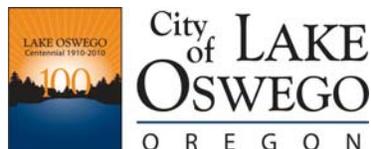


City of Lake Oswego Housing Needs Analysis

June 26, 2012

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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. This report was originally drafted during winter-spring 2011 and was updated in June 2012 primarily to reflect most recent Census information and 2012 median family income levels. The report was updated again in March 2013 to reflect consistency with the Metro adopted 2035 forecast. The Housing Needs Analysis will be adopted by reference when the Comprehensive Plan is adopted by ordinance in 2013, and serve as a factual basis for goals and policies.

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

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.

The State Goal for Housing states that:

Buildable lands for residential use shall be inventoried and plans shall encourage the availability of adequate numbers of needed housing units at 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 (more intensely developed) 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.

In the fall of 2012, Metro completed its updated employment and housing forecast for 2035. Metro's updated forecasts incorporate local input to make the forecast consistent with the work conducted as part of the City's 2011 draft Housing Needs Analysis. The Metro numbers are slightly higher than the Household Forecast described in this report, however the difference of less than two hundred households over twenty-five years is not significant enough to be of concern for planning purposes.

Updated City and Metro forecasts are shown on the following page. The Lake Oswego City Council was presented with these forecasts along with the employment forecasts in September 2012, and on October 9, 2012 accepted the forecasts listed below, which were presented in the October 9, 2012 Council Report. The Metro Council adopted this Metro forecast for households on November 29, 2012.

Units	2010 Estimate	2035 Projection	2010 - 2035 Change	Average Annual Change
Population	43,094	51,000	8,006	320
City Forecast – Households	19,166	22,726	3,560	142
Metro Forecast – Households	19,556	23,299	3,743	150

According to U.S. Census estimates, the median age of Lake Oswego residents increased from 41.2 years in 2000 to 45.8 years of age in 2010. This is more than nine 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 sizes 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 (65%). Median home prices reached their peak in 2005 and have since fallen an average of nearly 33%, to \$338,100.

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 to form additional lots. 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 residential land, and on commercial land where housing is a permitted use along with commercial uses (referred to in this document as “mixed use” zones). This analysis examines where these zones have developed below their potential capacity, and may add additional units in the future, assuming that properties have redevelopment potential when the building value is up to 150% of the land value. The analysis demonstrated a large capacity for new high-density units in mixed-use areas like Downtown and Lake Grove Village Center. Including vacant, part-vacant, and redevelopable land, Lake Oswego’s total buildable land inventory could accommodate approximately 5,500 new units.

Housing Need

In addition to determining the total number of needed units based on population forecast, 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 following mix of housing types was estimated to meet future needs:

	Owner-Occupied Dwelling Units	Renter-Occupied Dwelling Units	All Dwelling Units
Housing Tenure Distribution:	60.0%	40.0%	100%
Housing Unit/Type Distribution			
Detached Large Lot SF (> 5,000 sq.ft. lot size)	34%	4%	22.0%
Detached Small Lot SF "cottages" (<+ 5,000 sq.ft. lot size)	18%	5%	12.8%
Attached SF (Rowhouses, Secondary Dus, Zero Lot Line DUs)	30%	8%	21.2%
Duplex/Triplex	10%	11%	10.4%
Multifamily (Apartments, Condos)	8%	72%	33.6%
Total	100%	100%	100%

Conclusion

The results of the housing analysis (see Table 20, p. 29) indicate that the Lake Oswego Urban Services Boundary has an adequate amount of vacant and part-vacant, and redevelopable land area to meet the 2035 forecasts for its projected housing needs. 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 smaller and attached 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 centers to include a minimum number of housing units. In addition, re-zoning and redevelopment of the area identified in the Foothills District Plan provides an additional opportunity to create high-density housing units and may lower the needed capacity for high-density housing units through redevelopment in mixed-use and high-density residential areas.

