

Revised Draft
Housing Summary Report
October 26, 2010

I. REGULATORY CONTEXT

Complying with Statewide Planning Goal 10, Housing

The Oregon legislature passed Senate Bill 100 in 1973, requiring development of statewide land use planning goals to serve as a foundation for all city and county comprehensive plans. The goals addressed a range of land use and environmental issues and included specific goals for the economy and housing. Goal 10 is a specific area of focus for the periodic review of Lake Oswego's Comprehensive Plan. The statewide goal is "To provide for the housing needs of citizens of the state..."

Lake Oswego's Comprehensive Plan was first acknowledged as being in compliance with the statewide planning goals in 1984. The plan is currently being updated 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 Affordable Housing Task Force Report, a technical background paper by Winterbrook Planning, population and demographic trends by FCS GROUP (FCS), and preliminary buildable lands inventory work prepared by the City. It describes existing conditions and trends and identifies key issues and opportunities that should be addressed by the community as Lake Oswego updates its Comprehensive Plan.

In the Portland metropolitan area, the role of local governments in providing housing opportunities is governed by statewide planning Goal 10 and the Metropolitan Housing Rule, in Oregon Administrative Rules (OAR) 660-007-060. This rule sets a requirement for Lake Oswego and other Portland metropolitan communities to provide the opportunity for a minimum average of 10 dwelling units per acre on vacant, buildable land and the opportunity for a 50/50 mix of single (detached) and multifamily (attached) housing.

In complying with Goal 10 and the associated rule, cities must define the *need* for a range of housing types based on trends and associated policy decisions and provide the opportunity for a range of housing types to be developed to meet these needs.

Metro Urban Growth Management Functional Plan

The Metro Urban Growth Management Functional Plan (Functional Plan) also contains requirements for meeting statewide housing 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 7 of the Functional Plan governs affordable housing and is in place to ensure all cities in the region are providing opportunities for affordable housing for households of all income levels. The intent of Title 7 is to encourage cities to provide a choice of housing types, reduce barriers to sufficient and affordable housing for all income levels in the region, create housing opportunities commensurate with the wage rates of jobs available across the region, initiate a process for addressing current and future needs for affordable housing, and reduce concentrations of poverty. Title 7 requires that Metro jurisdictions report their strategies to meet these goals.

Metro updated its Urban Growth Report (UGR) in January, 2010 and included an estimate of “cost-burdened housing” in its UGR, defining “cost-burdened” as rental households that spend 50% or more of its income on transportation and housing combined. For the purposes of the UGR, only renters are considered to be cost-burdened¹.

Five percent (900 households) of Lake Oswego’s households were considered cost-burdened in 2005. In 2030, 11% (2,000) are projected to be cost-burdened under Metro’s low-growth forecast. Under the high-growth forecast, an additional five hundred households (2,500 or 13%) will be potentially cost-burdened. Creating housing and transportation opportunities to help address the growing number of cost-burdened households can be addressed as through policy choices as Lake Oswego refines its Housing Needs Analysis.

As part of its current Functional Plan update, Metro has not yet allocated additional dwellings or jobs to the local level, but calls for a “no net loss” of housing opportunities. However, the City expects that they will by the end of 2011.

Developing a vision for housing opportunity during this Comprehensive Plan update will help frame policy decisions as the City moves toward submitting a full and updated Housing Needs Analysis to comply with Goal 10 and Title 7 guidelines.

Recommended questions for the Planning Commission:

- How should the City accommodate our regional share of housing growth while also being responsive to community vision?

II. LAKE OSWEGO CONTEXT

Current Plans and Policies

Lake Oswego’s current Comprehensive Plan goals are to:

- “Provide the opportunity for a variety of housing types in locations and environments to provide an adequate supply of safe, sanitary, energy efficient housing at price and rent levels appropriate to the varied financial capabilities of present and future city residents;
- Protect the character of existing neighborhoods; and
- Provide for needed housing while protecting environmentally sensitive areas, using land and public facilities as efficiently as possible, and facilitating greater use of alternative transportation modes.”

