

**City of Lake Oswego  
Draft Housing Needs Analysis**

*Disclaimer: Continued review and revisions are in process.*

## Acknowledgements

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This document updates and builds upon the work the Draft Housing Needs Assessment created by Winterbrook Planning and ECONorthwest in 2009-2010.

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## **Executive 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.*

### **Demographic and Housing Forecast**

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.

<b>Forecast</b>	<b>Units</b>	<b>2010 Estimate</b>	<b>2035 Projection</b>	<b>2010 - 2035 Change</b>	<b>Average Annual Change</b>	<b>AAGR*</b>
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.

### Housing Land Supply

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.

### Housing Need

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:

<b>Distribution of Housing by Unit Type</b>	<b>Percentage of Future Dwelling Units</b>
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%
<b>Total</b>	<b>100%</b>

## Conclusion

The results of the housing analysis (see Table 22, p. 29) 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."*

## **Introduction: Background and Context**

The City of Lake Oswego is conducting a Housing Needs Analysis (HNA) as required by its State of Oregon Comprehensive Plan Periodic Review Work Program to update its long-range Comprehensive Plan (Plan) by June, 2013. The City received grant funds from the Department of Land Conservation and Development (DLCDD) for technical consultant assistance to complete this task. The City elected to take advantage of this required periodic review Plan update to create a comprehensive vision for the City to guide policies, investments and associated implementing actions.

This HNA presents current and projected demographic and housing data within the statewide land use planning regulatory context. The factual basis of assessment of housing needs and development potential frames preliminary implementation actions for the City to consider in order to provide housing opportunities consistent with legal requirements and community aspirations.

### ***Requirements***

As part of its Comprehensive Plan update, the City must address its Plan chapter associated with statewide land use planning Goal 10 (OAR 660-015-0000), its implementing/guiding measure, the Metropolitan Housing Rule (OAR 660-007), and the Portland Metropolitan Area Functional Plan Title 1, Requirements for Housing and Employment Accommodation.

The intent of Goal 10 is to ensure provision for the housing needs of citizens of the State; and to ensure that each city accommodates its fair share of regional housing needs. To this end, Goal 10 requires that cities demonstrate sufficient buildable land that could produce a range of housing types appropriate to meet housing needs<sup>1</sup>.

State laws in this area require that a range of housing types must be accommodated within Lake Oswego. Approval standards for needed housing types and densities must be “clear and objective” and must not have the effect, individually or cumulatively, of discouraging needed housing through unreasonable cost or delay.<sup>2</sup>

### **Statewide Metropolitan Housing Rule**

Goal 10 is implemented through the Metropolitan Housing Rule (MHR), OAR Chapter 660, Division 007. The rule applies to the cities and three 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 and establishes minimum housing type and density standards for each city.

An important requirement of the MHR for Lake Oswego is to zone land to provide the opportunity for new residential construction to consist of at least 50% attached housing, and to provide an overall density of 10 or more dwelling units per net buildable acre<sup>3</sup>.

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<sup>1</sup> See ORS 197.295 through 197.314, also known as “the needed housing statutes.”

<sup>2</sup> See ORS 197.307(6): “Any approval standards, special conditions and the procedures for approval adopted by a local government shall be clear and objective and may not have the effect, either in themselves or cumulatively, of discouraging needed housing through unreasonable cost or delay.” See also OAR 660-007-0015: “Clear and Objective Approval Standards Required Local approval standards, special conditions and procedures regulating the development of needed housing must be clear and objective, and must not have the effect, either of themselves or cumulatively, of discouraging needed housing through unreasonable cost or delay.”

<sup>3</sup> OAR 660-007-(3) Multnomah County and the cities of Portland, Gresham, Beaverton, Hillsboro, Lake Oswego and Tigard must provide for an overall density of ten or more dwelling units per net buildable acre. These are larger urbanized jurisdictions with regionally coordinated population projections of 50,000 or more for their active planning areas, which encompass or are near major employment centers, and which are situated along regional transportation corridors.

### **Metro's Urban Growth Management Functional Plan Title 1**

Title 1 of Metro's Urban Growth Management Functional Plan is intended to promote efficient land use for housing and employment within the Metro UGB. This Functional Plan is essentially a regional Comprehensive Plan and seeks to assure that each city plans for adequate capacity of buildable land to accommodate future housing. The primary tool for achieving this objective is for local governments to determine the location of 2040 Growth Concept design types (town centers, main streets, corridors, etc.) and incorporate these designations into adopted comprehensive plans. In 1999, the 2040 Growth Concept design types were incorporated into the Comprehensive Plan by Ordinance 2204.

Title 1 previously established dwelling unit capacity targets for each local government based primarily on the amount of buildable land within, and refill assumptions for each jurisdiction. In 1998 and 2002, Metro found that Lake Oswego met Title 1 capacity requirements. In December 2010, the Metro Council adopted Ordinance 10-1244B, known as the "capacity ordinance." This ordinance replaced the dwelling capacity target number with a "no net loss policy." Title 1 now requires the City to maintain the existing dwelling unit capacity by ensuring that any proposed zone change does not reduce the City's overall dwelling unit capacity.

The draft Metro Urban Growth Report (UGR) (December 2009) is currently being updated with an expected completion date of December 2011. Lake Oswego will continue working with Metro toward a coordinated local dwelling unit forecast for 2035 through their periodic review Plan update process.

### ***Vision and Goals (Local Aspirations)***

The City of Lake Oswego has prepared a 2035 draft vision which includes specific action areas. The action area 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.***

While Lake Oswego's vision for Complete Housing and Neighborhoods includes an aspiration to accommodate a range of ages, incomes and households, demographic trends indicate an aging population. The largest population cohort in Lake Oswego is the 45 to 64 year old group, compared to Clackamas County and the Portland-Vancouver Metropolitan Statistical Area (MSA), where the 20 to 44 year old cohort is the largest. This suggests that people are remaining in or moving to Lake Oswego to retire and indicates a need to plan for housing oriented toward older age groups that typically desire well-located, safe, smaller units with lower property maintenance requirements. For more information on the changing demographics in Lake Oswego with respect to the older parts of the community, see "A Community Vision for Aging in Lake Oswego", Report on the City of Lake Oswego 50+ Community Dialogues.

Lake Oswego also has relatively few younger, working-age families when compared with Clackamas County and the region. Discussions with the Comprehensive Plan Citizen Advisory Committee and the community as a whole have indicated a specific desire to attract more young families with children, which are vital to the City and schools in particular.

Other housing related aspirations adopted by City Council 2009 include articulation of specific hopes for new housing and redevelopment in the Downtown, Lake Grove and Foothills areas, supported by accessible, walkable pedestrian environments.

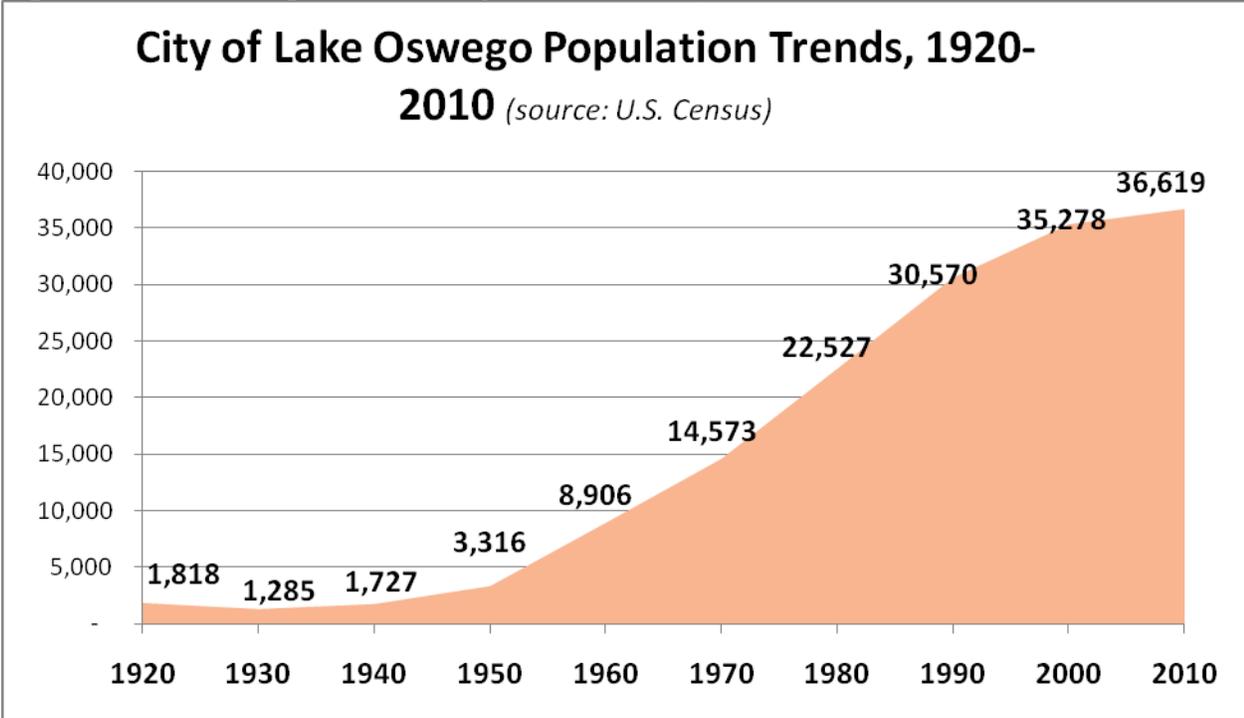
**Demographic and Population Overview**

***Demographic 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 the City’s excellent parks, schools and community facilities continue to serve as attributes that make it a desirable place to live, work and visit.

