



CITY OF LAKE OSWEGO

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MEMORANDUM

TO: Comprehensive Plan Citizen Advisory Committee

FROM: Sarah Selden, Associate Planner

SUBJECT: Draft Housing Needs Analysis & Employment Opportunities Analysis Reports

DATE: May 17, 2011

ACTION

Review key findings from the draft Housing Needs Analysis (HNA) and Employment Opportunities Analysis (EOA) reports. Provide feedback on the City's approach to complying with the State Metropolitan Housing Rule.

DISCUSSION

Introduction

The draft EOA and HNA summarize the technical information to date and will provide the factual basis as the City begins to discuss goals and policies related to housing and economic development. The CAC has reviewed many of the technical details in pieces and most recently a rough draft of the employment and housing land need analysis. The full reports bring together the demographic and trend information, with the land supply and need, policy implications and draft implementation strategies. This memo includes a summary of the key findings from each report along with comments on the drafts from the Planning Commission, Work Group and Metro. The full draft of the reports will be posted to the Reference Materials section of the meeting agenda.

State Metropolitan Housing Rule Compliance

When staff last updated the CAC, we noted that different approaches were being explored for how the City could comply with the State's requirement for an average density of 10 dwelling units/net buildable acre for new construction (the Metropolitan Housing Rule). More specifically, staff was exploring with the Department of Land Conservation and Development (DLCD) the options for computing buildable land for the purpose of this density calculation. The following three options were being considered:

1. Compute 10 units/acre average based on total amount of vacant + part-vacant + redevelopable land. Under this option the city would need to provide the potential for 8,000+ units.
2. Compute 10 units/acre average based on amount of land needed to house projected population growth. Under the Medium Growth forecast, this would call for approximately 3,500 units.

3. Pursue an alternative computation based on the average density acknowledged by DLCD at our last Periodic Review (10.4 du/nba), and demonstrate the impact of any zone changes since that time. Our preliminary analysis shows that Lake Oswego's zoned density has not decreased since then.

DLCD has clarified that we may pursue either option 1 or 3. The computation is based on *all* land in the City's buildable land inventory (including vacant, part-vacant, and redevelopable land), not just projected need. Using the third approach would allow the City's policy discussion and implementation work to focus on providing for the community's needed housing and implementing the vision for Complete Neighborhoods and Housing, rather than focusing on strategies with the goal of reaching the required 8,000 unit capacity. We are in the process of confirming the option 3 data to submit in the draft HNA document.

Comments from Planning Commission, Metro, and Goal 9 & 10 Work Group

The Planning Commission provided a careful review of the documents for their May 9 meeting and had many helpful suggestions that staff is working to respond to:

- General suggestions focused on ensuring consistency in the figures cited in both documents and improving the narrative and flow. Staff is relocating some of the detailed methodology tables to appendices, and adding more explanation of steps and findings. Executive summaries and tables of contents were not complete at the time and have since been added.
- Discussion about the high-density dwelling unit size assumption, and whether that was an appropriate average size (1,150 sq. ft.). There appeared to be support from several of the commissioners.
- Suggestion to include maps showing the housing land inventory including redevelopment potential. While maps of the vacant and part-vacant land are available, the redevelopment potential maps are under construction as part of the scenario analysis and will likely not be part of the DLCD submittal drafts.
- Discussion about the requirement for Clear & Objective Standards for housing, and what this means for the city. Staff is in the initial stages of investigation to identify changes needed to the Community Development Code, and possible approaches. This will be a significant topic of discussion with the Commission over the next two years.
- Commission asked if potential implementation strategies need to be included in the draft reports. The DLCD grant scope of work did include discussion of policy implications and implementation strategies. These are just ideas to serve as a starting point for policy discussions with the CAC and community.
- A suggestion was made to focus on strategies to fill vacant commercial/office buildings.
- A suggestion was made that some neighborhoods may want to decrease their zoned densities.

Metro reviewed the May 5 draft EOA and HNA documents and generally found them to be consistent with Metro's approach. They made two notes of inconsistencies:

- The "High" forecast for employment is too high. The EOA cited this approach as consistent with Metro's 2009 Urban Growth Report because the forecast came directly from Metro's forecast for E-Zone (employment zone) 39 which is roughly consistent with Lake Oswego. They encouraged the City to update the rate to be consistent with Metro's pending forecast

update, and reflect the recent recession and 10-year employment growth rate in Lake Oswego.

