and Industrial/Employment Areas.

As part of its “periodic review”, Metro regional government updates its housing and employment projections every five years. Metro published a Draft Urban Growth Report (UGR) in December, 2009, including an analysis of the region’s need for additional employment land. The application of regional projections allocated to local communities is still underway.

According to ECO’s analysis based on Metro’s methodology in late 2009, the preliminary employment growth forecast states that Lake Oswego will accommodate growth of about 6,738 new employees. This was a demand-based estimate of employment growth created by ECO as the UGR numbers were still under development in 2009. This estimated forecast of employment growth is expected to change as an updated Economic

Opportunities Analysis (EOA) is developed this year. In January 2010, Metro's assumptions about regional growth, employment density, infill and redevelopment were published in the UGR. In their analysis, ECO recommend updating these estimates with Metro's final projections and using them to develop the City's vision and economic strategy during the Comprehensive Plan update process.

If ECO's projections are correct, the number of jobs in Lake Oswego would increase by 51%, and does not account for government or institutional needs over the next 20 years. Depending on assumptions about employment density, Lake Oswego's vacant employment land base of 24 acres could accommodate between 1,000 and 1,800 new employees over the next two decades. Given the City's limited supply of vacant land, ECO's work assumes that Lake Oswego will need to accommodate about the remaining need, or two-thirds of employment growth, through redevelopment or infill or "refill" in order to accommodate Lake Oswego's share of regional employment needs. This would be approximately 4,938 – 5,738 jobs.

Accommodating Metro's allocation of employment without expanding the urban growth boundary (UGB) will require that the City increase the density of employment uses. Metro's forecast of employment densities in areas like Lake Oswego are for 22 employees per acre (EPA) for industrial uses, 55 EPA for retail, and 81 EPA for commercial development. Lake Oswego's current employment density is 32 EPA.

Metro has not specifically allocated employment to regional subareas, but plans to do so by the end of 2011. Until more is known about a local allocation, ECO completed two alternative forecasts regarding strategies to accommodate future employment growth based on state goal and rule requirements. The methodology they used is consistent with the *Industrial and Other Employment Lands Guidebook* but may have overstated the local employment need according to Metro's regional projections.

State guidelines for economic development planning, and the Department of Land Conservation and Development Economic Specialist stress the importance of articulating a clear community vision or strategy regarding employment aspirations. As the City moves toward submitting a full and updated Economic Opportunities Analysis to comply with Goal 9 and Title 4 requirements, the vision for sustainable economic growth developed through the Comprehensive Plan update will be an important guiding framework. The City's April 2010 Economic Development Strategy document provides a good foundation for developing this vision and will be built upon through public discussion and the planning process.

We recommend the City use the following discussion questions with the Planning Commission (PC) to help guide the development of its comprehensive plan update:

- Metro has not formally allocated additional dwellings or jobs to the City. However, we expect that they will by late 2011. Part of our strategy to determine "need" is to consider Metro's possible allocation, but to emphasize meeting the needs of the community vision. Is this an appropriate approach?
- From what you know today, what areas should be considered to accommodate employment need through a) redevelopment b) increased employment density or c) additional urban areas? In what order of priority?
- Are the redevelopment assumptions appropriate?
- Is a strategy that aims for refill for two-thirds of employment growth reasonable?

II. DEMOGRAPHICS, TRENDS, FORECASTS

Lake Oswego Context

The Lake Oswego Comprehensive Plan Map designates seven commercial, two industrial, and five mixed-use or dual zones that allow commercial or industrial activity within the Urban Services Boundary (USB). Currently, Lake

Oswego has 1,060 tax lots with 689 gross acres zoned for commercial and industrial development. Of that, about 62% of Lake Oswego's employment land is in commercial plan designations, with 19% in industrial and 18% in mixed-use or dual zones (in which one of two zones can be selected).

According to ECO, in 2006, there were 21,044 jobs in Lake Oswego at 2,272 establishments with an average firm size of 9.3 employees.

The sectors with the greatest numbers of employees were:

- Finance and Insurance (17%),
- Professional, Scientific and Technical Services (12%),
- Government (11%)
- Accommodation and Food Services (9%)
- Health Care and Social Assistance (8%)
- Retail (7%).

These sectors accounted for 13,245 or 63% of Lake Oswego's jobs. The average wage per employee was about \$49,400.