As Figure 1 indicates, the U.S. Census Bureau’s 2010 census count estimated there to be approximately 36,619 people in the City of Lake Oswego, which is an increase of 1,341 people since the 2000 U.S. Census.<sup>4</sup> For comparison purposes, Figure 2 shows population estimates prepared by Portland State University that indicate a population of 36,845 within the Lake Oswego city limits as of July 1, 2010.

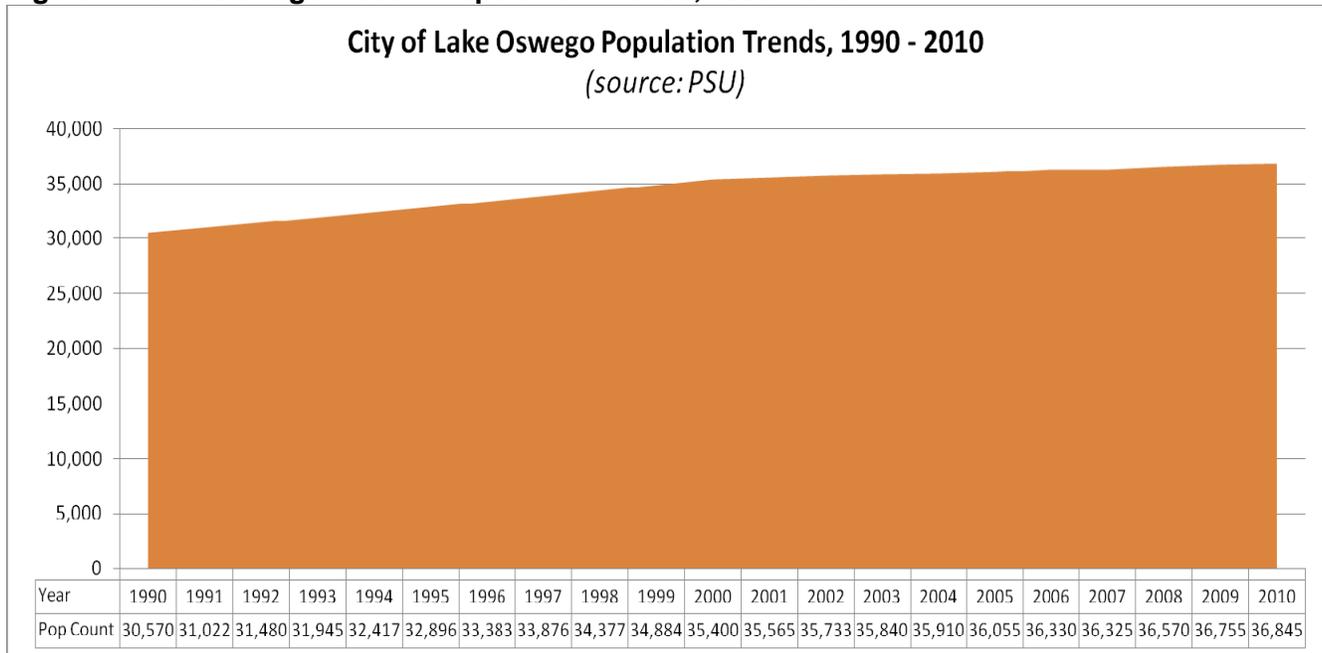
**Figure 1. Lake Oswego Historic Population Trends, 1920-2010**



Source: U.S. Census; compiled by FCS Group.

<sup>4</sup> Limited Census 2010 information was available at the conclusion of the grant period. Where information was available, it was included.

**Figure 2. Lake Oswego Recent Population Trends, 1990-2010**



Source: Portland State University, Population Research Center; compiled by FCS Group.

Lake Oswego experienced a net gain of approximately 898 households since year 2000, with an increase of 472 family households and 426 nonfamily households. As indicated in Table 1, according to the U.S. Census, the average household size and average family size increased over the 2000 to 2008 time period. The average household size was 2.48 and the average family size was 3.10 people per household according to the U.S. Census, 2006-2008 American Community Survey.

More recent 2010 estimates by City of Lake Oswego Long Range Planning staff for the Lake Oswego USB indicate a relatively lower ratio of population to total dwelling units. Using GIS data, the City staff estimates that there were 43,094 people and 16,166 dwelling units in the Lake Oswego Urban Service Boundary (USB) in 2010; with a ratio of people per dwelling unit of 2.25. The fact that this ratio is lower than the average household size estimate reported by the U.S. Census is to be expected, since the U.S. Census tallies only occupied dwelling units and only population that resides in households (not group quarters) population.

**Table 1. Lake Oswego Demographic and Socio-economic Trends**

	<b>Census 2000</b>	<b>Census 2006-08</b>	<b>Change</b>
Population	35,278	38,835	3,557
Group Quarters Population	163	n/a	n/a
Households	14,769	15,667	898
Family Households	9,665	10,137	472
Nonfamily Households	5,104	5,530	426
Average Household Size	2.38	2.48	0.10
Average Family Size	2.95	3.10	0.15
Median Age	41.2	42.1	0.90
Median Household Income (unadjusted)	\$71,597	\$83,486	\$11,889
Median Family Income (unadjusted)	\$94,587	\$105,593	\$11,006
Per Capita Income (unadjusted)	\$42,166	\$48,313	\$6,147
Median Household Income (inflation adjusted)	\$93,101	\$84,388	(\$8,714)
Median Family Income (inflation adjusted)	\$122,996	\$106,733	(\$16,263)
Per Capita Income (inflation adjusted)	\$54,831	\$48,835	(\$5,996)
Individuals Below Poverty Level	1,181	2,602	1,421

*Source: U.S. Census, American Community Survey 2006-2008. Note, income levels for 2000 are reflected for year 1999; and income levels for both periods are expressed in 2010 dollars, based on U.S. Bureau of Labor Statistics CPI index conversions to 1st Quarter 2010.*

*Data compiled by FCS Group, 2009.*

According to U.S. Census estimates, the median age of Lake Oswego residents also increased slightly, 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 MSA region (36.7). In fact, Lake Oswego has more residents over age 65 than all other cities in the greater Portland region, with the exception of King City.

Lake Oswego continues to retain and attract upper-income households. The portion of all households with annual income levels of more than \$100,000 increased from 35% to nearly 41%. The most significant gains occurred in households earning more than \$200,000 per year, which increased by 808 households since year 2000, as indicated in Table 2.

**Table 2. Households by Income Level, Lake Oswego, 2000 and 2006-2008**

Income Level	Census 2000		Census 2006-08		Change	
	Number	Dist. %	Number	Dist. %	Number	Percent
Less than 14,999	861	5.8%	832	5.3%	(29)	-3.4%
\$15,000 to \$34,999	2,338	15.8%	2,152	13.7%	(186)	-8.0%
\$35,000 to \$74,999	4,472	30.2%	4,263	27.2%	(209)	-4.7%
\$75,000 to \$99,000	1,931	13.0%	2,050	13.1%	119	6.2%
\$100,000 to \$149,000	2,550	17.2%	2,698	17.2%	148	5.8%
\$150,000 to \$199,000	1,090	7.4%	1,282	8.2%	192	17.6%
\$200,000 or more	1,582	10.7%	2,390	15.3%	808	51.1%
<b>Total</b>	<b>14,824</b>	<b>100.0%</b>	<b>15,667</b>	<b>100.0%</b>	<b>843</b>	<b>5.7%</b>

*Source: U.S. Census 2000, income levels expressed in 1999 dollars; and U.S. Census, American Community Survey, income levels expressed in 2008 dollars.*

*Data compiled by FCS Group, 2009.*

According to the U.S. Census 2006-2008 American Community Survey, Lake Oswego's average per capita income was \$48,313, median household income was \$83,486, and median family income was \$105,593 in 2008 dollar amounts.

While average income levels in Lake Oswego have increased in nominal dollars, inflation adjusted income levels have fallen since 2000. This trend towards lower real income levels has been well-documented in the Portland region and nationally, and is primarily attributed to the shrinking income levels in middle-income households and higher costs of living for items such as housing, transportation, food, energy and health care.

Poverty levels in Lake Oswego are relatively low in the region, with an estimated 2,602 people in poverty, according to the U.S. Census 2006-2008 American Community Survey. Table 3 shows that the number of people living below the federal poverty level in the Lake Oswego area increased from 1,181 people in 2000 to 2,602 people by 2006-2008<sup>5</sup>.

<sup>5</sup> Federal Poverty Level is defined by the U.S. Department of Housing and Urban Development (HUD) as 70% of median income in a given year.

