

Complete Neighborhoods & Housing

Draft Background Paper

Updated 01-03-12



Vision for Complete Neighborhoods and Housing

We have a wide variety of neighborhoods with high quality, 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 strategically and sensitively, including along transportation corridors and town centers to preserve the character of our existing neighborhoods.

Existing Goals

Lake Oswego's 1994 Comprehensive Plan identifies three goals for housing:

1. 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.
2. Protect the character of existing neighborhoods.
3. 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.

Introduction

The Complete Neighborhoods and Housing Action Area will set direction for how the City should meet its housing needs for the next 20 years and for strategies that will allow residents to meet many of their daily needs within or close by their neighborhoods.

The purpose of this report is to provide background information to help inform updates to Comprehensive Plan goals and policies. The report summarizes existing housing trends along with the supply of land for housing and 20-year need for a variety of housing types. The report outlines existing housing goals and policy questions for consideration during the Comprehensive Plan update process.

The Complete Neighborhoods & Housing background paper is a part of *We Love Lake Oswego: Planning for People, Places and Prosperity*, a multi-year effort to guide the physical, economic, social, cultural and environmental development of Lake Oswego over the next 20 years. Updating the housing goals and policies is required by the state as part of the City's Periodic Review of its Comprehensive Plan.

Planning for People, Places and Prosperity

As the City develops key elements of the Comprehensive Plan update, sustainability is an important consideration. We define sustainability as meeting the vital human needs of the present without compromising our ability to meet future needs. Planning in a sustainable way means looking at the community as an interrelated system that includes places around us (the natural and built environment), people (that live and work here), and prosperity (of the people and local economy) that supports society's needs. The Complete Neighborhoods and Housing Action Area will support a sustainable Lake Oswego in the following ways.

People: *Providing a range of housing choices for residents of all ages and income levels helps community members meet their basic needs. A range of housing options increases community diversity, resilience and strength. Well-designed housing in proximity to amenities, such as transportation options, parks and shopping contribute to a strong and active community. Quality housing opportunities are energy efficient and less expensive for people to maintain over time.*

Places: *Housing that is well-designed responds to its context and enhances existing neighborhoods. Construction that incorporates quality local, renewable resources whenever possible also contributes to the local economy.*

Prosperity: *Housing close to job locations and/or transportation options reduces commuting costs for households. Providing housing in proximity to commercial goods and services helps to support businesses. Using local building material suppliers and construction workers strengthens the city's economy.*

What We've Heard

The 2010 *We Love Lake Oswego* community survey which received 823 responses, asked a variety of questions about neighborhoods and housing:

- 57 percent of respondents said that “the ability to walk or bike safely to meet daily needs” is one of the three most desirable elements of a great neighborhood, followed by “proximity to high-quality neighborhood schools” (49%) and “caring and connected neighbors” (41%).
- When asked what housing options will be most important to accommodate Lake Oswego residents over the next 25 years, 64 percent said “preservation/rehabilitation of existing housing,” followed by “redevelopment of underused/blighted properties” (63%) and “cottage style housing” (59%).
- When asked what will attract more young individuals and families to Lake Oswego, 84 percent of respondents said “quality schools” followed by 46% who said “encourage a wider range of housing options.”

Policy Questions to Consider

Based on the Community Vision for 2035, public input, and information compiled in this and other Lake Oswego housing reports, the following questions emerged for further community discussion. Input on these questions will help to guide updates to City goals and policies in order to implement the community vision.

Housing:

- What strategies should be considered to encourage housing types and locations that accommodate the aging population and attract young and working families?
- The 2011 Housing Needs Analysis finds a need for additional opportunities for townhomes, duplexes, courtyard cottage-style housing, and smaller lot detached homes to maintain a diversity of housing types affordable to a range of incomes. Secondary dwelling units (i.e. separate living unit in a home, backyard cottage or garage carriage house) can also benefit the community by providing smaller more affordable units. How and where can Lake Oswego provide opportunities for these types of housing to be developed?
- Thirty percent of Lake Oswego residents earn less than 80% of the median family income (\$56,960 or lower). Typically, these include teachers, government employees and younger workers. What policies and/or other tools should the City consider in order to ensure housing is available to these residents?

Complete Neighborhoods:

- A component of the 2035 Vision is to create safe connections between housing and recreation, work, stores, dining and services. The 2035 Vision Map identifies employment, commercial, and neighborhood mixed-use districts, and neighborhood hubs. After looking at the map to find these areas, what is needed in order to make recreation, stores, dining, services, work and housing a reality within the mixed-use areas?
- The 2035 Vision Map identified neighborhood gathering places or “hubs” in places where there is existing neighborhood activity. Looking at the map, what makes these gathering places function? How can we improve on these places that people gather and make them more meaningful and active as community hubs?
- The 2035 Vision Map identifies the Kruse Way area primarily as an employment center. There has been some community interest in enlivening this district after 5 p.m. Should the future of Kruse Way include housing and other amenities, and if so where and what should they look like?