Of these sectors, the ones with above average wages were:

- Finance and Insurance (\$65,335 average wage)
- Professional, Scientific and Technical Services (\$73,100)

Other sectors with at least 5% of the City's employment and above average wages were: Wholesale Trade (\$86,400), Construction (\$58,000), and Manufacturing (\$54,700).

The sectors with the most employment and below average wages were:

- Accommodation and Food Services (\$16,300)
- Retail (\$24,100)
- Government (\$34,100),
- Health Care and Social Assistance (\$36,000).

Other sectors with at least 5% of the City's employment and below average wages were: Other Services (\$27,200), and Administrative Support and Waste Management (\$30,500).

About 9% of the City's employment is currently accommodated through home-based occupations. The types of employment accommodated through home-based employment ranges from professional occupations (e.g., software development or accounting) to construction contractors to cottage industries (e.g., small scale production of goods such as apparel, jewelry, or personal care products).

Lake Oswego's current employment densities are considerably lower than Metro's assumptions about future employment density. In 2006, Lake Oswego had about 21,000 employees and about 665 acres of developed commercial and industrial land. The approximate overall employment density is 32 EPA. This ranges from 55 EPA in commercial plan designations to 25 EPA in retail areas and industrial areas.

Kruse Way is a notable economic engine in the region, with total economic output of \$17.2 million per acre, based on an 81-acre commercial area. The average job density in Kruse Way is 34.1, with assessed value at \$2.1 million per acre. This assessed value generated \$36,027 in local property tax collection per acre in 2006 and contributed \$169,975 per acre in associated state taxes.

FCS' analysis (Figure 1) compares these to other employment areas in Clackamas County (East Wilsonville, Clackamas and North Milwaukie Industrial Areas). See also Clackamas County's 2008 Economic Landscape study for additional and related information.

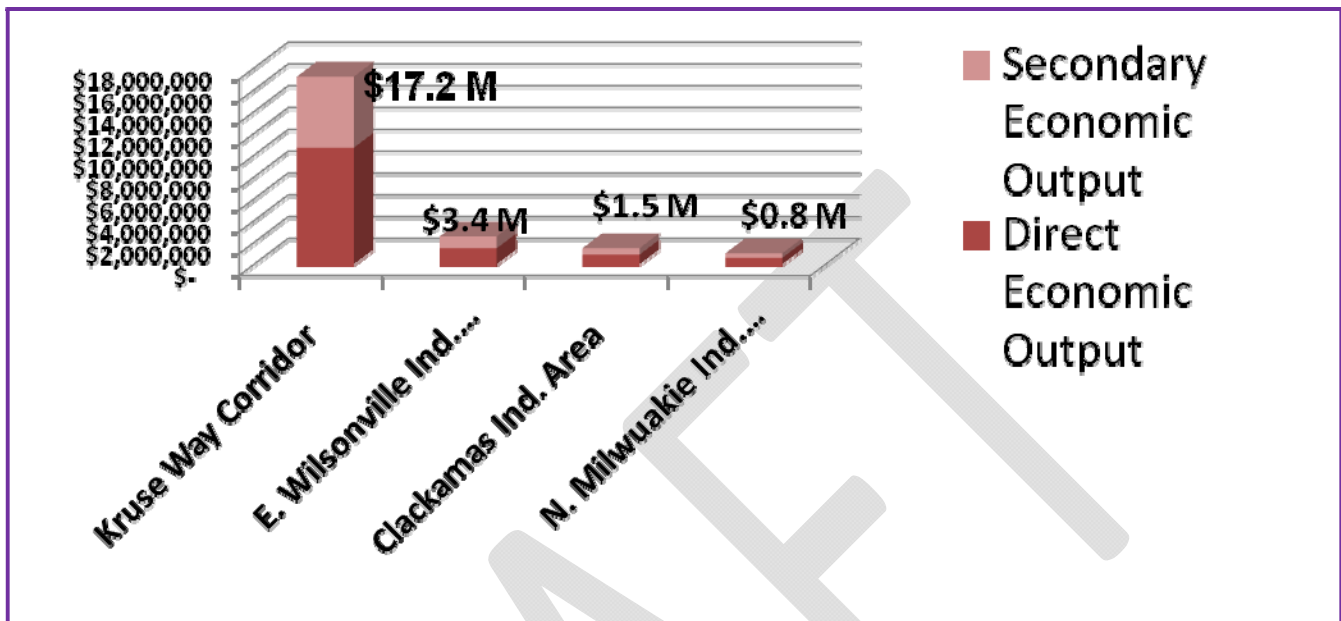


Figure 1: Comparative Economic Output for Clackamas County Employment Areas
Source: FCS GROUP,