**Table 3. Federal Poverty Thresholds by Family Size, Urban Clackamas County, Current Year Dollar Amounts (Not Inflation Adjusted)**

	Census 2000	Census 2008
<b>One Person</b>	<b>\$8,794</b>	<b>\$10,991</b>
<i>Under 65 Years of Age</i>	\$8,959	\$11,201
<i>Over 65 Years of Age</i>	\$8,259	\$10,326
<b>Two Persons</b>	<b>\$11,239</b>	<b>\$14,051</b>
<i>Under 65 Years of Age</i>	\$11,590	\$14,489
<i>Over 65 Years of Age</i>	\$10,410	\$13,030
<b>Three Persons</b>	<b>\$13,738</b>	<b>\$17,163</b>
<b>Four Persons</b>	<b>\$17,603</b>	<b>\$22,025</b>
<b>Five Persons</b>	<b>\$20,819</b>	<b>\$26,049</b>

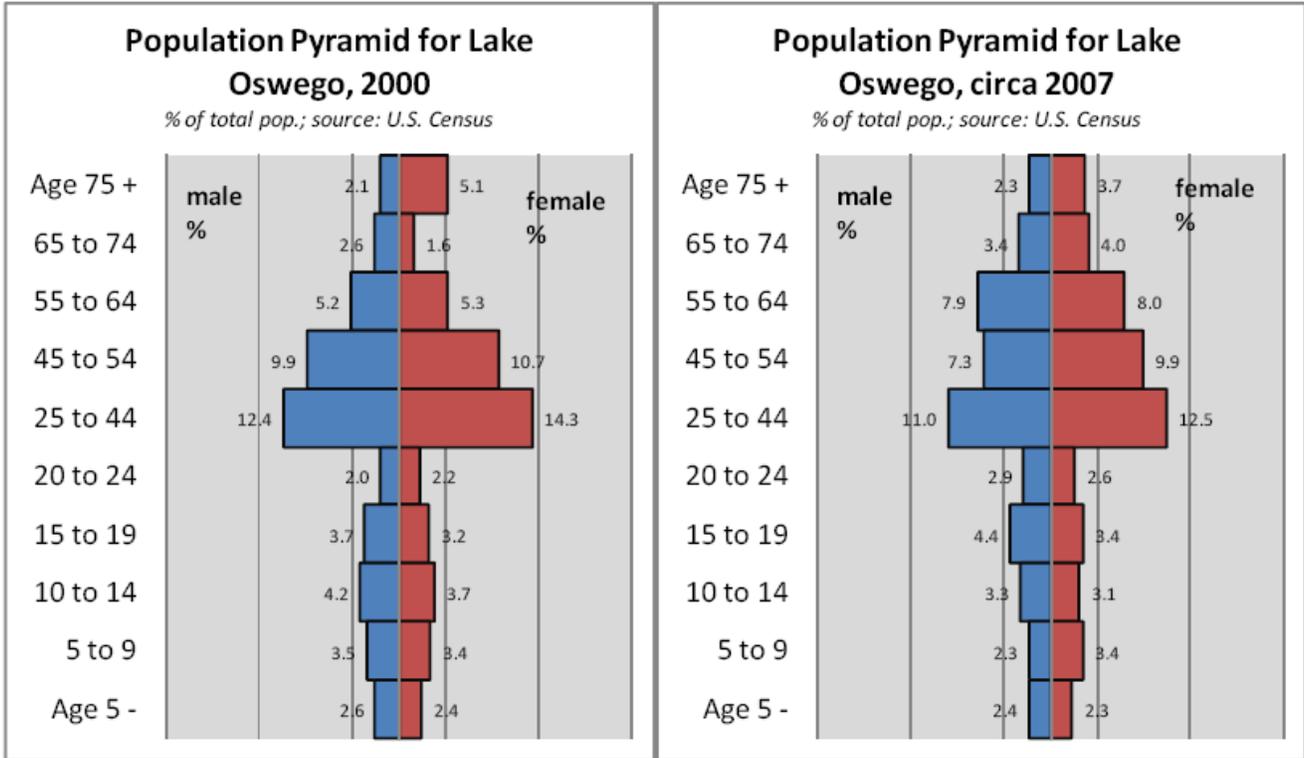
*\* Source: U.S. Census Bureau, average amounts shown do vary by number of related children residing at home.*

Source: FCS Group, 2009.

A closer look at population age cohort patterns for Lake Oswego reflects the aging “Baby Boom” population defined as those born between 1946 and 1965. As indicated in Figure 3 and Table 4, population cohorts that experienced the most significant increase include Baby Boomers within the 55-64 and 65-74 age ranges. These Baby Boomers age 55-74 recorded a combined gain of 3,889 people since 2000.

As summarized in Figure 3 and Table 4 below, another rapidly growing cohort includes the “Generation Y” sector defined as people in their late teens to early thirties. Population within the age 15-24 cohort group has increased by 1,294 people since 2000.

**Figure 3. Population Age Cohort Trends, Lake Oswego, 2000 and circa 2007**



\* Note: population estimates for circa 2007 reflect findings from the U.S. Census American Community Survey 2006-2008.

Source: FCS Group, 2009.

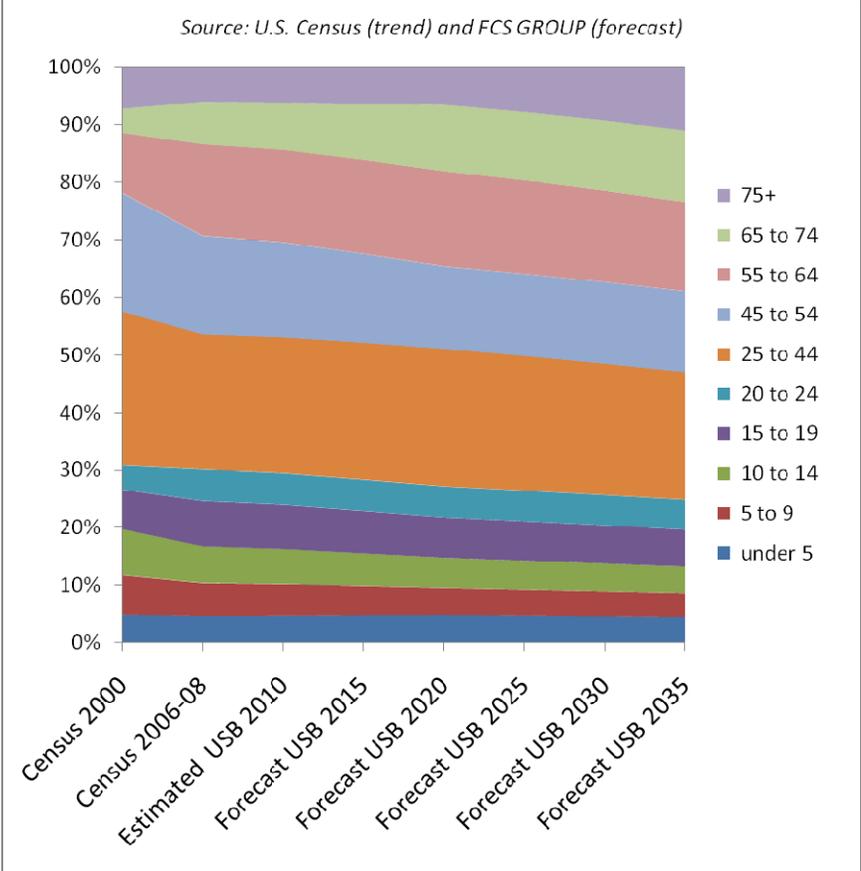
**Table 4. Lake Oswego Area Population Age Cohort Trends**

Age Cohort (years)	Census 2000	Census 2006/08	Change	Percent Change
under 5	1,746	1,824	78	4%
5 to 9	2,426	2,233	(193)	-8%
10 to 14	2,810	2,460	(350)	-12%
15 to 19	2,424	3,057	633	26%
20 to 24	1,470	2,131	661	45%
25 to 44	9,441	9,115	(326)	-3%
45 to 54	7,267	6,653	(614)	-8%
55 to 64	3,676	6,160	2,484	68%
65 to 74	1,477	2,882	1,405	95%
75+	2,541	2,320	(221)	-9%
<b>Total</b>	<b>28,296</b>	<b>32,318</b>	<b>4,022</b>	<b>14%</b>

Source: U.S. Census, 2000 and American Community Survey 2006-08. Lake Oswego area is slightly larger than city limits but smaller than the Urban Service Boundary.

Data compiled by FCS Group, 2009.

Figure 4. Lake Oswego Population Trends and Forecasts



Source: FCS Group.

According to the U.S. Census, the following age cohorts experienced a decline in Lake Oswego between 2000 and 2007:

- Age 1-14 (lost 465 people)
- Age 25-44 (lost 326 people)
- Age 45-54 (lost 614 people)
- Age 75+ (lost 221 people)

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. However, the younger population cohorts (age 5-14) are likely to remain flat or experience negative growth.

As shown in Tables 4 and 5, recent trends in Lake Oswego over the past decade reflect population gains in the under age 5 cohort, but significant population losses in the ages 5-19 and 45-54 cohorts, as well as a slight decline in population over the age of 75.