- The HNA reflects a higher market potential for redevelopment in medium and high density residential zones that the regional methodology, and does not include redevelopment potential in low-density residential zones.

The Goal 9 and 10 Work Group discussed the Housing Rule compliance strategy, and had additional implementation ideas for discussion:

- Questioned whether the medium density housing need could be met by the high-density housing capacity. When considering housing type specifically as linked to income levels, the high density category is considered the most affordable and would provide an attainable option to all income cohorts. The City may argue we can meet the deficit in medium density supply this way, but the community may also want to increase options for the middle income/medium density group.
- The Work Group supported the alternative approach to complying with the Metropolitan Housing Rule requirement for an average 10 dwelling units/net buildable acre (option #3 noted above).
- The community is still underbuilding its housing, and needs to consider what changes may be needed to create vibrant centers.
- Idea that some neighborhoods should downzone in exchange for increased density elsewhere
- Discussion of the opportunities for new uses and interdisciplinary business environment in the SW Industrial Area.

Next Steps

Over the next two weeks, staff will be incorporating feedback from all of the advisory groups into the document. A draft will be submitted to DLCD by May 31 and a copy of the submittal made available to the CAC. The City Council will also receive a copy of the draft documents in their weekly digest by the end of the month.

Starting this summer and into early next year, we will be reviewing goals and policies of the Comprehensive Plan. These documents will be used to facilitate those discussions.

ATTACHMENTS

1. Housing Needs Analysis Summary
2. Economic Opportunities Analysis Summary

ADDITIONAL REFERENCE MATERIALS

Draft Economic Opportunities Analysis
Draft Housing Needs Analysis
Goal 9 & 10 Work Group – May 12 Meeting Notes

ATTACHEMNT 1

Housing Needs Analysis Summary

This report provides an evaluation of Lake Oswego's 20-year housing needs to inform the update of the City's Comprehensive Plan. Specifically, it provides the technical background to assist the City and community in developing policies that will implement the community's vision for 2035 while complying with state housing goals and requirements.

Lake Oswego's draft vision for Complete Neighborhoods and Housing states:

We manage growth by providing the opportunity for a variety of attractive and compatible housing that serves a range of ages, incomes and households. Our distinct and walkable neighborhoods contribute to the city's small town feel. Mixed use districts enhance adjacent residential areas by providing access to quality jobs, housing, transit, entertainment, services and shopping. Higher density housing is located along transportation corridors and town centers to preserve the character of our existing neighborhoods.

The State Goal for Housing states that:

Buildable lands for residential use shall be inventories and plans shall encourage the availability of adequate numbers of needed housing units and price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for flexibility of housing location, type and density.

To meet both local and state goals, this document looks at population projections and demographic trends, along with Lake Oswego's housing trends. It then evaluates the current inventory of buildable land, which includes land that is vacant, partially-vacant (could be divided), and likely to redevelop over the 20-year planning period. Next the report allocates the total number of needed dwelling units to price ranges, dwelling types, and zoning categories to meet the needs of area households. Finally the report reconciles the housing need with land supply, and describes possible strategies to meet future needs along with implementing the community's vision and state requirements.

Two population projections are used for this analysis: a low-growth forecast based on the 2000-2010 Census-documented growth rate, and a medium-growth forecast that is consistent with the most recent adopted Metro forecast, which was coordinated with Lake Oswego in 2005. These ranges are being carried forward for comparison purposes until Metro and local jurisdictions arrive at updated forecasts, slated for December 2011.

Forecast	Units	2010 Estimate	2035 Projection	2010 - 2035 Change	Average Annual Change	AAGR*
Low	Population	43,094	47,307	4,213	169	0.37%
	Housing Units	19,166	21,040	1,874	75	0.37%
Medium	Population	43,094	51,000	8,006	320	0.68%
	Housing Units	19,166	22,726	3,560	142	0.68%

According to U.S. Census estimates, the median age of Lake Oswego residents increased from 41.2 years in 2000 to 42.1 years of age in 2006/2008. This is more than five years older than the median age of residents within the Portland Vancouver Metropolitan Statistical Area (36.7). As older Baby Boomers tend to desire to remain in their current residence or community as long as possible, the population over age 75 is expected to increase measurably over the coming decades, while the 24-55 cohort is projected to shrink. If trends continue, the younger population cohorts (age 5-14) are likely to remain flat or experience negative growth.