Existing Policy

Lake Oswego's current Comprehensive Plan goal for economic development is: *"The City shall provide for economic development opportunities which enhance the prosperity and livability of the community."* Comprehensive Plan policies support this goal by designating and managing land to:

- Supply goods and services to the population within Lake Oswego's Urban Services Boundary
- Provide close-to-home employment opportunities; and
- Maintain and improve the health of the local economy.

The City adopted an Economic Development Strategy in April, 2010. This document, developed by a group of dedicated business leaders, is a five-year strategy based on a vision that in 2025, Lake Oswego "will be a more vibrant, connected and sustainable community, known throughout the region as a unique and wonderful place to live, learn, work, play and enjoy arts and culture". The Economic Development Strategy recommended four interrelated tracks of effort and associated strategies:

- Market Lake Oswego
- Leverage quality of life and place
- Provide exemplary City services to businesses
- Retain and recruit businesses

Lake Oswego's competitive advantages are unique in the region and include:

- Quality of life
- Prestige
- Buying power
- Location

- Transportation
- Labor market
- Public policies that create an attractive place to live and do business
- Business taxes (relatively low for Clackamas County)

Population Demographics, Trends, Forecasts

According to the City's planning department, there are approximately 41,598 people living within the USB in 2010. Lake Oswego's future population growth will be a function of planned development along with changes in fertility and death rates and migration patterns. Local housing stock availability and price levels and broader national, international and regional economic conditions also will influence the pace of growth.

FCS created a Lake Oswego Population Baseline Analysis report in August, 2010. The report included a population forecast for the Urban Service Boundary (USB) through 2035. In order to forecast overall population growth for the Lake Oswego area, FCS considered actual historic population trends over three time periods: most recent trend (obtained from the U.S. Census American Community Survey for 2005-07, and 2006-08); six-year trend (obtained from the 2000 Census and the 2006-08 American Community Survey); and long-term trend (obtained from the 1990 Census and the 2006-08 American Community Survey). The average annual growth rates for the various population cohorts over these time periods are shown in Table 1 on page 6.

In addition to considering historic trends documented by U.S. Census estimates, FCS also considered population age cohort forecasts prepared for Clackamas County by the Oregon Office of Economic Analysis, and national forecasts prepared by the U.S. Census for the 2010 to 2030 time periods. The resulting forecast for population growth in the Lake Oswego area are provided in Table 1 for the 2007 to 2020 (near term) and the 2020 to 2035 (long term) time periods. These forecasts are referred to as the baseline midpoint forecast scenario. As with any forecast, the actual level of population growth will vary from year to year; hence, these assumptions should be revisited after 2010 Census data are available. However, these forecasts are generally appropriate for long-range planning and policy purposes.

Using the baseline forecast growth rate assumptions, the resulting long-term population forecast for the Lake Oswego USB assumes population increases from 43,094 currently to approximately 51,981 people by the year 2035.

Table 1: Lake Oswego Population Trends and Forecasts 2000-2035

Age Cohort (years)	Census 2000	Census 2006-08	Estimated USB 2010	Forecast USB 2015	Forecast USB 2020	Forecast USB 2025	Forecast USB 2030	Forecast USB 2035
under 5	1,746	1,824	2,046	2,161	2,283	2,306	2,330	2,354
5 to 9	2,426	2,233	2,378	2,304	2,233	2,214	2,196	2,178
10 to 14	2,810	2,460	2,614	2,525	2,438	2,405	2,372	2,340
15 to 19	2,424	3,057	3,311	3,298	3,286	3,309	3,332	3,355
20 to 24	1,470	2,131	2,357	2,432	2,510	2,562	2,615	2,669
25 to 44	9,441	9,115	10,185	10,692	11,224	11,329	11,436	11,543
45 to 54	7,267	6,653	7,102	6,909	6,721	6,908	7,099	7,296
55 to 64	3,676	6,160	6,917	7,320	7,747	7,846	7,946	8,047
65 to 74	1,477	2,882	3,551	4,386	5,418	5,758	6,120	6,504
75+	2,541	2,320	2,633	2,837	3,056	3,760	4,627	5,694
Total	35,278	38,835	43,094	44,865	46,916	48,398	50,074	51,981
AAGR	1.4%	1.4%	--	0.8%	0.9%	0.6%	0.7%	0.75%

Source: FCS

According to this analysis, total population growth in the Lake Oswego USB is expected to range from 7,554 to 10,220 net new residents over the 2010 to 2035 time period, with a midpoint forecast of 8,887 net new residents.