**Table 5. Lake Oswego Area Annual Historic Population Growth Rates**

	Most Recent Trend		6-Year Trend		Long-Term Trend	
	2006 to 2007		2000 to 2007		1990 to 2007	
	Number	AAGR%	Number	AAGR%	Number	AAGR%
<b>Total Population</b>	<b>480</b>	<b>1.3%</b>	<b>508</b>	<b>1.4%</b>	<b>486</b>	<b>1.4%</b>
Male	(289)	-1.6%	195	1.1%	217	1.3%
Female	769	3.9%	313	1.6%	269	1.5%
<b>Age Cohort (years)</b>						
under 5	132	7.8%	11	0.6%	3	0.2%
5 to 9	(213)	-8.7%	(28)	-1.2%	12	0.5%
10 to 14	(410)	-14.3%	(50)	-1.9%	16	0.7%
15 to 19	(114)	-3.6%	90	3.4%	67	2.8%
20 to 24	208	10.8%	94	5.4%	45	2.7%
25 to 44	766	9.2%	(47)	-0.5%	(104)	-1.0%
45 to 54	(251)	-3.6%	(88)	-1.3%	125	2.3%
55 to 64	162	2.7%	355	7.7%	213	5.4%
65 to 74	208	7.8%	201	10.0%	52	2.2%
75+	(8)	-0.3%	(32)	-1.3%	56	3.2%

*Source: US Census. Lake Oswego area is generally slightly larger than city limits but smaller than Urban Service Boundary.*

*Source: FCS Group, 2009.*

A declining younger (school age) population is also evidenced by Lake Oswego School District enrollment levels. After maintaining enrollment levels above 7,000 students between 1995 and 2001, School District enrollment levels have declined over the past several years. Between 2001 and 2009, total school district enrollment declined to 6,702 students. The most significant enrollment decline occurred in the elementary school level, which lost 368 students over the 2001-2009 time period, while the junior high school enrollment dropped by 110 students. This decline was countered by a slight increase in high school enrollment of 26 students during this time period.

Current 10-year student enrollment forecasts prepared by the Lake Oswego School District range from no growth (best case) to a loss of 342 students (most likely scenario) to a loss of 632 students (worst case). The School District intends to update its forecast after the 2010 Census is completed.

Since housing demand is generally a function of population change and household size, it is important to understand how changing demographics translate into evolving housing needs. As indicated in Table 6, U.S. Census estimates show the fastest growing segment of household formations in Lake Oswego since 2000 has occurred among senior households with a 753 increase, while the household segment with members less than age 18 added 224 households since 2000. In contrast, households with one or more members between age 18 and 65 declined by 79 households in Lake Oswego.

An analysis of marital status indicates that Lake Oswego is attracting and retaining single (unmarried) households and is “losing” married households with children; which often occurs as kids move away to college or for work, and the household becomes reclassified as “empty nesters.” As evidenced by

the data shown in Table 6, the city is still attractive to single-parent households, but the number of married households with kids is declining.

**Table 6. Lake Oswego Area Household Formation Trends**

	Census 2000	Census 2006-08	Change
HHs with 1 or more <18 yrs	4,862	5,086	224
HHs with 1 or more 18 to 65 yrs	7,049	6,970	(79)
HHs with 1 or more > 65 yrs	2,858	3,611	753
<b>Total Households</b>	<b>14,769</b>	<b>15,667</b>	<b>898</b>
<b>2000</b>			
	2000	Est. 2007	Change
Married, w/Kids <18 yrs.	3,918	3,650	(268)
Married, no kids	4,377	4,409	32
Single, < age 65	2,958	4,040	1,082
Single, > age 65	1,163	1,490	327
Other *	2,353	2,078	(275)
<b>Total Households</b>	<b>14,769</b>	<b>15,667</b>	<b>898</b>
<i>* includes non-related people living together.</i>			
<i>Source: U.S. Census, 2000 and American Community Survey 2006-08.</i>			

Source: FCS Group.

### **Housing Sales and In-Migration Trends**

The recent 2008-2009 economic recession created turmoil in the housing market for Lake Oswego, as with most cities across the United States. Median home prices in Lake Oswego have fallen about 22% since hitting a peak of \$502,000 in February 2008. Median sales prices in Lake Oswego were \$400,800 as of March 31, 2011 according to Zillow.com. The downward spiral in home prices appears to be leveling out. As indicated in Table 7, average home prices in Lake Oswego recorded a 9% loss from one year ago, though home prices still compare favorably to other areas within the Portland region.

**Table 7. Median Home Sales Price Trends in Selected Markets**

Median Home Sales Price Trends in Selected Markets		
	Y-o-Y	Median Sales Price
	March 2010 to March 2011	
Lake Oswego	-0.9%	\$ 400,800
West Linn	-15.6%	\$ 288,200
Tualatin	0.0%	\$ 271,000
Beaverton	-13.1%	\$ 213,000
Portland	0.5%	\$ 262,600

Source: FCS Group, Zillow.com.

In 2010, Lake Oswego’s housing prices on a per-square-foot-of-floor area basis exceed neighboring jurisdictions in all price levels, with one exception in Portland. Average price/sq ft levels were higher in Lake Oswego relative to other jurisdictions with the exception of Portland homes priced between \$350,000 and \$500,000 as shown in tables Table 8 and Figure 5. There are many reasons why a variation in sales price per square foot occurs, such as: relative property taxes, quality of public education/schools; community image; and perceived quality of life. Other factors, such as the relative age of housing structure and level of amenities also play a role in the sales price per square foot.

Recent home sales in the Portland market in the \$350,000 to \$499,000 price category were dominated by relatively new condominium units with relatively small floor plates, hence the cost per square foot tends to exceed Lake Oswego in this price category. With regard to the homes priced above \$1 million, many of the most expensive homes in Lake Oswego are relatively new or rehabilitated dwellings with Mt. Hood Views and/or Oswego Lake access; amenities that command price premiums.

**Table 8. Average Home Sales Price Per SF of Floor Area in Selected Market Areas**

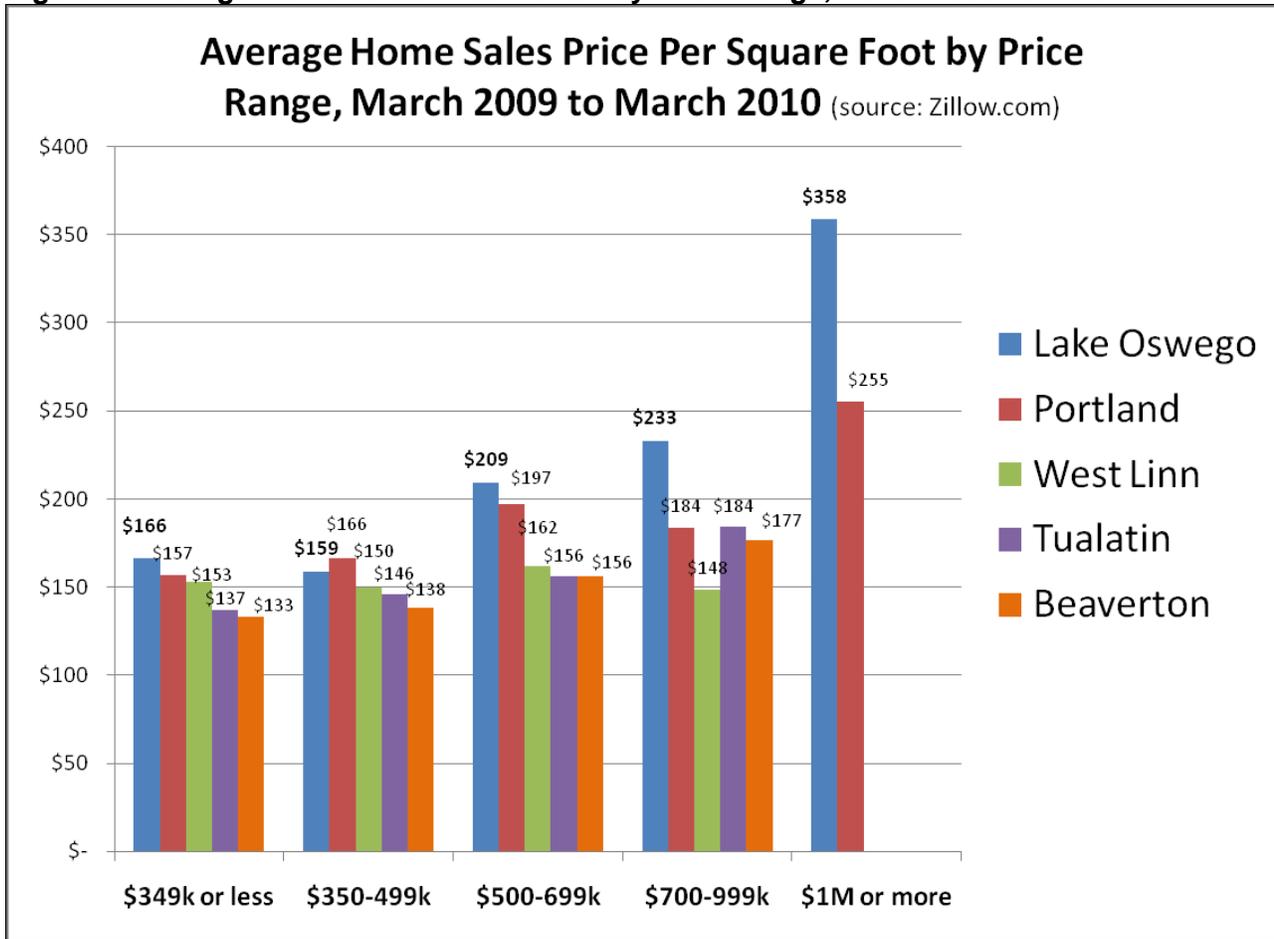
Average Home Sales Price Per SF of Floor Area in Selected Market Areas					
Price Range	Lake Oswego	Portland	West Linn	Tualatin	Beaverton
\$349k or less	\$166	\$157	\$153	\$137	\$133
\$350-499k	\$159	\$166	\$150	\$146	\$138
\$500-699k	\$209	\$197	\$162	\$156	\$156
\$700-999k	\$233	\$184	\$148	\$184	\$177
\$1M or more	\$358	\$255	n/a	n/a	n/a