Lake Oswego’s land area is designated primarily for residential use, with nearly 60% of the land within the USB zoned for low-density residential development with minimum lot sized of 7,500-15,000 sq. ft. Lake Oswego has a relatively new housing stock, with only 13% built prior to 1950, and 26% built since 1990. The housing is primarily owner-occupied, though attached and multi-family housing represented an increasing share of new development since 2000 (70%). Median home prices reached their peak in 2005 and have since fallen an average of 22% while still remaining the highest in the region at \$400,800 in March 2011.

Lake Oswego has approximately 600 acres of vacant and part-vacant land, the large majority of which fall into the part-vacant category, meaning they are at least 2.5 times the minimum lot size for the zone and could be divided. Over 90 percent of this land is located on lots zoned for a minimum size of at least 7,500 sq. ft. The buildable land inventory also includes an analysis of redevelopment potential on medium and high-density residentially zoned land, and on commercially-zoned land where housing is a permitted use along with commercial uses (referred to in this document as “mixed use” zones). The purpose of this analysis was to determine where these zones were built out below their potential capacity, and may add additional units in the future. The analysis demonstrated a large capacity for new high-density units in mixed-use areas like Downtown and Lake Grove Village Center. Based on the assumption that properties where the building value is up to 150% of the land value is has redevelopment potential, the analysis determined the total buildable land inventory could accommodate approximately 5,500 new units.

In addition to determining the total number of needed units, the State requires jurisdictions to provide housing that is “commensurate with the financial capabilities of Oregon households.” This report used Clackamas County’s demographics to demonstrate attainability needs for future residents. Based on the County income distribution, Lake Oswego’s demographic trends and land supply, the follow mix of housing types was estimated to meet future needs:

Distribution of Housing by Unit Type	Percentage of Future Dwelling Units
Detached Large Lot SF (>5,000 sq.ft.)	23.7%
Detached Small Lot SF (<= 5,000 sq.ft.)	15.0%
Attached SF (Townhomes, Secondary Dwelling Units, Zero Lot Line Dwellings)	27.4%
Duplex/Triplex	11.0%
Multifamily (Apartments, Condos)	22.9%
Total	100%

The results of the housing analysis (See page 4 table) indicate that the Lake Oswego USB has an adequate amount of vacant and part-vacant low-density land area, and redevelopable high density land area to meet the 2035 forecasts for its projected housing needs. However, there may be an additional need to accommodate approximately 349 medium density (small lot detached, townhouse, duplex, SDU, etc.) dwelling units. While some or all of this attainability need may be met by the surplus in high density capacity, the community may want to provide the opportunity for additional medium density dwelling types as a housing option.

The housing needs analysis demonstrates that Lake Oswego generally has the capacity to accommodate either the low or medium population forecast, providing 1,874 to 3,560 new dwelling units. While the low-density dwellings can be accommodated on vacant and part vacant land, the community will need to rely on redevelopment in existing medium- and high-density residential zones and mixed use zones to meet the projected need for these housing types. In order to realize the housing redevelopment potential described in this report, the City will need to develop new strategies such as incentives or requirements for new development in the town center to include a minimum number of housing units.

In addition to supporting the right size and type of dwelling unit, the city may need to establish strategies to help ensure a range of housing prices, in particular to provide attainable housing for residents earning less than 80 percent of the median family income, which represents 44 percent of Clackamas County households and 30 percent of Lake Oswego households.

Finally, Lake Oswego will need to ensure that all new housing may be developed under clear and objective review standards that do not have the effect of discouraging housing or reducing the proposed housing density as allowed through zoning. The City is beginning to investigate areas of its existing code that need to be updated. It is also exploring different approaches for providing clear and objective standards while ensuring continued high-quality community design.