In 2005, the City Council received a set of recommendations from the City’s Affordable Housing Task Force. The Task Force recommended working with and supporting efforts of community development corporations (CDCs) and non-profit housing providers. They also recommended:

- Establishing a minimum percentage of affordable units in developments that receive Lake Oswego Redevelopment Agency funding.
- Working toward the goal of “no net loss” of existing affordable housing through incentives and other means.
- Improving the permitting process for review of accessory dwelling units that respect neighborhood differences.

¹ An alternate version of affordability is used by HUD (and was used in the Housing Needs Analysis prepared by Winterbrook and ECO. This traditional definition defines cost-burdened households as those that spend over 30% of their income on housing and utilities.

- Avoiding uniform approaches.
- Supporting employer-assisted housing.

As of 2010, none of the Affordable Housing Task Force recommendations have been formally implemented.

Lake Oswego has high, medium and low density residential zones. The Winterbrook analysis did not include commercial and mixed use areas that allow housing units because they may not comply with the state's requirement that needed housing must be supplied in zones where there are "clear and objective" standards. Discussions with the Department of Land Conservation and Development (DLCD) about the possibility of including the commercial and mixed use lands in the buildable lands inventory and housing needs analysis are ongoing.

For the residential zones, the high and medium density residential zones (R-0, R-2, R-3, R-2.5, and R-5) permit attached housing types as of right. The low density residential zones (R-15, R-10 and R-7.5) allow both single-family detached and zero lot line dwellings (a form of attached housing) as of right. Due to the availability of different types housing allowed outright in these zones, Lake Oswego meets the housing mix requirements of the Metropolitan Housing Rule.

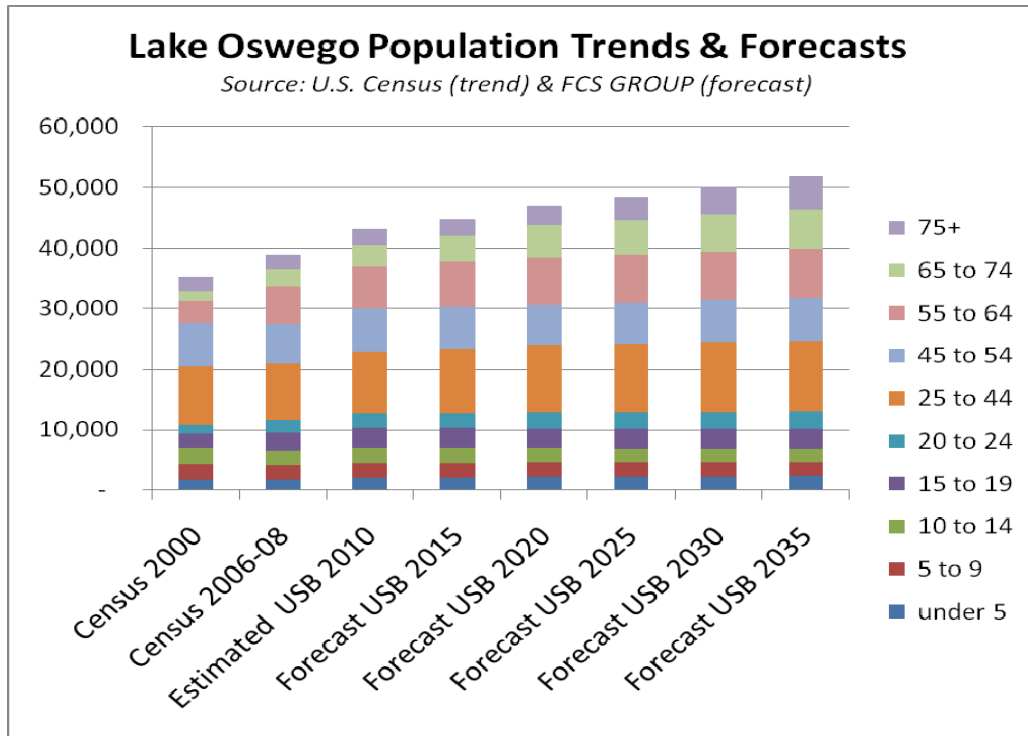
Demographics, Trends, Forecasts

According to demographic analysis by the FCS GROUP, population trends in Lake Oswego over the last decade indicate the following:

- Most growth is in the 55+ age bracket. Over the next 25 years, the population over age 65 is expected to increase from 14% to 24% of the City's total.
- School enrollment levels have been declining since the early 2000's for primary schools within the Lake Oswego School District. This trend is likely to continue as existing middle-age households (age 40-55) become "empty nesters" and younger families have fewer children.
- Cultural and ethnic diversity mirrors the state average.
- Baby boomers are now entering retirement age and tend to increasingly "age in place" by staying at home.
- The number of people living below the federal poverty level (\$10,830/person) level in Lake Oswego increased from 1,181 in 2000 to 2,602 by 2007.
- Real income levels are relatively high but falling consistent with national trends.
- Population growth has been relatively low as compared to other urban areas in Clackamas County.
- Rental housing in Lake Oswego becoming less affordable over time.
- The ratio of housing value to household income in Lake Oswego has been and continues to be higher than neighboring cities.

These and other population trends are illustrated in the tables below.

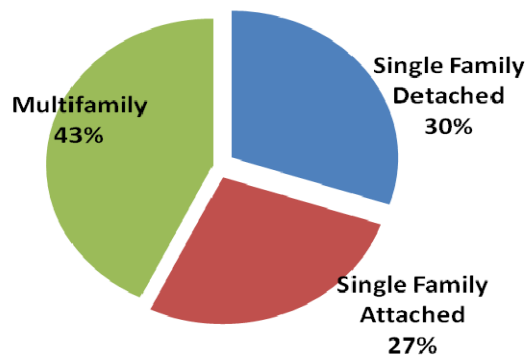
Table 1



A reflection of actual residential development over the past decade is reflected in the Table 2 below.

Table 2

**Lake Oswego Housing Inventory Additions,
 2000 to circa 2007** (source: U.S. Census)



FCS's analysts cited some additional development trends, including:

- Single households dominate growth patterns.
- Lake Oswego is attracting small families with young children but gaining fewer married households with older children;
- New housing inventory favors townhomes and multifamily units. This also is consistent with national urban trends.

- Aging baby boomers and younger “millennials” (18-30 yrs) are driving demand for smaller cottages, townhomes and apartments.

These trends are important to how the City plans to provide services in the future.

- Preliminary analysis by FCS indicates that the City receives more than five times more revenue per acre with higher density 4-5 level housing structures than with lower density single family dwellings.
- Increased density also supports more concentrated infrastructure investment, better walkability and transit ridership, and less stormwater runoff per dwelling unit.

Population and Dwelling Unit Forecast - Demand

FCS GROUP created a Lake Oswego Population Baseline Analysis report in August, 2010. The report included a population forecast for the Urban Services Boundary (USB) through 2035. 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.

In order to forecast overall population growth for the Lake Oswego area, FCS GROUP 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 above.

In addition to considering historic trends documented by U.S. Census estimates, FCS GROUP 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 3 below 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 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 year 2035.

Table 3: 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 GROUP

According to this analysis, total population growth in the Lake Oswego USB is expected to range from 7,554 to 10,220 new residents between 2010 and 2035, 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 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.

The associated demand or need for new housing and supply of potential new housing capacity is summarized in Table 4 produced by FCS. FCS also worked with City staff to translate population growth into housing demand for

total dwelling units under low, medium and high growth scenarios. Depending on the growth rate/scenario chosen, the need ranges from 3,451 to 4,709 needed housing units as shown below.

Table 4: Forecasted Net New Housing Needed in Lake Oswego USB, 2010-2035

	Low	High	Midpoint
Forecasted Population Increase ¹	7,554	10,220	8,887
Under age 75	4,952	6,700	5,826
Over age 75	2,602	3,520	3,061
Assisted Living Housing Needs (group quarters)			
Percent of Pop. Over Age 75 in group quarters	10%	12%	11.2%
Group Quarters Demand (units)	260	422	341
Additional Single & Multifamily Housing Needs			
Forecasted Pop. In Households	7,294	9,798	8,546
Average Household Size	2.4	2.4	2.4
Forecasted Housing Unit Demand	3,039	4,082	3,561
Vacancy Allowance (@5%)	152	204	178
New Single & Multifamily Demand (dwellings)	3,191	4,286	3,739
Total Net New Housing Need	3,451	4,709	4,080

Source: FCS GROUP.

The total amount of potential net new housing capacity within the USB on existing vacant and partially vacant land is estimated to range from 2,200 to 4,200 net dwelling units based on FCS development assumptions.