Lake Oswego Average Home Sales Prices Per SF Compared to:				
Price Range	Portland	West Linn	Tualatin	Beaverton
\$349k or less	106%	109%	122%	125%
\$350-499k	96%	106%	109%	115%
\$500-699k	106%	129%	134%	134%
\$700-999k	127%	157%	127%	132%
\$1M or more	140%	n/a	n/a	n/a

*Source: Zillow.com; based on sample of actual housing sales over past 12 months; as of March 31, 2010.*

**Figure 5. Average Home Sales Price Per SF by Price Range, March 2009 to March 2010**

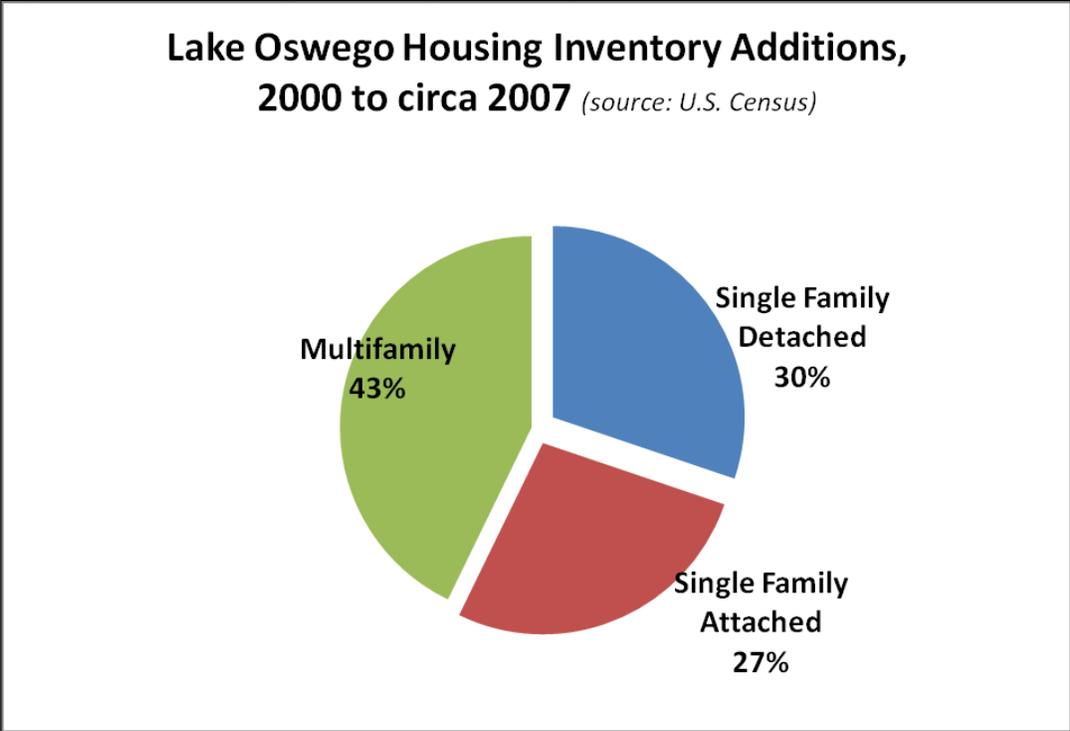


Source: FCS Group.

One reason for the relatively high cost of Lake Oswego housing is the average age of the structure. Lake Oswego’s housing stock is relatively new in comparison to the Portland market. In Lake Oswego, nearly 26% of the dwellings were built since 1990, while less than 17% of the inventory in Portland was built since 1990. In Lake Oswego, only 13% of the housing inventory was built before 1950, whereas in Portland, 57% of the inventory predates 1950.

Lake Oswego housing is predominantly owner-occupied, with 68% of the total housing inventory occupied by owners and 24% occupied by renters. However, the share of multifamily dwellings as a percentage of the total housing inventory is increasing. As indicated in Figure 6 and Table 9, recent increases in the housing inventory have been predominantly made up of multifamily structures (apartments and condominiums) and single family attached (townhome) units, which together accounted for 70% of the total housing inventory additions since 2000, according to U.S. Census estimates.

Figure 6. Lake Oswego Housing Inventory Additions, 200 to circa 2007\*



\*Estimates for circa 2007 reflect data from the U.S. Census American Community Survey 2006-2008.

Table 9. Lake Oswego Housing Characteristics

	Census 2000	Census 2006-08	Change
<b>Dwelling Units</b>			
Owner-Occupied	10,423	11,591	1,168
Renter-Occupied	4,346	4,076	(270)
Vacant	972	1,283	311
<b>Total Unit Count</b>	<b>15,741</b>	<b>16,950</b>	<b>1,209</b>
<b>Structure Type</b>			
Single-Family Detached	10,055	10,443	388
Single-Family Attached	1,169	1,516	347
Multifamily	4,418	4,968	550
Mobile Home	26	23	(3)
<b>Total Unit Count</b>	<b>15,668</b>	<b>16,950</b>	<b>1,282</b>
<b>Median Home Value</b>	<b>\$296,200</b>	<b>\$540,000</b>	<b>\$243,800</b>
<b>Median Gross Rent</b>	<b>\$839</b>	<b>\$1,063</b>	<b>\$224</b>

Source: U.S. Census, 2000 and American Community Survey 2006-08.

In light of the projected increase in seniors over the age of 65 and slight influx of single-parent households with children under age 18, the desired mix of future housing demand will likely be strongest for relatively smaller two bedroom dwelling units, including single family “cottages” and multifamily apartments and low rise flats or condominiums. These trends are consistent with the City’s vision and aspiration to see a significant demand for both for-sale and rental housing products that appeal to young families, empty nesters, young households and seniors.

This report estimates about 10% of the population over the age of 75 will opt to live in assisted living facilities. Given that assumption, the City will likely see a measured increase in the demand for senior care assisted living facilities, but the vast majority of Lake Oswego Baby Boomers will opt to remain in their current residence as long as possible to “age in place”. A significant share may also opt to relocate into smaller dwellings within Lake Oswego, if attainable housing alternatives exist.

**Population Forecast**

The population growth forecasts for the Lake Oswego USB considered for this HNA are summarized in Table 12. Base year (2010) housing counts have been updated to reflect current Lake Oswego Planning Department staff estimates for housing units within the Lake Oswego USB. Population 2010 base year estimates for the Lake Oswego USB assume a ratio of total people per occupied housing unit ratio of 2.25, based on Lake Oswego Planning Department estimates.

For regulatory compliance, Lake Oswego is required to eventually adopt a forecast “consistent” with that which Metro establishes for Lake Oswego. The most recent long-term jobs and households forecast for the Lake Oswego area adopted by the Metro Council is from 2005 (MetroScope Generation 2.3) and is currently being updated by Metro in coordination with City staff for anticipated release in December 2011. Preliminary employment and households forecasts for the Lake Oswego area have also been released as part of the 2009 Metro UGR, but are not expected to be finalized until December 2011.

Based on available data, two growth forecast scenarios are assumed for this interim draft report.

Low Growth Forecast: Based on 2000-2010 Census, this forecast reflects the estimated population growth rate trend in Lake Oswego. This forecast extrapolates the past 10-year population growth trend into the future and assumes housing unit growth equates to population growth. Please note that this forecast is not consistent with Metro’s 2005 adopted growth forecast for Lake Oswego as it assumes a much lower rate of growth than the adopted Metro growth forecast for households over the 2005 to 2035 time frame.

Medium Growth Forecast: This forecast is in line with the Metro 2005 adopted growth forecasts for long-term 2005-2035 household growth in the Lake Oswego area.

A higher growth forecast was considered, but not pursued because it would result in development assumptions that are far higher than market trends evidenced by Census counts and also would be inconsistent with Metro’s adopted growth forecast for the Lake Oswego area.

**Table 12. Summary of Growth Forecasts**

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%

\*AAGR = Average Annual Growth Rate

Policy implications associated with this trend and forecast section are included in the conclusions section of this report.