Housing Background

State and Regional Planning Context

One of Oregon's 19 Statewide Planning Goals is "To provide for the housing needs of citizens of the state" (Goal 10: Housing). As part of Lake Oswego's Comprehensive Plan update, the City is required to comply with this statewide goal, and the rules and regulations that implement it. These require that cities provide sufficient buildable land to accommodate a range of housing types appropriate to meet housing needs and financial capabilities of area residents.

The State also requires that cities allow housing to be developed under approval standards that are "clear and objective" and do not have the effect of discouraging needed housing through unreasonable cost or delay, or reducing the proposed housing density allowed by zoning. During 2012, the City will be working to review its development regulations for housing, to ensure we meet this requirement while continuing the community's high quality design.¹

In the Portland Metro region, Goal 10 is also implemented through the State's Metropolitan Housing Rule. The rule applies to the cities and counties within the Metro Urban Growth Boundary (UGB), including Lake Oswego, and addresses the Metro area as a regional market in terms of housing demand and buildable land supply. An important requirement of the Metropolitan Housing Rule for Lake Oswego is to provide the *opportunity* for at least 50 percent of new residential development to consist of attached housing, and to provide zoning for an average density of 10 or more dwelling units per net buildable acre.

Metro's Urban Growth Management Functional Plan – essentially a regional Comprehensive Plan – also provides guidance for accommodating regional housing needs. When the City of Lake Oswego last updated its Comprehensive Plan, Title 1 of the Functional Plan included targets for the dwelling unit capacity of each metro-area city. In 1998 and 2002, Metro found that Lake Oswego met Title 1 capacity requirements. In December 2010, the Metro Council replaced the dwelling capacity target number with a "no net loss policy," which requires the City to maintain its existing dwelling unit capacity by ensuring that any proposed zone change does not reduce the City's overall capacity for housing.²

Population Growth Forecasts and Demographic Trends

An important component of the Comprehensive Plan update process, and in particular to planning for future housing needs, is to forecast population growth and demographic changes. The City of Lake Oswego conducted a Housing Needs Analysis (HNA) in 2010-2011 based on two population projections: a low-growth forecast based on the 2000-2010 Census-documented growth rate, and a medium-growth forecast that was consistent with the most recent adopted

¹ Discretionary standards are currently part of the Lake Oswego Community Development Code. Work over the next year will translate those discretionary development standards into clear and objective standards to comply with the State rule.

² Ordinance 10-1244B, known as the "capacity ordinance."

Metro forecast, coordinated with Lake Oswego in 2005. As explained in the following table, these population growth forecasts would call for between 1,874 and 3,560 new housing units by 2035. This range of growth is being carried forward for comparison purposes until Metro and local jurisdictions have coordinated updated forecasts, slated for Spring 2012.

| 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% |

U.S. Census data also shows that Lake Oswego’s population is aging. 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). Trends dictate that as Baby Boomers age they will tend 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 age cohort is projected to shrink. If trends continue, the younger population cohorts (age 5-14) are likely to remain flat or experience some decline.

The aging of Lake Oswego’s population requires that the City bring a new focus on the needs of its older residents. Lake Oswego residents want to “age in place in a community where they can maintain their independence with available and appropriate housing, increased mobility and effective services and support.”³ This implies a need for smaller homes located near transportation and shopping.

At the same time, the community has expressed a desire to attract a younger demographic, particularly families with school-aged children. Lake Oswego has been less able to accommodate younger working families due to high housing costs, which then impacts school enrollment. This indicates a need for smaller, more affordable housing for younger households. These could be small lot and attached single-family homes as well as multi-family condominiums.

Housing Trends

When the Comprehensive Plan was last updated in 1994, the City had been experiencing significant residential growth. Between 1980 and 1990 over 4,000 housing units were built, which now represents approximately 25% of the city’s total housing stock. Today, most large tracts of land have been built out and growth has slowed, with housing being added at approximately half the rate from 1990-2010 as it was in the 1980s.⁴

³ “A Community Vision for Aging in Lake Oswego. A Report on the City of Lake Oswego 50+ Community Dialogues.” page 4.

⁴ Population Baseline Analysis. 3, 13.

In terms of land area, Lake Oswego is primarily a residential community, with 80% of the city’s land zoned for housing. Following are some key facts and trends about housing in Lake Oswego:

- The city has a relatively new housing stock, with only 8% built prior to 1950.
- Lake Oswego’s housing is primarily detached single-family and owner-occupied.
- Since 2000, attached housing (e.g. condos, townhomes, duplexes) has made up 70% of new housing development. This reflects both the lack of large vacant parcels remaining for development, and the increasing trend and preference for smaller homes.
- Housing sale 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.