In light of the increase in seniors over the age of 65 and influx of younger residents between ages 25-34, the desired mix of future housing demand will likely be strongest for relatively smaller 1 and 2 bedroom dwelling units, including single family “cottages” and multifamily apartments and low rise flats or condominiums. FCS analysts expect to see a significant demand for both for-sale and rental housing products that appeal to young families, empty nesters, and seniors.

Population forecasts are an important factor in determining 20-year land need. Others include

- Demographics –Lake Oswego’s population is aging at a higher rate than the regional average
- Income – The City’s is higher than regional average.
- Educational Attainment – Lake Oswego residents’ far exceeds County and regional average
- Commute patterns – City residents’ commutes are shorter than most County or regional residents

Target industries are based on the City’s competitive advantages, land use and economic development policies and types of businesses that may be attracted to Lake Oswego. They should be discussed throughout the vision and comprehensive planning process. Target industries that appear to build on Lake Oswego’s competitive advantages include:

- Finance and Insurance
- Professional, scientific, technical services and information
- Real estate
- Corporate or regional headquarters
- Green businesses
- Health care
- Population-driven services for residents (retail and government)

- Services for seniors
- Government and public services

Metro's Urban Growth Report (UGR) is a regional analysis of demand and supply for industrial and other employment land. Metro has not yet allocated need to the subarea that includes Lake Oswego. That subarea allocation is expected by the end of 2011.

The UGR includes floor to area ratios (FAR) demanded for industrial, warehouse, flex, office, retail and institutional buildings for 2010-2015 (5 years) and 2015 – 2030 (20 years) and also includes effective FARs and total square foot demand for these time periods. The report also estimates industrial and non-industrial land capacity to accommodate growth, and describes large lot demand on a regional basis. It does not reconcile demand and supply on a subarea basis, but the 2011 update is expected to include these.

The January 2010 UGR concludes that "Inner I-5 (the approximate area of the Lake Oswego Urban Service Boundary), inner Westside, and the central city (Portland) do not have sufficient vacant buildable capacity to meet projected demand and must rely on redevelopment and infill:

Recommended questions for PC:

- Do you support our projected 2035 population and Metro's UGR range of dwelling and jobs?
- Are the forecasted population ranges an adequate/good basis to for planning?
- What other information would be helpful in this summary?

III. RECONCILING SUPPLY AND DEMAND

State law requires cities identify the difference between employment (commercial and industrial) land demanded and the supply or opportunity for that type of employment need to be satisfied. To calculate the difference between supply and demand, City staff created an inventory of buildable employment land within the City's USB (BLI). Staff began the buildable lands analysis with a tax lot database from Metro's July 2009 RLIS database. The inventory used tax lots as the unit of analysis because (1) it is a commonly accepted unit for land inventories, and (2) tax lots link directly to other data sets (e.g., assessment data, addresses, etc.). The tax lot database was current as of July 2009. The inventory builds from the tax lot-level database to estimates of buildable land by plan designation.

A key step in the buildable lands analysis was to classify each tax lot into a set of mutually exclusive categories. Consistent with accepted methods for buildable lands inventories and applicable administrative rules, all tax lots in the USB are classified into one of the following categories:

- Vacant land. Tax lots that have no structures or improvements. For the purpose of this inventory, lands with no improvement value are considered vacant and developable.
- Developed land. Land that has an improvement (including parking lots) of any value was classified as developed. Land in public ownership was considered unavailable for development, except those owned by the Lake Oswego Redevelopment Agency. Considered not available for development.
- Lands in the following Plan Designations were considered unavailable for development: Public Functions (PF) or Park and Natural Areas (PNA).