## **Housing Land Supply and Capacity Analysis**

The housing demand and vacant buildable lands inventory (BLI) methodology in this section should be consistent with the state MHR requirements. The following steps were performed accordingly:

1. Calculated gross BLI of vacant and part-vacant residential-zoned land in Lake Oswego USB.
2. Removed environmental constraints and land for public facilities.
3. Determined minimum and maximum housing capacity allowed with current zoning on vacant buildable lands.
4. Determined 20-year housing needs for low and medium growth forecasts.
5. Compared dwelling demand forecast to dwelling capacity on vacant, part vacant and redevelopment lands using current zoning.
6. Applied Metropolitan Housing Rule (MHR) requirements:
  - Provide the opportunity for a 50/50 mix of attached and detached housing.
  - Provide for an overall density of 10 dwelling units/acre for needed land.
  - Provide types and densities for present and future area residents of all incomes.

### ***Buildable Land Inventory***

The City of Lake Oswego Planning Department estimates that the City currently has approximately 616 acres of buildable lands in residentially designated zones, including approximately 77 acres of vacant land and 539 acres of part-vacant residentially zoned land as shown in Table 13. Part vacant land may have a structure on it, but the footprint of that structure could easily allow for further residential unit(s) on the site under current zoning.

**Table 13. Summary of Vacant and Part-Vacant Residential Buildable Land Inventory and Expected Dwelling Capacity Levels**

<b>Residentially Designated Land and Buildable Land Inventory, Lake Oswego USB</b>					
<b>Zone/Plan Designation</b>	<b>Total Acres within USB</b>	<b>Area as % of Total Land in USB</b>	<b>Vacant Acres</b>	<b>Part Vacant Acres</b>	<b>Total Vacant/ Part Vacant Acres</b>
R-0	225.7	2.7%	0.0	5.6	5.6
R-2	10.1	0.1%	2.2	0	2.2
R-2.5	3.2	<0.1%	0.4	0	0.4
R-3	166.6	2.0%	0.5	12.5	13.0
R-5	503.7	6.0%	4.4	18.1	22.5
R-6	104.2	1.2%	0.6	0	0.6
R-7.5	2122.2	25.2%	33.0	242.7	275.7
R-10	1921.8	22.8%	18.5	179.5	198.0
R-15	822.8	9.8%	17.7	80.5	98.2
<b>Total</b>			<b>77.3</b>	<b>538.9</b>	<b>616.2</b>

Source: City of Lake Oswego, January 2011.

Table 14 shows that the vacant land area is zoned to accommodate approximately 447 dwelling units at current capacity levels.

**Table 14. Summary of Vacant Residential Buildable Land Inventory and Expected Dwelling Capacity Levels**

Zone/Plan Designation	Vacant Acres	Maximum Allowed Density (DU/Acre)	Maximum Allowed/ Permitted Dwellings
R-0	0.0	34.0	0
R-2	2.2	28.5	63
R-2.5	0.4	28.5	11
R-3	0.5	12.9	6
R-5	4.4	8.7	38
R-6	0.6	7.3	4
R-7.5	33.0	5.8	191
R-10	18.5	4.4	81
R-15	17.7	2.9	51
<b>Total</b>	<b>77.3</b>	<b>5.8</b>	<b>447</b>

Source: City of Lake Oswego, Winterbrook Planning.

As shown in Table 15, Lake Oswego’s current development opportunities are mostly concentrated among lower-density land use zone/plan designations, including 242.7 acres of R-7.5, 179.5 acres of R-10, and 80.5 acres of R-15 land area. The part-vacant land inventory is estimated to accommodate 1,708 net new dwellings under existing land use zone/plan designations.

**Table 15. Summary of Part-Vacant Residential Buildable Land Inventory and Expected Dwelling Capacity Levels**

Zone/Plan Designation	Part Vacant Acres	Maximum Allowed Density (DUs/Acre)	Dwelling Unit Cap (Max)	Less Existing Dwelling Units	Maximum Net New Dwellings
R-0	5.6	34.0	191	44	147
R-2	0	28.5	0	0	0
R-2.5	0	28.5	0	0	0
R-3	12.5	12.9	162	33	129
R-5	18.1	8.7	158	43	115
R-6	0	7.3	0	0	0
R-7.5	242.7	5.8	1,409	631	778
R-10	179.5	4.4	782	332	450
R-15	80.5	2.9	234	145	89
<b>Total</b>	<b>538.9</b>	<b>5.5</b>	<b>2,936</b>	<b>1,228</b>	<b>1,708</b>

Source: City of Lake Oswego, January 2011.

Adding the expected dwelling units on vacant land (447) and part-vacant land (1,708) results in additional dwelling capacity level of 2,155 units.

**Redevelopment Analysis**

In order to better understand how many new housing units may be constructed on land within the Lake Oswego USB, FCS Group and Lake Oswego Planning staff estimated the potential number of net new units that could reasonably be expected to redevelop in residential and mixed-use zones.

The residential redevelopment analysis focuses on medium and higher density residential zones in the USB (R-0, R-2, R-2.5, R-3, R-5). It includes lots with an assessed improvement value to land value ratio of 1.5 or less and tax lots over 0.20 acres (8,712 SF) in net buildable land area, defined as net acres with medium to very high redevelopment potential. Environmental constraints were removed, and the maximum capacity calculated based on net acreage by zone. Existing dwellings were estimated based on total developed residential floor area (assuming an average of 1,250 square feet per dwelling unit) then subtracted from the potential capacity to determine the net potential for additional units.

As shown in Table 16 below, the preliminary redevelopment analysis identifies the potential for up to 1,331 net new dwellings in medium and high-density residential zones.

**Table 16. Summary of Redevelopment Potential in Medium and High-Density Residential Zones**

Zoning	Buildable Redevelopment Acres	Max. Allowed DUs Per Acre	Less Estimated Existing DUs	Maximum Potential DUs at Existing Zoning	Net New DU Capacity
R-0	17.4	34.0	148	657	509
R-2	4.2	28.5	31	91	60
R-2.5	1.3	28.5	2	36	34
R-3	36.9	12.9	196	493	297
R-5	67.4	8.7	160	590	432
<b>Total</b>	<b>127.1</b>		<b>537</b>	<b>1,867</b>	<b>1,331</b>

Source: Analysis by FCS Group and City of Lake Oswego Long Range Planning staff, 2011.

Redevelopment analysis also was conducted for mixed use zones allowing both residential and other uses (GC/R-0, NC/R-0, OC/R-3, EC, GC, HC, EC/R-0). This analysis focused on the following key districts: Foothills, Downtown, Kruse Way and the Boones Ferry Corridor. The same methodology was used to determine buildable land. In addition, this analysis assumes a range of building floor areas allocated toward housing. The residential allocation assumptions differ by zone based on City staff and consultant observations in the city and region.

The preliminary findings, as shown in Table 17, results in up to 106.6 acres of mixed-use zoned land area that is likely to redevelop under market conditions over the next 20 years. The redevelopment potential in these mixed-use areas is zoned to accommodate up to 4.1 million square feet of building floor area, though not all of this development will be housing. An analysis of potential housing units on these mixed-use redevelopment lands results in up to 2,522 dwellings that could potentially be provided in these mixed-use areas under current zoning. After accounting for the existing 434 dwellings on these properties, the net new residential development potential on mixed-use redevelopment lands in the Lake Oswego USB is expected to be 2,088 dwelling units. The remaining portion of these redeveloped lands could serve non-residential development and employment/job growth.

**Table 17. Summary of Redevelopment Potential in Mixed-Use Zones**

Zoning	Net Buildable Redevelopment Acres*	Estimated FAR Max Per Zoning	Estimated Max Building SF at Zoned Capacity	Estimated Residential FAR as % of Total FAR	Estimated Maximum New Dwellings at Zoned Capacity**	Less Existing DUs	Estimated Max Net New DUs
GC	21.3	0.30	278,218	50%	121	-	121
NC/RO	2.3	0.25	25,047	50%	11	1	10
OC/R3	12.0	0.30	157,208	50%	68	2	66
EC	14.8	3.00	1,936,678	80%	1,347	9	1,338
HC	29.0	0.30	378,319	10%	33	-	33
CR&D	0.0	0.50	-	10%	-	-	-
EC/RO	25.7	1.20	1,340,777	80%	933	422	511
OC	1.6	0.30	20,386	50%	9	-	9
<b>Total</b>	<b>106.6</b>		<b>4,136,632</b>		<b>2,522</b>	<b>434</b>	<b>2,088</b>

\* includes tax lots with existing land improvement value to land value ratio of 1.5 or less.

\*\* assumes 1,150 square feet average floor area per future dwelling unit.

FAR = Building Floor-to-Land Area ratio. DUs = dwelling units.

Source: Analysis by FCS GROUP based on City of Lake Oswego redevelopment assumptions.

Based on the preceding analyses, the Lake Oswego USB has the potential of accommodating approximately 5,574 net new dwelling units under current zoning capacity. As indicated in Table 18, the vacant, part vacant and redevelopment lands have the potential of accommodating about 1,646 single family detached dwellings, 1,017 medium-density dwellings (townhomes, duplexes, etc.) and 2,911 multifamily dwellings (apartments and mid-rise flats) under current zoning.

