

Economic Vitality

DRAFT Background Paper

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Vision for Economic Vitality

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.

Existing Goals

Lake Oswego's 1994 Comprehensive Plan identifies one goal for economic development:

1. The City shall provide for economic development opportunities which enhance the prosperity and livability of the community.

Introduction

The Economic Vitality Action Area will set direction for how the City should meet its economic goals for the next 20 years and will identify strategies to support a strong economic base and that will allow residents to meet their daily needs for goods and services within the City.

The Economic Vitality background paper is 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 economic development section of the City's Comprehensive Plan is required by the state mandated Periodic Review process.

The purpose of this report is to provide background information to help develop a decision-making framework and economic development strategy for the next twenty years. The report summarizes existing economic conditions, employment needs, and the supply of land suitable for employment purposes. The report outlines existing economic development goals, policy questions and potential changes for consideration during the Comprehensive Plan update process.

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 Economic Development Action Area will support a sustainable Lake Oswego in the following ways:

People: Employment opportunities can help to meet people's needs by paying incomes that allow people to support themselves with a good standard of living. Jobs close to home reduce commuting time and stress. Thriving businesses can support their employees and reinvest in the community. Creating opportunities for businesses to incubate and grow within the city supports local entrepreneurship.

Places: Vibrant, pedestrian-oriented districts attract people to businesses and help the economy to thrive. Higher concentrations of employees create demand for public transportation, increasing transportation options for employees and residents, and reducing greenhouse gas emissions.

Prosperity: Employment uses contribute to a strong local tax base, which supports City infrastructure and services. Employees and visitors who come to Lake Oswego for work or fun help to support businesses. Opportunities for residents to shop, dine, and meet service needs within Lake Oswego helps to strengthen the local economy. Employment clusters create synergies and serve to attract new business.

What We've Heard

The 2010 *We Love Lake Oswego* community survey, which received 823 responses, asked a variety of questions about economic vitality.

- When asked to identify Lake Oswego's economic role 25 years from now, 63 percent chose "a full-service community where people can live, work and buy all of their goods and services," followed by "a mix of bedroom community and full service community" (55%), and "a source of innovation for the region" (41%).
- 61 percent of responders indicate that "redevelopment of underused or blighted properties" is one of the top priorities to improve its business districts, followed by "support diversity of shops and businesses" (57%), providing "transit, walking and biking access" (46%), and "recruiting new businesses" (44%).
- In response to an open-ended question about what types of businesses and services would be desired in 2035, 25 percent desire new retail options such as bookstores, hardware stores or locally owned businesses; 14 percent expressed interest in bringing new industry to Lake Oswego, such as professional, bio-tech, engineering, and green businesses.

Policy Questions to Consider

Based on the Community Vision for 2035, public input, and information compiled in this and other Lake Oswego economic 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.

1. With Lake Oswego's limited amount of vacant commercial and industrial land, what strategies might be used to promote redevelopment of employment land at greater intensities, especially in centers and corridors (Downtown, Boones Ferry, Kruse Way)?

Potential Strategies:

- Strengthen the City's redevelopment program; identify redevelopment tools, strategies and priorities.
- Use incentive-based approaches and/or regulatory strategies to promote redevelopment and greater development intensity (mixed-use redevelopment with combined retail or office uses and housing), especially in centers and corridors.

Options include, but are not limited to:

- Using urban renewal and tax increment financing for the development of infrastructure necessary to stimulate economic growth
- Exploring reduced system development charges where merited
- Changing development standards or restrictions (overall or for certain types of desired development)
- Assembling land
- Investing in structured parking, requiring less parking, evaluating parking management strategies, and/or increasing public transportation use
- Investing in public infrastructure such as high speed broadband
- Creating a business recruitment program
- Partnering with other economic development agencies in the region

2. Has the draft list of Community Economic Development Objectives below and Target Industries captured the community's vision for Economic Vitality?

Draft Community Economic Development Objectives:

- Maintain and grow a strong local employment base to provide jobs for residents of Lake Oswego and the region, 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, health care, 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.

Target Industries

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

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| ○ Advanced Continuing Education | ○ Health Care |
| ○ Arts | ○ Professional, Scientific, Technical Services and Information |
| ○ Corporate or Regional Health Care | ○ Real Estate |
| ○ Finance and Insurance | ○ Service for Residents |
| ○ Government and Public Services | ○ Services for Seniors |
| ○ Green Businesses | |

3. There is a flat to negative growth forecast for industrial jobs. At the same time, there is capacity for redevelopment in the southwest Industrial Park zone.

- Given this information, what types of employment uses should be supported in the current Industrial Park district to support Community Economic Development objectives such as: supporting business incubation by providing a diversity of

site/space opportunities, and pursuing a range of employment opportunities such as clusters that build on Lake Oswego’s intellectual capital, proximity to universities and colleges and connection to the I-5 corridor?

- How can this district support job growth, while minimizing greenhouse gas emissions that result from material transport, production, and disposal?
4. Given the limited amount of vacant land and significant number of existing home occupations, what strategies could support home-based employment for sole practitioners while respecting neighborhood quality of life?
 5. The Vision 2035 Map indentifies 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?

Economic Vitality Background

State Requirements

As part of its Comprehensive Plan update, the City is required to comply with Statewide Planning Goal 9 (Economic Development). The focus of Goal 9 (OAR 660-009) is to “provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare and prosperity of Oregon’s citizens.” To this end, Goal 9 requires an adequate supply of sites of suitable size, types, locations and service levels for industrial and commercial uses consistent with Comprehensive Plan policies.