The information in this report, along with a preferred land use scenario and updated population forecast, will form the starting place of the community's Comprehensive Plan policy discussion for Complete Neighborhoods and Housing. meeting Lake Oswego's housing needs for the next 20 years by providing a *"variety of attractive and compatible housing that serves a range of ages, incomes and households."*

Housing Land Supply and Need

Land Use Classifications	Potential Net Buildable Land Area in USB (acres)					Potential New Dwelling Capacity (Current Zoning)	Potential New <i>Dwellings</i> Needed to Meet Population Forecast and Attainability Levels		Potential <i>Dwelling Unit</i> Surplus/Deficit		Likely <i>Residential Land</i> Need by 2035		Potential <i>Land</i> Surplus/Deficit by Year 2035	
	Vacant	Part Vacant	Redev: R Zones	Redev: Mixed-Use Zones	Total Acres	Potential Total Dwelling Units	Low Forecast (<i>dwellings</i>)	Medium Forecast (<i>dwellings</i>)	Low Forecast (<i>dwellings</i>)	Medium Forecast (<i>dwellings</i>)	Low Forecast (<i>acres</i>)	Medium Forecast (<i>acres</i>)	Low Forecast (<i>acres</i>)	Medium Forecast (<i>acres</i>)
Low Density (R-7.5, R-10, R-15)	69.2	502.7	-----	-----	571.9	1,646	415	795	1,231	851	144.2	276.2	427.7	295.7
Medium Density (R-3, R-5)	5.5	30.6	104.3	-----	140.4	1,017	719	1,366	298	(349)	99.2	188.5	41.2	(48.1)
High Density (R0, R-2, R-2.5, GC, NC/RO, OC/R3, EC, HC, CR&D, EC/RO, OC)	2.6	5.6	22.8	106.6	137.6	2,911	740	1,400	2,171	1,511	35.0	66.2	102.6	71.4
Total	77.3	538.9	127.1	106.6	849.9	5,574	1,874	3,560	3,700	2,014	278.4	530.9	571.5	319.0

ATTACHMENT 2

Economic Opportunities Analysis Summary

The City of Lake Oswego is conducting an Economic Opportunities Analysis (EOA) as required by its Periodic Review work program to update Goal 9 (Economic Development) of its Comprehensive Plan. The City received grant funds from the Department of Land Conservation and Development (DLCD) for technical consultant assistance to complete this task. The City elected to take advantage of this required plan update to create a long-range vision for the City. Part of this vision addresses economic development over the next 20 years.

Vision and Goals (Local Aspirations)

The strategies in this report are designed to help City leaders improve economic vitality for Lake Oswego, as described in the draft Lake Oswego Community Vision for 2035:

We are a community where people can live, work, play and meet their daily needs for goods and services. We build upon the intellectual capital of the community to attract new ventures, retain local businesses and connect to the global economy. We are business-friendly and a regional model for employment and mixed-use centers that attract quality jobs.

The City developed a set of Community Economic Development Objectives (CEDOs) that are intended to help guide the development of the EOA and move the community towards implementation of its vision for Economic Vitality.

Draft Community Economic Development Objectives:

- Maintain and grow a strong local employment base to provide jobs for Lake Oswego residents and support a high quality of life.
- Support and grow existing and locally-owned businesses.
- Support business incubation and employment growth within the city by providing a diversity of space/site opportunities.
- Provide flexibility in employment zones that supports economic resilience and sustainability while minimizing negative impacts.
- Focus redevelopment and intensification of jobs (e.g., jobs per acre) in employment corridors and centers.
- Provide opportunities for a range of industrial and employment uses. Actively pursue environmentally responsible businesses.
- Pursue a range of employment opportunities, such as an emphasis on creative class opportunities and clusters that build on Lake Oswego's intellectual capital, proximity to universities and colleges and connection to the I-5 corridor. These could include but would not necessarily be limited to science, engineering, education, computer programming, research, arts, media and design.
- Explore long term redevelopment opportunities in the southwest industrial area, along Bangy Road, along the Kruse Way corridor, and in Foothills.
- Create the opportunity for employment well served by transportation options.
- Maintain Lake Oswego's exceptional quality of life by investing in infrastructure and services that support residents and businesses.

Economic Conditions, Trends and Forecasts

Lake Oswego is located in the desirable “inner-urban area” within the greater Portland region. This location is considered advantageous for accessing downtown Portland and its surrounding communities within a manageable commute. Downtown Lake Oswego’s ongoing renaissance and excellent parks, schools and community facilities continue to serve as attributes that make it a desirable place to live, work and visit. The Kruse Way Corridor from I-5 to Boones Ferry Road is another significant economic engine for Lake Oswego, with over 2,700 on-site jobs and 2,747 direct jobs (on site) and generated an annual direct payroll of \$243 million, and an annual regional economic output of \$1.4 billion.