**Table 18. Summary of Net New Residential Dwelling Unit Capacity in Lake Oswego USB**

Land Classification	Low Density Dwellings <sup>5</sup>	Medium Density Dwellings <sup>6</sup>	Higher Density Dwellings <sup>7</sup>	Total Dwellings
Vacant Land in "R Zones" <sup>1</sup>	329	44	74	<b>447</b>
Part Vacant Land in "R Zones" <sup>2</sup>	1,317	244	147	<b>1,708</b>
Redevelopment Land in Medium & High Density "R Zones" <sup>3</sup>	-	729	602	<b>1,331</b>
Redevelopment Land in "Mixed-Use Zones" <sup>4</sup>	-	-	2,088	<b>2,088</b>
<b>Total</b>	<b>1,646</b>	<b>1,017</b>	<b>2,911</b>	<b>5,574</b>

Notes:

1 derived from Table 14.

2 derived from Table 15.

3 derived from Table 16.

4 derived from Table 17.

5 reflects land zoned R-6, R-7.5, R-10, and R-15.

6 reflects land zoned R-3, and R-5.

7 reflects land zoned R-0, R-2, and R-2.5; and the mixed-use zones (GC, NC/RO, OC/R-3, EC, HC, CR&D, EC/RO and OC).

Source: compiled by FCS Group.

**Housing Needs Analysis**

***Housing Requirements***

**Housing Mix Requirement**

According to state Metropolitan Housing Rule (MHR) requirements (OAR 660-007-0000) , Lake Oswego “must provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing or justify an alternative percentage based on changing circumstances.” Lake Oswego meets this requirement by allowing zero lot line (attached single family) dwellings in all residential zones.

**Population Forecast**

Based on the expected development capacity levels described earlier, Lake Oswego could potentially provide up to 5,574 dwelling units without changes to existing zone/plan standards or USB boundary in excess of demand anticipated by the medium growth forecast.

**Housing Density Requirements**

The MHR also requires Lake Oswego to provide for needed housing at an overall residential density of 10 or more dwelling units per net buildable acre. Options for meeting the 10 dwelling unit per acre requirement are discussed in the following section.

**Housing Attainability Requirements**

The MHR requires cities in the Metro region to meet the needs of the “area” or region (not city) residents at “all income levels”. For Lake Oswego, the area being considered is Clackamas County. Table 19 below summarizes regional income ranges by very low, low, lower middle, upper middle and high income ranges, according to the U.S. Department of Housing and Urban Development. FCS group updated the ranges to reflect 2010 as the base planning year.

Between 2007 and 2010, the share of higher-income households went up; middle income households dropped from 40% to 34% and the lower income households share stayed about the same.

**Table 19. Income Levels and Distribution in 2010**

Income Levels for Clackamas County					Lake Oswego	
Income Cohort	Qualifying Income		Households	Percent Dist.	Households	Percent Dist.
	Lower-end	Upper-End				
High (120% or more of MFI*)	\$85,440	or more	293,619	<b>35%</b>	8,255	53%
Upper Middle (80%-120% of MFI)	\$56,960	\$85,440	166,716	<b>20%</b>	2,519	16%
Lower Middle (50% -80% of MFI)	\$35,600	\$56,960	118,609	<b>14%</b>	1,617	10%
Low (30%-50% of MFI)	\$21,360	\$35,600	160,910	<b>19%</b>	2,145	14%
Very Low (less than 30% of MFI)	\$21,360	or less	88,749	<b>11%</b>	995	6%
<b>Total</b>			<b>828,604</b>	<b>100%</b>	<b>15,531</b>	<b>100%</b>

\* Median Family Income

The income levels and distribution in Table 19 have been translated into a range of housing prices, unit types and allocation for future dwellings. To reflect the demographic trend of an aging population and shrinking household size, along with the desire to attract more young households, the allocations in Table 20 have been adjusted slightly in favor of additional allocation toward the upper and lower middle income range.

**Table 20. Home Types and Price Points to Meet Attainability Goals\***

<b>Owner-Occupied Housing</b>				
<b>Approximate Attainable Home Price*</b>	<b>Low Range</b>	<b>High Range</b>	<b>Attainable Housing Product**</b>	<b>Net New DU Allocation to Address Attainability</b>
High (120% or more of Median Income)	\$494,000	or more	SFD or other high end type	25%
Upper Middle (80% to 120% of Median Income)	\$329,000	\$494,000	SFD or other mid-value type	30%
Lower Middle (50% to 80% of Median Income)	\$206,000	\$329,000	Townhome/Small Lot "cottage" SFD	15%
Low (30% to 50% of Median Income)	\$123,000	\$206,000	Duplex/Triplex/Quadplex	19%
Very Low (less than 30% of Median Income)	or less	\$123,000	Condos/Townhomes & gov. assisted	11%
				100%

\*Assumes 35% of income is used for mortgage payment, 20% downpayment, 6% interest, 30-year mortgage.

\*\* Consistent with regional HUD income limits shown in Table.

<b>Renter-Occupied Housing</b>				
<b>Approximate Attainable Monthly Rents*</b>	<b>Low Range</b>	<b>High Range</b>	<b>Attainable Housing Product</b>	<b>Net New DU Allocation to Address Attainability</b>
High (120% or more of Median Income)	\$2,492	or more	Any housing type, higher price	25%
Upper Middle (80% to 120% of Median Income)	\$1,661	\$2,492	Any housing type, lower price	30%
Lower Middle (50% to 80% of Median Income)	\$1,038	\$1,661	Small-lot "cottage" SFD, SFA, or apt.	15%
Low (30% to 50% of Median Income)	\$623	\$1,038	1-2 bedroom apartment or plexes	19%
Very Low (less than 30% of Median Income)	or less	\$623	Apartments & gov. assisted housing	11%
				100%

\*Assumes 35% of income is used for rental payments.

\*\* consistent with regional HUD income limits shown in Table.

In consultation with the Goal 9/10 Work Group, the following distribution is currently recommended to attract more middle income households – with a focus on strategies that provide more small lot and attached dwelling developments.

**Table 21. Projected Residential Housing Need Mix, Lake Oswego USB, 2010 to 2035**

	Owner-Occupied Dwelling Units	Renter-Occupied Dwelling Units	All Dwelling Units	Average Density (DU/NBA)
<b>Housing Tenure Distribution</b>	64.5%	35.5%	100%	
<b>Distribution of Housing by Unit Type</b>				
Detached Large Lot SF (>5,000 sq.ft.)	34%	5%	23.7%	5.0
Detached Small Lot SF (<= 5,000 sq.ft.)	20%	6%	15.0%	9.0
Attached SF (Rowhouses, Secondary Dwelling Units, Zero Lot Line Dwellings)	32%	19%	27.4%	14.0
Duplex/Triplex	6%	20%	11.0%	8.0
Multifamily (Apartments, Condos)	8%	50%	22.9%	30.0
<b>Total</b>	100%	100%	100%	

Source: Housing tenure estimates from Draft Housing Needs Analysis, Winterbrook/ECONorthwest; housing type mix assumptions by FCS GROUP.

**Comparison of Residential Capacity and Projected Demand**

***Future Needed Housing Types***

Based on the preceding analysis, the Lake Oswego USB can accommodate approximately 5,574 net new dwelling units under current zoning capacity assumptions. There may also be additional dwelling unit capacity that could be reflected by the addition of secondary dwelling units (SDUs) which are conservatively excluded from these capacity forecasts. As indicated in Table 22, after applying the housing attainability assumptions (shown in Table 20) to the low and medium growth forecasts, it appears that the City can easily accommodate the low growth forecast but would need to adopt some new policies to fully accommodate the expected medium density housing need associated with the medium growth forecast. The analysis indicates that while the low density and high density residential needs can be met through a combination of development on vacant lands and redevelopment lands, Lake Oswego will likely have more demand for medium-density development than the zoned land supply would accommodate. The City may also want to explore if some or all of the medium-density need could technically be met through the high density supply, under the assumption that high-density housing can provide housing at price levels at or below medium-density price levels.

**Table 22. Residential Dwelling Capacity and Projected Housing Demand, Lake Oswego USB, 2010 to 2035**

Land Use Classifications	Potential Net Buildable Land Area in USB (acres)					Average Density Assumption (Dwellings Per Acre)	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 Density (DU/acre)	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	4.8	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	10.2	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	33.7	2,911	740	1,400	2,171	1,511	35.0	66.2	102.6	71.4
<b>Total</b>	<b>77.3</b>	<b>538.9</b>	<b>127.1</b>	<b>106.6</b>	<b>849.9</b>		<b>5,574</b>	<b>1,874</b>	<b>3,560</b>	<b>3,700</b>	<b>2,014</b>	<b>278.4</b>	<b>530.9</b>	<b>571.5</b>	<b>319.0</b>

The projected housing deficit for medium density housing could be addressed through a combination of local land use policy measures discussed in the Implementation section.

**Future Land Needs**

The results from the preliminary housing analysis generally indicate that the Lake Oswego USB has an adequate amount of low-density land area to meet the 2035 forecasts for its projected housing needs. However, there is an additional need to accommodate approximately 349 medium density (townhouse, duplex, SDU, etc.) dwelling units. This need could mainly be addressed by redevelopment in appropriate locations within the existing USB area.