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 affordable housing for residents earning less than 80 percent of the median family income, which represents 45 percent of Clackamas County households and 30 percent of Lake Oswego households.

To meet the State’s Metropolitan Housing Rule, Lake Oswego will be updating its development code 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.

Finally, the Housing Rule requires cities within the Metro Urban Growth Boundary to provide minimum zoned density levels. Lake Oswego must provide for an average density of ten or more dwelling units per net buildable acre. Lake Oswego has demonstrated compliance with this rule at each Periodic Review since the City’s original acknowledgement of its 1978 Comprehensive Plan. In 1994, DLCD acknowledged Lake Oswego’s average density at 10.2 dwelling units/acre. Consistent with the City’s

last acknowledgement, Lake Oswego plans to demonstrate its average density “based on the jurisdiction BLI at the time of acknowledgment as updated,” which the City’s preliminary analysis shows continues to meet the 10 dwelling units/acre requirement.

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 *“high quality, 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 (DLCD) for technical consultant assistance to help update Goal 10 of the Plan. The City also elected to take advantage of periodic review 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 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 needs¹.

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.²

Statewide Metropolitan Housing Rule

In the Portland Metro region, Goal 10 is also 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 acre³.

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

² 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.”

³ 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 Lake Oswego 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 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 draft 2035 vision statement which includes seven specific action areas. Goal 10 is addressed by the Complete Neighborhoods and Housing action area, which states:

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.

While Lake Oswego's vision for Complete Neighborhoods and Housing 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 age 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. This trend 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 needs of this age group, 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.