Constraints are factors that preclude land development or affect the desirability of land for development. The Goal 9 administrative rule [OAR 660-009-0005(2)] provides the following definition of "development constraints:"

"Development Constraints" means factors that temporarily or permanently limit or prevent the use of land for economic development. Development constraints include, but are not limited to,

wetlands, environmentally sensitive areas such as habitat, environmental contamination, slope, topography, cultural and archeological resources, infrastructure deficiencies, parcel fragmentation, or natural hazard areas.

For the purposes of the ECO study, physical or regulatory factors that would preclude or limit development on a tax lot were considered to be development constraints. Tax lots with absolute development constraints were removed from the vacant land inventory. Absolute constraints considered to preclude development are:

- Floodway
- Tract of land dedicated as part of a development
- Vacant tax lots less than or equal to 3,000 square feet

The following factors are partial development constraints. Development can occur on constrained land and no deductions were made from the inventory for these factors.

- Sensitive Lands Overlay (SLO). The SLO provides protection of significant natural resources such as tree groves, wetlands, and stream corridors.

The assumption of distribution of needed land also takes current land use patterns into account. More than half of Lake Oswego's developed employment land is on sites of five acres and smaller. More than 90% of Lake Oswego's employment sites are two acres or smaller.

To determine employment supply, ECO analysts made the following assumptions about the distribution of employment land by site size and about average site size in acres.

- Lake Oswego's future employment land needs will predominantly be for sites smaller than two acres (65% of future land need)
- That the City will not need to provide sites larger than 10 acres.

These assumptions are based on Lake Oswego's preferences for promoting redevelopment within and not expanding beyond the current USB. Providing sites larger than 10 acres (and possibly larger than five acres) could require an expansion of the City's USB.

The average site sizes in the Table 2 are roughly based on the average size of employment sites in Lake Oswego in 2009 in the employment buildable lands inventory. The analysts assumed that Lake Oswego would need few sites larger than five acres and none larger than 10 acres, which is a change from historical development patterns.

The following table presents the assumptions used to determine Lake Oswego's range of needed employment land and employment sites.

Table 2: Assumptions about future employment land and site needs in acres 2010 to 2030

Land-use Type	Future Employment Sites				
	< 1.00	1.00- 1.99	2.00- 4.99	5.00- 9.99	10 +
Distribution of needed land					
Industrial	45%	20%	20%	15%	
Commercial	45%	20%	20%	15%	
Retail	75%	25%			
Average site size (acres)					
Industrial	0.6	1.5	3.0	7.0	
Commercial	0.3	1.5	3.0	6.0	
Retail	0.3	1.5	3.0	6.0	

Source: RLIS GIS data; analysis by City of Lake Oswego and ECONorthwest

Table 3 presents the estimate of needed land and sites by site size and land-use category based on land need and the assumptions above. Table 3 presents the estimate of needed land and sites by site size and land-use category based on land need. It shows:

- Lake Oswego will need 32 gross acres on 79 sites smaller than one acre.
- Lake Oswego will need 14 gross acres on 10 sites between one and two acres.
- Lake Oswego will need 13 gross acres on 4 sites between two and five acres.
- Lake Oswego will need 10 gross acres on 2 sites between five and ten acres.
- Lake Oswego will need no employment sites larger than ten acres.

**Table 3: Estimated needed land and sites by site size and land-use type
Lake Oswego, 2010 to 2030**

Land-use Type	Lot Size - Suitable Acres					Total
	< 1.00	1.00- 1.99	2.00- 4.99	5.00- 9.99	10 +	
Land Need (gross acres)						
Industrial	17	7	7	6		37
Commercial	12	5	5	4		26
Retail	3	1	0	0		4
Total (gross acres)	32	14	13	10		67
Site Needs (number of sites)						
Industrial	29	5	2	1		37
Commercial	40	4	2	1		47
Retail	10	1	-	-		11
Total (sites)	79	10	4	2		95

Source: ECONorthwest

Note: Table does not estimate land and site needs for government uses; government land

Table 4 shows ECO's concluding comparison of employment land supply and demand, by acres and sites, 2010-2030.