The FCS and Winterbrook methodologies differ in that the buildable lands inventory. Winterbrook based their analysis on did not include commercial or mixed use housing where residential development is allowed. One methodology needs to be chosen to update these projections.

Further analysis is needed to account for housing units in mixed use and commercial areas if they can be considered when complying with the need for “clear and objective” zoning and development standards that do not discourage affordable, attainable housing for area residents.

The City also is updating its secondary dwelling unit zone (SDU) provisions, which could significantly alter the residential land supply calculations.

Metro Urban Growth Report

Metro is required by state statute to set a regional target for housing and employment and to work with cities and counties in the metropolitan area to meet that need. Every five years, Metro produces an updated UGR which establishes that foundation. It 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 in the first quarter of 2011.

Recommended questions for Planning Commission:

- Do the population forecasts make sense?

- Which definition of cost-burdened households should the City use to plan for housing needs?
- What other information would be helpful in this summary?
- Given these demographic trends, how can the City best plan for future housing needs?

III: BUILDABLE LAND INVENTORIES – SUPPLY

In order to better understand the City's housing capacity, three preliminary buildable lands inventories (BLIs) have been prepared by the City over the last several years. (Please see the attached spreadsheet.) BLIs are an *estimate* of the available land supply for residential development. These BLIs were not a parcel-by-parcel analysis, rather the estimated net available developable land is an aggregated sum of vacant and partially vacant lands.

The first BLI was developed by the City and completed in 2008 in preparation for entering into periodic review. It was developed using methodologies used by other jurisdictions and input from the DLCD. The results show that the City can accommodate 2,400 – 4,200 units of housing. .

The second BLI was created in coordination with Winterbrook Planning. The biggest difference between these two BLIs was that this only considered residential lands to ensure that that it met the state's requirement for "clear and objective" standards as it applied to needed housing. Under the City's development code, most residential development in commercial or mixed-use zones require a development review process through a discretionary review process (based on subjective standards). Because it was limited to residential lands, the dwelling unit capacity estimate was somewhat lower -- approximately 2,100 units.

The third BLI was recently done in conjunction with the FCS Group demographics reports. This version modified some of the assumptions from the two previous BLIs and tried to apply a conservative "real world" best guess approach. The result was an estimated capacity for 2,200 dwelling units.

As there are a limited amount of truly vacant parcels in the USB, the amount of future housing that can be accommodated on vacant lots is expected to range from 280 to 560 dwelling units. The City will need to focus effort on redevelopment and infill to meet housing demand. The amount of development capacity on partially vacant lands is expected to range from 1,920 to 3,640 units.

Given these trends, the City appears to need to accommodate approximately 0 to 1,251 dwelling units through redevelopment under the lower estimate for demand and 51 to 2,510 through redevelopment under the higher demand estimate in the FCS GROUP report. The following policy choices should be considered in the Comprehensive Plan update process to help accommodate this growth while meeting the City's goals.

- Rezoning to higher density and/or mixed use in targeted areas
- Forming public/private partnerships for strategic developments
- Encouraging secondary or accessory dwelling units by reducing system development charges
- Expanding the USB

The methodology followed by Winterbrook appears to be generally compatible with the DLCD *Guide to Planning for Residential Growth in Oregon*. However, consultation is ongoing regarding the use of commercial and mixed use zones. Redevelopment assumptions also should be checked through the regulatory and public review process.

Recommended questions for Planning Commission:

- Should the City include in its estimates commercial and mixed use areas where residential is allowed?

- Does the population forecast seem reasonable?
- Should the City look to the Stafford area to accommodate needed housing or look for other strategies such as: 1) focusing development in corridors and centers and/or 2) infill in existing neighborhoods?

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. Planning for Residential Growth: A Workbook for Oregon's Urban Areas, Department of Land Conservation and Development, 1997
4. City of Lake Oswego Comprehensive Plan, 1984.
5. Final Report of the Affordable Housing Task Force, 2005.
6. Draft Housing Needs Analysis, Winterbrook/ECONorthwest, 2010.
7. PowerPoint Presentation to City Council, FCS GROUP, September 2010
8. Population and Demographic Analysis, FCS GROUP, August 2010.
9. Urban Growth Report, Metro, 2010.

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