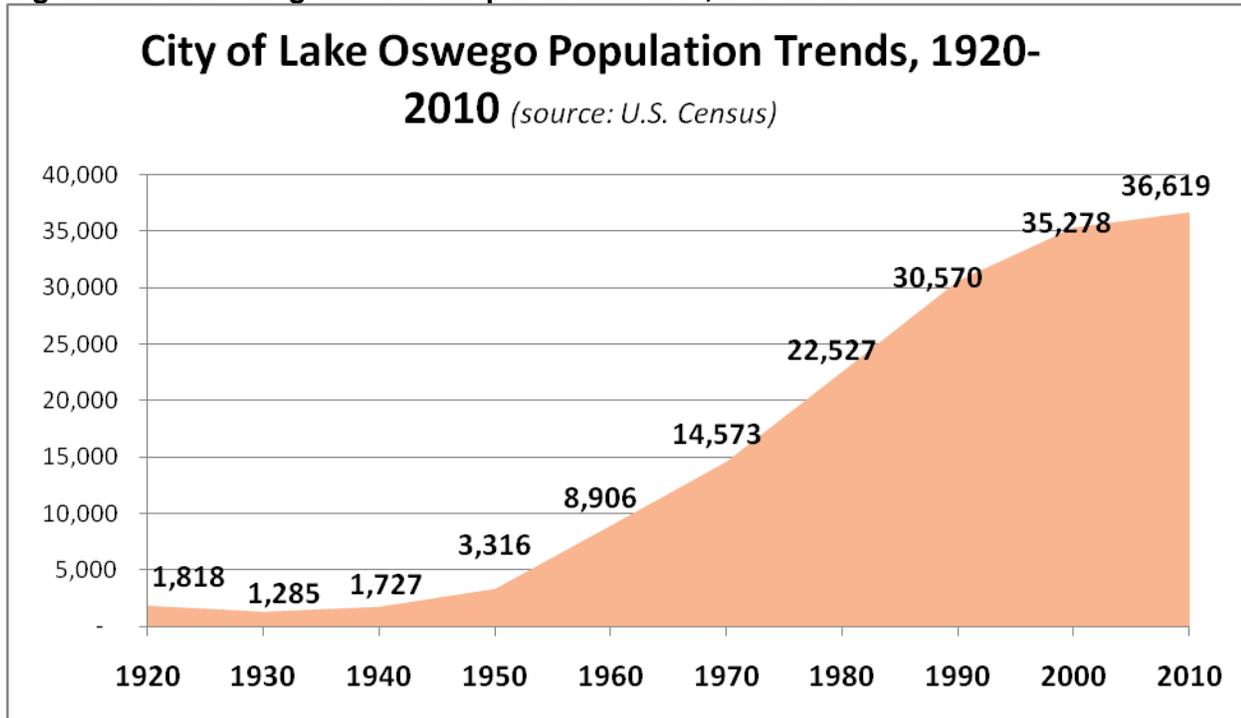
DEMOGRAPHIC AND POPULATION OVERVIEW

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 Oswego⁴, which is an increase of 1,341 people since the 2000 U.S. Census.⁵ This figure also demonstrates the rate of growth by decade over the last century, which slowed considerably in the last ten years. For comparison purposes, Figure 2 shows the more recent twenty-year growth trend and population estimates prepared by Portland State University, which 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

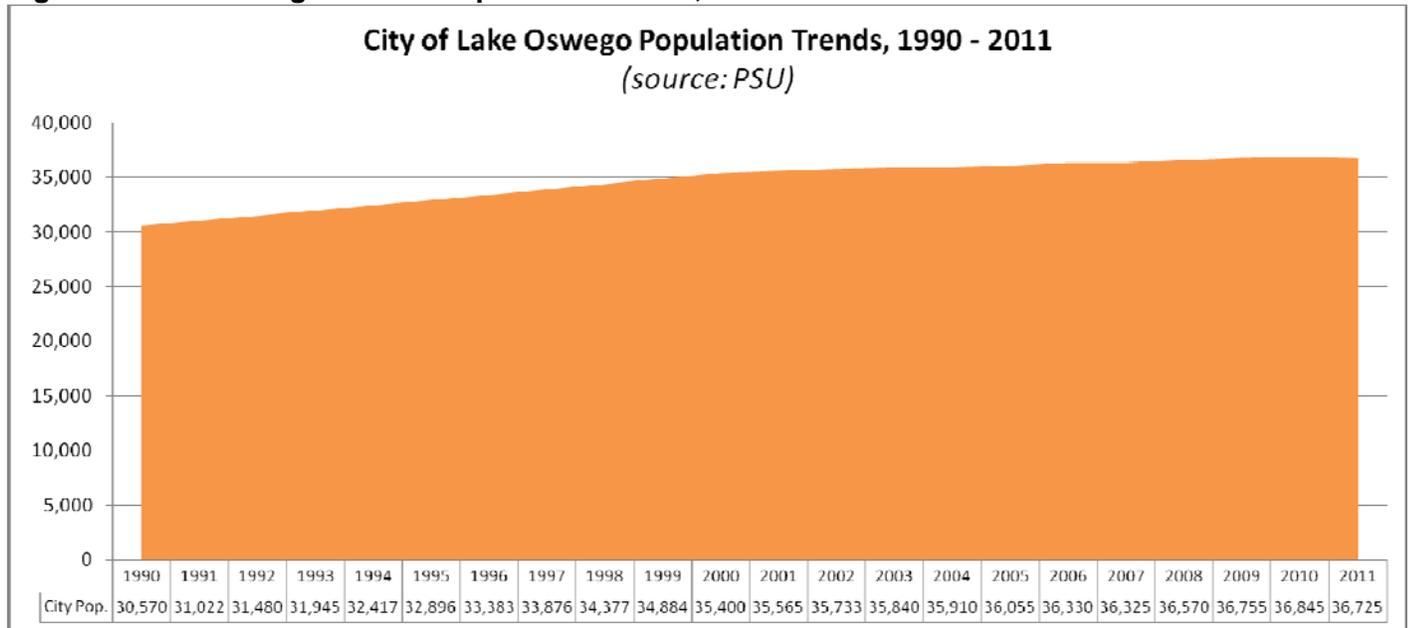


Source: U.S. Census; compiled by FCS Group.

⁴ The Census area is slightly larger than the city limits, but smaller than the urban services boundary (USB).