Table 4: Comparison of employment land supply and demand, 2010 to 2030

Land-use Type	Lot Size - Suitable Acres					Total Surplus or Deficit
	< 1.00	1.00-1.99	2.00-4.99	5.00-9.99	10 +	
Comparison of Land Demand and Supply (gross acres)						
Industrial	(16)	(7)	(7)	(6)		(36)
Commercial and Retail	(11)	(5)	5	4		(7)
Comparison of Site Demand and Supply (number of sites)						
Industrial	(28)	(5)	(2)	(1)		(36)
Commercial and Retail	(36)	(4)	2	0		(38)

Source: ECONorthwest

Based on the assumptions in ECO's report, future development in Lake Oswego will need to achieve higher average employment densities. Achieving these densities may require a change in the type of building developed and/or land use patterns in Lake Oswego. For example, higher industrial employment density assumes that industrial development will generally occur in multi-story industrial buildings, rather than traditional single-story industrial buildings and will be less land intensive (more dense) than traditional industrial uses. These two variations were summarized in their report as shown in Table 5 below.

Table 5: Comparison of assumptions used in the baseline forecast and alternative forecasts, Lake Oswego, 2010 to 2030

	Baseline	Variation A: More Redevelopment	Variation B: Increased Density
New Employment Growth	6,738 new jobs*	6,738 new jobs*	6,738 new jobs*
Mixture of Industries	Industrial: 15% Commercial: 68% Retail: 7%	Industrial: 12% Commercial: 71% Retail: 7%	Industrial: 12% Commercial: 71% Retail: 7%
Employment Density	Industrial: 22 EPA Commercial: 81 EPA Retail: 55 EPA	Industrial: 36 EPA Commercial: 81 EPA Retail: 55 EPA	Industrial: 73 EPA Commercial: 116 EPA Retail: 55 EPA
Refill Rate	Industrial: 20% Commercial/Retail: 63%	Industrial: 75% Commercial/Retail: 75%	Industrial: 40% Commercial/Retail: 66%
Approximate Amount of Vacant Land Needed			
Acres	Industrial: 36 acres Commercial/Retail: 7 acres	Industrial: 0 acres Commercial/Retail: 0 acres	Industrial: 0 acres Commercial/Retail: 0 acres
Sites	Industrial: 36 sites Commercial/Retail: 38 sites	Industrial: 0 sites Commercial/Retail: 0 sites	Industrial: 0 sites Commercial/Retail: 0 sites

EPA = Employees Per Acre
Source: ECONorthwest

This methodology is compatible with the DLCDD guidebook, except for the lack of accounting for governmental and institutional land needs, including schools.

More importantly, the analysis should correspond to the City's vision and strategic direction. Redevelopment assumptions also should be discussed through the agency and public review process to determine how accurate they are and how acceptable they may be to the community.

Recommended questions for PC:

- Do you support the direction of the methodology summarized to-date, including definitions and constraints?
- How should we account for governmental needs?
- Is it appropriate to consider that large lot industrial lands will not redevelop in the short term (1-5 years) and/or the 20-year horizon?

IV. POLICY CONSIDERATIONS

- To accommodate future employment growth consistent with the type of urban form that has been and is expected to continue to be popular, should the City be promoting 20-minute communities with corner neighborhood services (e.g., small markets and cafes)?
- Regarding employment, what other changes to urban form and zoning should be considered?
- Does the community want to keep industrial lands? Or is it more important to have retail/office uses? Or is a blended strategy desirable?
- What information is needed to make an informed choice?
- Should the City be looking to develop other commercial centers or do the existing centers meet the community's needs? If other commercial centers should be developed, what type should they be?
- What types of services and businesses does Lake Oswego want to attract?
- Where shall the City focus future employment and associated growth? Does the community support refill as opposed to growing out into the Stafford area?
- What public investments should be used to support this growth?

Sources:

1. Senate Bill 100 <http://www.oregon.gov/LCD/docs/bills/sb100.pdf>
2. Land Conservation and Development Order #1 (Administrative Rule) creating the first 14 statewide land use planning goals. http://www.oregon.gov/LCD/docs/history/original_goals_012575.pdf
3. Draft Employment Land Planning Guidebook, DLCD, September 2010.
4. Lake Oswego Economic Development Strategy, City of Lake Oswego, April 2010.
5. Draft Economic Opportunities Analysis, ECONorthwest August 2010.
6. PowerPoint Presentation to City Council, FCS GROUP, September 2010.
7. Population and Demographic Analysis, FCS GROUP, August 2010.
8. Economic Landscape, FCS GROUP, 2008.
9. Urban Growth Report, Metro, 2010.