**Summary and Policy Options**

Considering the supply of vacant, part-vacant, and redevelopable land, Lake Oswego appears to have surplus of buildable low-density and high-density land, but a deficit of medium density land area to serve middle income levels and meet the State’s housing attainability requirement. This need may be met in part or whole through the redevelopment capacity for high-density housing. The City will need to consider if this would provide the desired mix of housing options and meet the community vision.

Table 23 below lists potential strategies and potential density levels associated with potential new development within the Lake Oswego USB for consideration during housing implementation discussions.

**Table 23. Options for Providing New Dwellings within Lake Oswego USB**

	<b>Estimated Acres in USB (net buildable)</b>	<b>Dwelling Potential (net new)</b>	<b>Potential Avg. Density (DU/acre)</b>
1. Vacant and Part-Vacant Land Inventory			
a. Low Density Capacity	571.9	1,640	2.9
b. Medium Density Capacity	36.1	292	<b>8.1</b>
c. Higher Density Capacity	8.2	221	<b>30.0</b>
2. <i>Redevelopment: Net New Dwellings on Medium-Density R Zones (R-O, R-2, R-2.5, R-3, R-5): 127 acres</i>	127	1,331	<b>10.5</b>
3. <i>Redevelopment: Net New Dwellings on Mixed-Use Zones (GC/RO, NC/RO, OC/R-3, EC, GC, HC, EC/RO): 107 acres</i>	107	2,088	<b>19.5</b>
4. <i>Redevelopment: Increase housing in Boones Ferry Corridor (various strategies may be used)</i>	n/a		n/a
5. <i>Specific Plan and Zone Change for Foothills Industrial Area (14.6 +/- acres)</i>	14.6		<b>89.0</b>
6. <i>New Goals and Standards for SDUs</i>	n/a		n/a

Source: Compiled by City of Lake Oswego Long Range Planning Department, and FCS Group, April 29, 2011.

Although the City appears to meet its MHR requirements for mix, needed housing types and locations, it should review its code to make sure these areas all operate under a clear and objective standard test. In other words, for needed housing types, policies and regulations should not prohibit or discourage the provision of affordable and needed housing.

In addition, the City may want to consider policies and incentives from the set of options included in the next section to provide ample and adequate land in the right locations for Lake Oswego senior residents to age in place, and for young people and families to find a home in Lake Oswego.

By the conclusion of Periodic Review, Council will need to adopt a population projection and update these strategies if and as needed.

## **Implementation**

The following set of policy options have been developed in response to state requirements and local aspirations. These considerations and recommendations have been compiled from previous housing strategies as well as conversations with the Comprehensive Plan Citizen Advisory Committee, Goal 9 and 10 Work Group and Planning Commission. The policy options are intended to create a menu of options for the City to consider as they work to implement the findings and policy choices that have been identified through this HNA process.

The demographic analysis suggests that people are remaining in or moving to Lake Oswego to retire and indicates a need to plan for housing oriented toward older age groups that typically demand smaller units with lower property maintenance requirements.

Discussions with the Citizen Advisory Committee and the community as a whole have indicated a specific desire to attract more young families with children to which are vital to the City and schools in particular. This suggests that higher housing costs in Lake Oswego compared with neighboring jurisdictions may be a barrier for young families. In order to provide a diversity of housing types and densities, the City may want to consider planning for housing types more affordable for these families.

### ***Vacant Land Supply/Redevelopment***

Lake Oswego has a relatively limited supply of vacant land area inside the USB, and now must rely on redevelopment and optimization of the remaining vacant land inventory to meet future needs and be consistent with MHR requirements.

#### **Possible Strategy**

Lake Oswego should continue to emphasize policies that encourage or support redevelopment at designated areas (such as mixed-use and neighborhood centers); and policies and code that supports new accessory dwelling units; single family attached housing; and multifamily housing, especially in designated centers.

### ***Metropolitan Housing Rule***

Lake Oswego is required to meet the State's MHR requirements for housing mix (opportunity for 50/50 mix of attached and detached housing) and average density on buildable land (see page 3). Lake Oswego has a limited amount of vacant land and needs to develop strategies to meet future housing needs and MHR requirements in a way that fits within the city's unique character. Lake Oswego's residential zones allow for attached "zero lot line" housing and meets this requirement.

The MHR also requires the City to provide an opportunity for all needed housing to be developed under clear and objective development standards. "Needed housing" includes all single family and multifamily attached and detached housing; this requirement is not exclusive to the "buildable" portion

of the city. Multifamily and single family housing with three or more attached units in Lake Oswego currently goes through a design review process with the Design Review Commission. The City may need to change review criteria to ensure the opportunity for these housing types to be developed under clear and objectives standards. This does not mean that these uses have to be approved outright; conditional use and two-track review processes may still may be considered. This will need further discussion and refinement in 2011-2012, the implementation phase.

### Possible Strategies

Lake Oswego has several policy options for meeting housing needs.

1. Increase certainty and comply with Division 007 MHR standards in Mixed Use Zones:
  - Amend mixed-use zones in town centers to encourage redevelopment with higher density attached and multifamily housing under clear and objective review standards. This may require a separate approval path for residential projects in these areas.
  - Ensure development standards do not impede residential investment in town centers
2. Develop policies to encourage SDUs in walkable areas close to transit and commercial nodes.

### ***Other Complete Neighborhood and Housing Strategies for Consideration***

In addition to the policy options above, other options to help implement the Complete Neighborhoods and Housing element of the vision include the following.

1. Strategically explore re-designation in select locations near centers with transportation options and other amenities to focus new development and redevelopment in the best areas for Lake Oswego while maintaining the integrity of single family neighborhoods. Options include:
  - Adopt a new R-4 small lot single family zone, to be used in combination with courtyard infill development standards in partially vacant areas.
  - Amend use standards in low and medium density residential zones to allow for more efficient infill development by encouraging, under clear and objective standards,:
    - Courtyard infill development in low and medium density residential zones in town centers
    - Cottage development
    - Secondary dwelling units in all low density residential zones
    - Allowing duplexes on corner lots in low and medium density residential zones
2. Amend zones and development standards related to parking, open space and building height in appropriate mixed-use locations to allow for higher densities under clear and objective standards. These could include adjustments to allowable heights and densities, reduction of parking requirements, allowances for meeting landscaping requirements, permitting greater floor lot coverage to make structured parking more feasible, and/or removing or limiting subjective buffering standards.
  - Remove or objectify and limit subjective buffering requirements in downtown areas.
3. Consider the following strategies to meet the need for lower income housing attainability:
  - Establish a minimum percentage of affordable units in all developments that receive assistance from the Lake Oswego Redevelopment Agency.
  - Work toward a goal of “no net loss” of existing affordable housing through incentives and other means.
  - Improve the permitting process to allow for needed housing types including secondary dwelling units while respecting neighborhoods.
  - Avoid “one size fits all” approaches for different geographic areas in Lake Oswego.

## Appendix A. Housing Attainability Analysis for Lake Oswego USB

Urban Clackamas County Median Family Income Level (2010/2011)*	\$71,200	
Market Segment by Income Level	Lower-end	Upper-End
High (120% or more of MFI)		120%
Upper Middle (80% to 120% of MFI)	80%	120%
Lower Middle (50% to 80% of MFI)	50%	80%
Low (30% to 50%)	30%	50%
Very Low (less than 30% of MFI)	30%	

Qualifying Income Level	Lower-end	Upper-End
High (120% or more of MFI)	\$85,440	or more
Upper Middle (80% to 120% of MFI)	\$56,960	\$85,440
Lower Middle (50% to 80% of MFI)	\$35,600	\$56,960
Low (30% to 50%)	\$21,360	\$35,600
Very Low (less than 30% of MFI)	\$21,360	or less

Available Annual Housing Payment (@35% of income level)	Lower-end	Upper-End
High (120% or more of MFI)	\$29,904	or more
Upper Middle (80% to 120% of MFI)	\$19,936	\$29,904
Lower Middle (50% to 80% of MFI)	\$12,460	\$19,936
Low (30% to 50%)	\$7,476	\$12,460
Very Low (less than 30% of MFI)	\$7,476	or less

Available Monthly Rent or Payment (@35% of income level)	Lower-end	Upper-End
High (120% or more of MFI)	\$2,492	or more
Upper Middle (80% to 120% of MFI)	\$1,661	\$2,492
Lower Middle (50% to 80% of MFI)	\$1,038	\$1,661
Low (30% to 50%)	\$623	\$1,038
Very Low (less than 30% of MFI)	\$623	or less

Approximate Attainable Home Price**	Lower-end	Upper-End
High (120% or more of MFI)	\$494,000	or more
Upper Middle (80% to 120% of MFI)	\$329,000	\$494,000
Lower Middle (50% to 80% of MFI)	\$206,000	\$329,000
Low (30% to 50%)	\$123,000	\$206,000
Very Low (less than 30% of MFI)	\$123,000	or less

**Notes:**

\* based on Housing and Urban Development thresholds for Clackamas County in 2010/2011.

\*\* assumes 20% downpayment on 30-year fixed mortgage at 6.0% interest.

Source: analysis by FCS Group using Housing and Urban Development, and US Census data.