⁵ 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, 1990-2011



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

Lake Oswego experienced a net gain of approximately 1,097 households since year 2000, with an increase of 414 family households and 710 nonfamily households, which represents an increase in the share of nonfamily households when compared to the 2006-08 Census data. Another notable shift as indicated in Table 1 on the following page, is the decrease in average household size from 2000-2010, which indicates a recent trend when compared to the increase in household size that occurred between 2000 and 2006-8.

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, City staff estimates that there were 43,09 people and 19,166 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 population that resides in households (not group quarters) population.

Table 1. Lake Oswego Demographic and Socio-economic Trends

	Census 2000	Census 2010	Change
Population	35,237	36,619	1,382
Group Quarters Population	163	222	59
Households	14,796	15,893	1,097
Family Households	9,665	10,079	414
Nonfamily Households	5,104	5,814	710
Average Household Size	2.38	2.29	(0.09)
Average Family Size	2.95	2.88	(0.07)
Median Age	41.2	45.8	4.6
	Census 2000	ACS 2008-10	Change
Median Household Income (unadjusted)	\$71,597	\$81,097	\$9,500
Median Family Income (unadjusted)	\$94,587	\$105,722	\$11,135
Per Capita Income (unadjusted)	\$42,166	\$47,704	\$5,538
Median Household Income (inflation adjusted)*	\$98,883	\$86,977	(\$11,906)
Median Family Income (inflation adjusted)*	\$130,634	\$113,387	(\$17,247)
Per Capita Income (inflation adjusted)*	\$58,235	\$51,163	(\$7,073)

* Income data were adjusted to current June 2012 dollars by FCS Group based on the U.S. Bureau of Labor Statistics, inflation calculator.

Source: U.S. Census, 2000 and 2010 and 2008-2010 American Community Survey, data compiled by FCS Group

According to U.S. Census estimates, the median age of Lake Oswego residents also increased from 41.2 years in 2000 to 45.8 years of age in 2010. This is more than nine 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.

Table 2 indicates that 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 slightly from 35% to 38% from 2000 to 2008-10. While the portion of households earning below \$75,000 fell slightly, this income level (just above the 2012 Median Family Income for Clackamas County) still represents 47% of all Lake Oswego Households.

Table 2. Households by Income Level, Lake Oswego

Income Cohort	Census 2000		ACS 2008-2010		Change	
	Number	Dist. %	Number	Dist. %	Number	Percent
less than \$14,999	861	5.8%	770	4.9%	(91)	-0.9%
\$15,000 to \$34,999	2,338	15.8%	1,951	12.5%	(387)	-3.3%
\$35,000 to \$74,999	4,472	30.2%	4,615	29.5%	143	-0.7%
\$75,000 to \$99,999	1,931	13.0%	2,359	15.1%	428	2.1%
\$100,000 to \$149,999	2,550	17.2%	2,361	15.1%	(189)	-2.1%
\$150,000 to \$199,999	1,090	7.4%	1,602	10.2%	512	2.8%
\$200,000 or more	1,582	10.7%	1,989	12.7%	407	2.0%
Total	14,824	100%	15,647	100%	823	-0.1%

Source: 2000 U.S. Census data income levels expressed in 1999 dollars, and 2008-2010 U.S. Census American Community Survey, income levels expressed in 2009 dollars.

According to the U.S. Census 2008-2010 American Community Survey, Lake Oswego's average per capita income was \$47,704, median household income was \$86,977, and median family income was \$113,387 in 2012 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, however according to the U.S. Census 2006-2008 American Community Survey, Lake Oswego still has an estimated 2,602 people in poverty.

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 are Baby Boomers within the 55-64 and 65-74 age ranges. These Baby Boomers age 55-74 recorded a combined gain of 4,315 people since 2000.

As summarized in Figure 3 and Table 4 below, since 2000 there have been significant increases in the 55-64 and 65-74 age cohorts, with increases of 70% and 113% respectively. The only other increase occurred among the 15-19 age cohort with a minor 15 person gain. The 20-54 age cohorts experienced the most significant population decline, followed by the birth-age 14 cohort.