The City’s most current population estimate for the Lake Oswego Urban Services Boundary is 43,094 people and 16,995 dwelling units. By 2035, the population within the Lake Oswego urban services boundary is expected to be between 47,000 to 51,000 people. According to U.S. Census estimates, the median age of Lake Oswego residents increased from 41.2 years in 2000 to 42.1 years of age in 2006/2008. This is more than five years older than the median age of residents within the Portland Vancouver Metropolitan Statistical Area (36.7). Over the next 20 years, Baby Boomers are expected to age in place and the population over age 75 is expected to increase measurably. If trends continue, the younger population cohorts (age 5-14) are likely to remain flat or experience negative growth.

Lake Oswego had 18,871 jobs at 2,297 places of work in 2009. The average wage per employee was about \$52,700. The sectors with the most employment and above average wages were Finance and Insurance and Professional, Scientific and Technical Services. The most important trends and changes in employment for Lake Oswego over the next 20-years are: growth in financial firms, growing importance of health care, and growth in other services that require high quality office space.

An analysis of how Lake Oswego fits into the Clackamas County economy based on job concentration by employment sector indicates the City of Lake Oswego has different economic strengths than the rest of Clackamas County. What defines Lake Oswego is its high concentration of wages in the Finance, Insurance, and Professional Consulting Services sectors compared to the County as a whole.

Target Industries

Based on current employment trends, the City’s competitive advantages, and City land-use and economic development policies, types of businesses that may be attracted to Lake Oswego include:

- Finance and Insurance
- Professional, Scientific, Technical Services and Information
- Real Estate
- Corporate or Regional Headquarters
- Green Businesses
- Health Care
- Services for Residents

- Services for Seniors
- Government and Public Services
- Advanced Continuing Education
- Arts

Assessment of Employment Land Needs

A range of employment land need forecasts were prepared for consideration in this report. Lake Oswego is in the process of coordinating with Metro on job forecasts and will narrow the range to a single forecast prior to the completion of Periodic Review.

A comparison of employment land supply and demand in the table below shows the low land demand can most easily be accommodated by the vacant land supply without more focused economic strategies to support job growth. While land demand for commercial and mixed-use spaces can only be met by vacant land in the low employment growth scenario, any of the forecasts for commercial and mixed-use can be accommodated by combining the vacant and redevelopable land supplies. For institutional uses, the vacant land supply can accommodate the low and medium demand forecasts, while an additional 2.1 to 14.1 acres of land would be needed for the medium-high and high forecasts. For industrial uses, the low and medium-high land demand forecasts can be accommodated by the vacant land supply while the medium and high demand forecasts would require an additional 1.0 and 23.0 acres respectively.

Employment Land Needs and Land Supply, Lake Oswego USB, 2010 to 2035 (gross buildable acres)

Commercial and Mixed Use	Low	Medium	Med-High	High
Land Supply	133.5	133.5	133.5	133.5
<i>Vacant</i>	12.3	12.3	12.3	12.3
<i>Redevelopment</i>	121.2	121.2	121.2	121.2
Land Demand	10.0	20.0	40.0	95.0
Land Surplus or (Deficit)	123.5	113.5	93.5	38.5
Institutional	Low	Medium	Med-High	High
Land Supply	6.9	6.9	6.9	6.9
Land Demand	1.0	1.0	9.0	21.0
Land Surplus or (Deficit)	5.9	5.9	(2.1)	(14.1)
Industrial	Low	Medium	Med-High	High
Land Supply	1.0	1.0	1.0	1.0
Land Demand	1.0	2.0	0.0	24.0
Land Surplus or (Deficit)	0.0	(1.0)	1.0	(23.0)

Source: compiled by FCS GROUP

The Lake Oswego Comprehensive Plan Update Citizen Advisory Committee (CAC) directed City staff to assess three conceptual land use scenarios using low and medium-high employment growth forecasts. These scenarios will be reviewed and revised by the public and the CAC this May and June. At that time, a preferred employment growth forecast will be selected and forwarded to City Council for consideration and endorsement.