The City has drafted an Economic Opportunities Analysis (EOA) as required by its Periodic Review work program to update Goal 9 of the Comprehensive Plan. The EOA describes how the City has and intends to continue to comply with state and local requirements related to economic development. The City must address the requirements of Goal 9 and the Metro Functional Plan Title 4 (Industrial and Other Employment Areas). Specifically, the EOA must address employment land inventory (supply), need, and local economic development policies.

In addition to land availability, a city’s economic vitality is influenced by many factors, including the availability and quality of transportation options; quality of business districts including urban design; the amenities in the community and ability to attract businesses, employees and customers; type of nearby businesses; access to workforce; availability, quality and cost of City

services; and type of development allowed. These are among the additional factors to consider in the Plan update and implementation of the Economic Vitality vision.

Demographic Trends

The City's most current population estimate for the Lake Oswego Urban Service Boundary is approximately 43,000 people and 19,166 dwelling units. By 2035, the population within the Lake Oswego Urban Service Boundary is expected to be 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 years). As older baby boomers tend to desire to remain in their current residence or community as long as possible, the population over 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.

The aging of Lake Oswego's population requires the City to focus on the needs of its older residents. If Lake Oswego residents want to "age in place," there will be an increased need for businesses and services for an older population.

Lake Oswego continues to retain and attract upper-income households, with nearly 41 percent of households earning more than \$100,000 per year, and households earning more than \$200,000 per year increasing by 808 households between 2000 and 2006-8; Inflation-adjusted income levels, however, have fallen since 2000, and while poverty levels are low in Lake Oswego, the number of people living below the federal poverty level increased from 1,181 people in 2000 to 2,602 people by 2006-2008.

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 with a manageable commute. Lake Oswego's amenities (parks, schools, and community facilities) serve as attributes that make it a desirable place to live, work and visit.

The commuting patterns for Lake Oswego residents and workers show that Lake Oswego companies have access to workers from across the Portland metropolitan area, but especially in the area between Beaverton and I-205, and from Portland. Another competitive advantage is Lake Oswego's highly educated and trained workforce. In 2007, Lake Oswego had a higher share of residents above the age of 25 with a bachelor's degree or higher (64%) than residents of Clackamas County (32%) or Oregon (28%). Access to Lake Oswego's workforce may be attractive to businesses that need highly educated and skilled workers, such as Corporate Headquarters or Professional and Scientific Services.

Lake Oswego had 18,871 jobs at 2,297 places of work in 2009, with an average wage of \$52,700. The sectors with the most employment and above-average wages were Finance and Insurance, and Professional, Scientific and Technical Services. The Kruse Way Corridor from I-5 to Boones Ferry Road is a significant economic engine for Lake Oswego, with over 2,700 on-site jobs, an annual direct payroll of \$243 million, and an annual regional economic output of \$1.4 billion.

The employment data also indicates that between 9 and 12 percent of Lake Oswego's workforce is located on land that is not designated for employment uses. These figures that are consistent with the City's business license database which shows that 9 percent of Lake Oswego businesses are home-based.

An analysis of job concentration by employment sector indicates that Lake Oswego has different economic strengths than the rest of Clackamas County. Lake Oswego has a higher concentration of wages in Finance, Insurance and Professional Consulting than the county as a whole. The most pertinent employment trends for Lake Oswego in the next twenty years are growth in financial firms, growth in services that require high quality office space, and the growing importance of health care.

Target Industries

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

- Advanced Continuing Education
- Arts
- Corporate or Regional Health Care
- Finance and Insurance
- Government and Public Services
- Green Businesses
- Health Care
- Professional, Scientific, Technical Services and Information
- Real Estate
- Service for Residents
- Services for Seniors

Employment Land Supply

The Buildable Lands Inventory (BLI) analyzed existing vacant and redevelopable taxlots that are zoned for employment uses, including commercial, institutional, and industrial zones.

According to the BLI, Lake Oswego has approximately 20 acres of vacant employment land area inside the Urban Services Boundary (USB), seven acres of which are located at Mary's Woods.

All of the vacant employment land supply located within the USB has urban services and infrastructure (roads, water, sewer, storm water drainage) facilities to handle some level of potential development, or such facilities could be expanded within a 1-3 year time frame to render the inventory suitable for accommodating short-term development.

However, due to this limited supply of vacant employment land, the EOA also assessed the potential to add jobs through redevelopment. The redevelopment analysis looked at commercial/mixed-use and industrial taxlots and analyzed the potential to add additional jobs by redeveloping sites at higher densities as allowed by current zoning. The redevelopment opportunities are based on the ratio of assessed improvement value to land value for each tax lot using 2010 Clackamas County Assessor data where parcels with an improvement value of 150 percent or less of the land value are considered redevelopable. This analysis indicates that there is a significant amount of redevelopment potential within the Lake Oswego USB. The redevelopment analysis identifies more than 121 acres with development potential in the Downtown, Foothills, Kruse Way and Boones Ferry areas, and over 30 acres of potential in the southwest Industrial Park zone.

While Lake Oswego has a limited 20-acre supply of vacant employment land area within the USB, the City's supply of vacant land along with redevelopable land and vacant office space, could provide the capacity for over 4,000 new jobs.

Employment Land Demand

For the purposes of developing a draft EOA, the City looked at demand for employment land under four job growth forecasts. Metro is currently coordinating with jurisdictions to forecast job growth through 2035, and the numbers are anticipated to be available in the spring of 2012.

Conclusion

In order to realize Lake Oswego's employment land redevelopment potential, the City will need to develop and implement strategies to encourage employment redevelopment in strategic locations. As the City begins to update the Economic goals and policies in its Comprehensive Plan, it should look at strategies to encourage redevelopment and optimization of the remaining vacant land inventory that implement the draft Community Economic Development Objectives and move the city toward its vision for Economic Vitality in 2035.