Buildable Land and Types of Housing

Lake Oswego has approximately 600 acres of vacant and part-vacant residential land. The large majority of this land falls into the part-vacant category, meaning the lots have an existing house but are large enough to be divided to create additional lots.⁵ Over 90 percent of this vacant and part-vacant land is located on lots zoned for a minimum size of at least 7,500 sq. ft. The city also looked at the potential for new housing to be built in areas zoned for medium and high-density housing, as well as commercial and residential “mixed use” housing (e.g. apartments or condos above or behind shops). In many areas of the city, these zones are likely to experience redevelopment over the next 25 years, and have the capacity to add more housing than exists today in locations like Downtown and the Lake Grove Village Center.⁶ Including vacant, part-vacant, and redevelopable land, Lake Oswego could accommodate approximately 5,500 new housing units by 2035.

In addition to determining the total number of needed housing units based on a population forecast, the State requires jurisdictions to provide housing that is “commensurate with the financial capabilities of Oregon households.” Lake Oswego used Urban Clackamas County’s demographic profile to determine the financial capabilities and housing needs of future residents. Based on this income distribution, Lake Oswego’s demographic trends and land supply, the following mix of housing types was estimated to meet the needs of future residents:

| 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% |

⁵ Lots are considered part-vacant when they are at least 2.5 times the minimum lot size for their zone

⁶ Assumes that properties have redevelopment potential when the building value is up to 150% of the land value.

Within Lake Oswego's Urban Services Boundary there is enough vacant and part-vacant land area to meet the 25-year housing need for *detached large lots*, and there is enough redevelopable land area to meet the need for higher density *multi-family* housing. However, in order to provide over 50% of future dwelling units in the form of small lot detached homes, attached single-family homes such as townhomes, and duplex or triplexes, the City will need to consider opportunities to zone additional land for these housing types.⁷

In order to realize the full potential for new housing through redevelopment, the City will also need to develop new strategies to encourage housing development. These could include approaches such as incentives or requirements for new development in the downtown and Lake Grove centers to include a minimum number of housing units.

Housing Affordability

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 is maintained over time, in particular to provide attainable housing for residents earning less than 80 percent of the median family income ((\$56,960), which represents 44 percent of Clackamas County households and 30 percent of Lake Oswego households.

In 2005, the Affordable Housing Task Force published a study about the need for more affordable housing in Lake Oswego. Many of the existing affordable housing units in the City are threatened by demolition and replacement with more expensive housing. Given the scarcity of land and high land values in Lake Oswego, it may be difficult to provide affordable housing without some kind of subsidy. To retain affordable units the Task Force recommended that the City:

- Work toward a goal of “no net loss” of existing affordable housing;
- Support local efforts to establish employer-assisted housing to accommodate people employed in the community;
- Replace the discretionary process in the review of secondary dwelling units with standards that are clear and objective, making sure to address neighborhood differences;
- Support the efforts of nonprofit housing providers;
- Establish an affordable housing trust fund to create, preserve and maintain affordable housing; and
- Establish a minimum percentage of affordable housing units in all developments that receive assistance from the Lake Oswego Redevelopment Agency (LORA).

Complete Neighborhoods

Since the last Comprehensive Plan update, much redevelopment has occurred in the downtown. Planning for downtown and the Lake Grove Village Center has also supported the designation of these areas as walkable mixed-use centers with high-density housing and

⁷ While the surplus in redevelopable land for multi-family housing may help to meet this need, the community may want to provide the opportunity for additional medium density dwelling types to create a diversity of housing options and respond to evolving housing preferences.

commercial uses. The Lake Grove Village Center Plan, adopted in 2008, focuses on transforming Lake Grove into a pedestrian friendly mixed-use center with high density housing and supportive commercial uses. The Foothills District Framework Plan envisions it as an expansion of the downtown area that is well-served by transit. The 2035 Vision Map identifies smaller scale, neighborhood serving mixed-use centers at existing commercial areas: McVey and South Shore, Pilkington and Jean Road, and the Mountain Park Shopping Center. These areas are intended to support future neighborhood housing, and to provide opportunities for residents to walk or bike to nearby stores, services, restaurants and jobs to support their daily needs. Neighborhood Hubs are also identified throughout the city as places where neighbors would gather for social, recreational or cultural activities. These hubs are envisioned as places to support a strong and vibrant community culture in Lake Oswego and respond to the unique culture and interests of Lake Oswego's neighborhoods.

Lake Oswego also has 12 Special District Plans that are official elements of the Comprehensive Plan. Eight of these plans are neighborhood plans that describe and provide direction for the unique characteristics of specific neighborhoods through goals, policies and improvement projects. Special District Plans will be reviewed to ensure that their provisions are addressed in the Comprehensive Plan update.

Sources

Lake Oswego Comprehensive Plan, City of Lake Oswego, Adopted 1994.

Draft Lake Oswego Housing Needs Analysis, City of Lake Oswego, 2011.

Community Vision and Values Survey, 2010.

A Community Vision for Aging in Lake Oswego. A Report on the City of Lake Oswego 50+ Community Dialogues. City of Lake Oswego, 2006.