Figure 3. Population Age Cohort Trends, Lake Oswego, 2000 and circa 2010

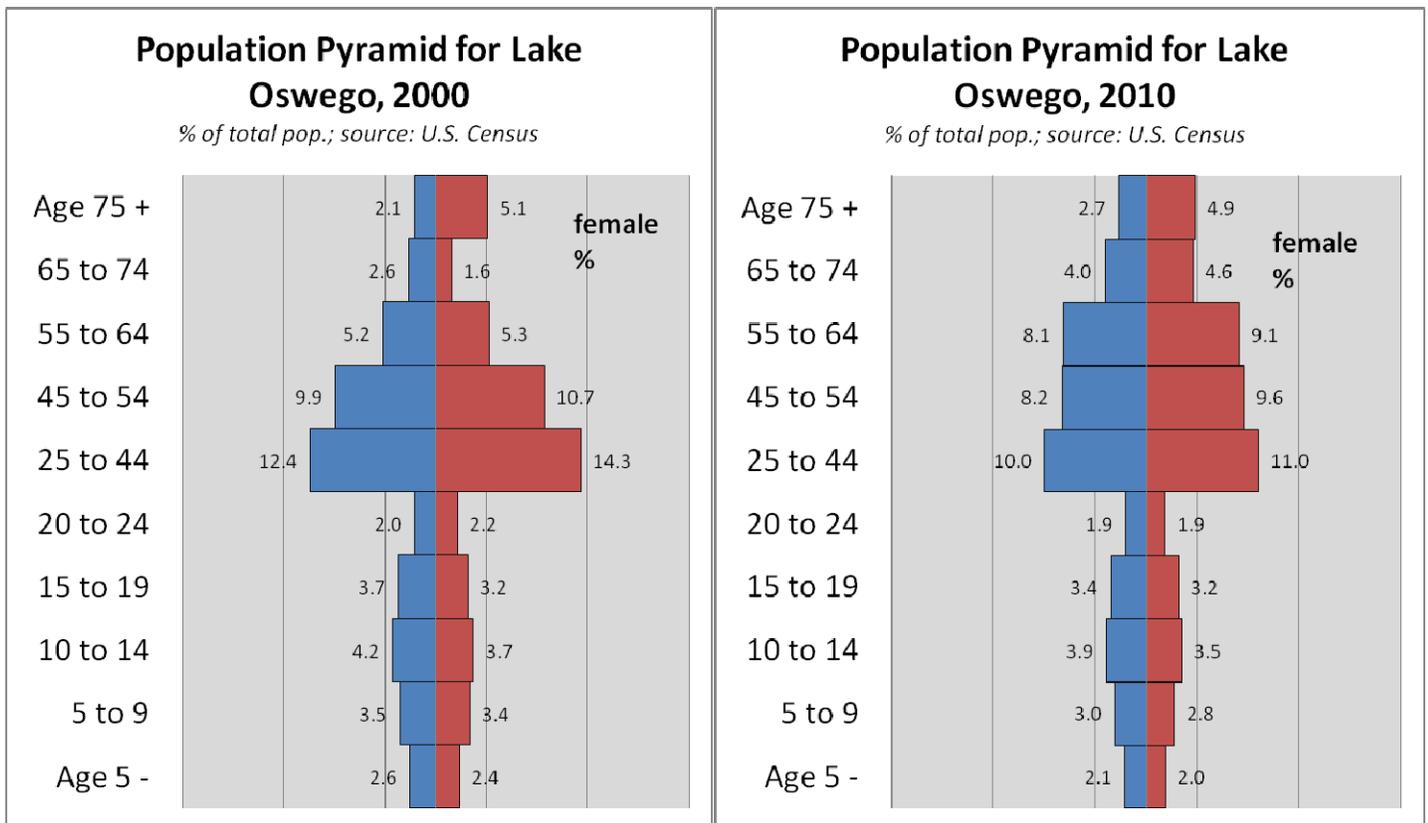
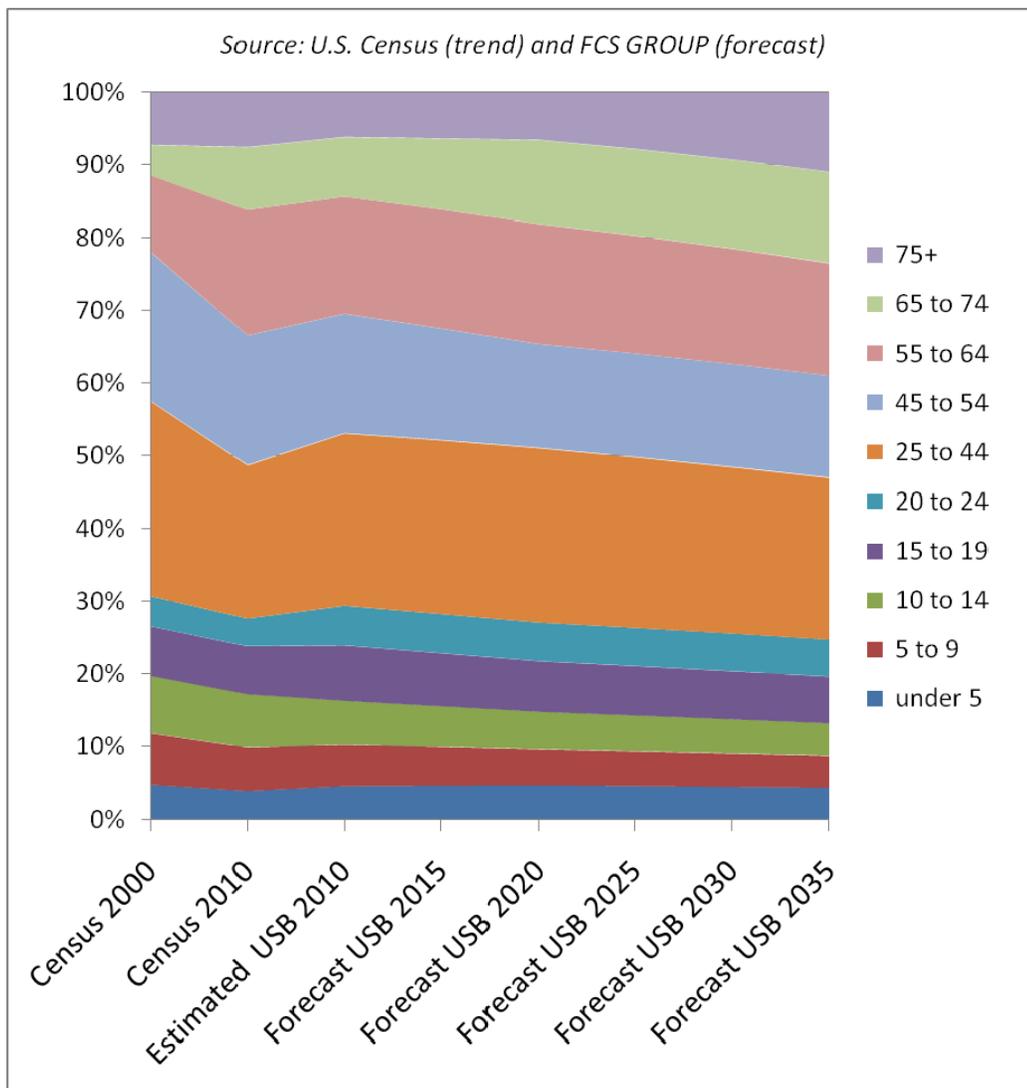


Table 4. Lake Oswego Area Population Age Cohort Trends

Age Cohort (years)	Census 2000	Census 2010	Change	Percent Change
under 5	1,746	1,489	(257)	-15%
5 to 9	2,426	2,129	(297)	-12%
10 to 14	2,810	2,694	(116)	-4%
15 to 19	2,424	2,439	15	1%
20 to 24	1,470	1,403	(67)	-5%
25 to 44	9,441	7,697	(1,744)	-18%
45 to 54	7,267	6,548	(719)	-10%
55 to 64	3,676	6,302	2,626	71%
65 to 74	1,477	3,166	1,689	114%
75+	2,541	2,752	211	8%
Total	35,278	36,619	1,341	4%

Source: U.S. Census, 2000 and 2010. Lake Oswego area is slightly larger than city limits but smaller than the Urban Service Boundary.

Figure 4. Lake Oswego Population Trends and Forecasts



Source: FCS Group.

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.

Table 5. Lake Oswego Area Annual Historic Population Growth Rates

	10-Year Trend 2000 to 2010		Long-Term Trend 1990 to 2010	
	Number	AAGR%	Number	AAGR%
Total Population	134	0.4%	302	0.9%
Male	33	0.2%	133	0.8%
Female	101	0.5%	169	1.0%
Age Cohort (years)				
under 5	(26)	-1.6%	(14)	-0.9%
5 to 9	(30)	-1.3%	5	0.2%
10 to 14	(12)	-0.4%	26	1.1%
15 to 19	2	0.1%	26	1.2%
20 to 24	(7)	-0.5%	2	0.2%
25 to 44	(174)	-2.0%	(159)	-1.7%
45 to 54	(72)	-1.0%	101	1.9%
55 to 64	263	5.5%	188	4.7%
65 to 74	169	7.9%	58	2.3%
75+	21	0.8%	69	3.6%

Source: US Census. AAGR = average annual growth rate.

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 have an updated forecast in December 2012.

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 6A, U.S. Census estimates show the fastest growing segment of household formations in Lake Oswego since 2000 has occurred among senior households, while the household segment with members less than age 18 declined by 429 since 2000.

An analysis of marital status in Table 6A 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 6A, the city is still attractive to single-parent households, but the number of married households with kids is declining.

Table 6A. Lake Oswego Area Household Formation Trends

Household Type	Census 2000	Census 2010	Change
HHs with 1 or more <18 yrs	4,862	4,433	(429)
HHs with 1 or more 18 to 65 yrs	7,049	6,996	(53)
HHs with 1 or more >65 yrs	2,858	4,310	1,452
Total	14,769	15,739	970
Household Type	Census 2000	Census 2010	Change
Married, w/Kids under 18 yrs	3,918	3,522	(396)
Married, no Kids	4,377	4,915	538
Single, under age 65	2,958	3,939	981
Single, over age 65	1,163	1,875	712
Other *	2,353	1,488	(865)
Total	14,769	15,739	970

*Includes non-related people living together.

Source: U.S. Census, 2000 and 2010, compiled by FCS Group.

Table 6B below also shows that renter households have a significant share of the total households with children under age 18. This is an important consideration in the city’s planning for future housing types and desire to attract more families with school-age children.

Table 6B. Lake Oswego Households Tenure by Age of Related Children, 2010

Household Type	Owner	Renter	Total
With Children Under 18	3,473	1,085	4,558
With Children under 6	497	284	781
With Children between 6-17	449	622	1,071
With no Children under 18	7,477	3,858	11,335
Total	10,950	4,943	15,893

Source: U.S. Census, 2000 and 2010 and 2008-2010 American Community Survey, data compiled by 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 33% since hitting a peak of \$502,000 in February 2008. Median sales prices in Lake Oswego were \$338,100 as of April 2012 according to Zillow.com, As indicated in Table 7, average home prices in Lake Oswego recorded a significant 13.5% decline from one year ago, with the median sales price now lower than West Linn.

Table 7. Median Home Sales Price Trends in Selected Markets

Market Location	Year -Over Year Median Sales Price Change, April 2011 to April 2012	Median Sales Price
Lake Oswego	-13.5%	\$338,100
West Linn	16.5%	\$353,800
Tualatin	19.6%	\$337,900
Beaverton	-3.0%	\$209,000
Portland	1.7%	\$252,800

Source: 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. 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 plans, hence the cost per square foot tends to exceed Lake Oswego in this price category.

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. 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.

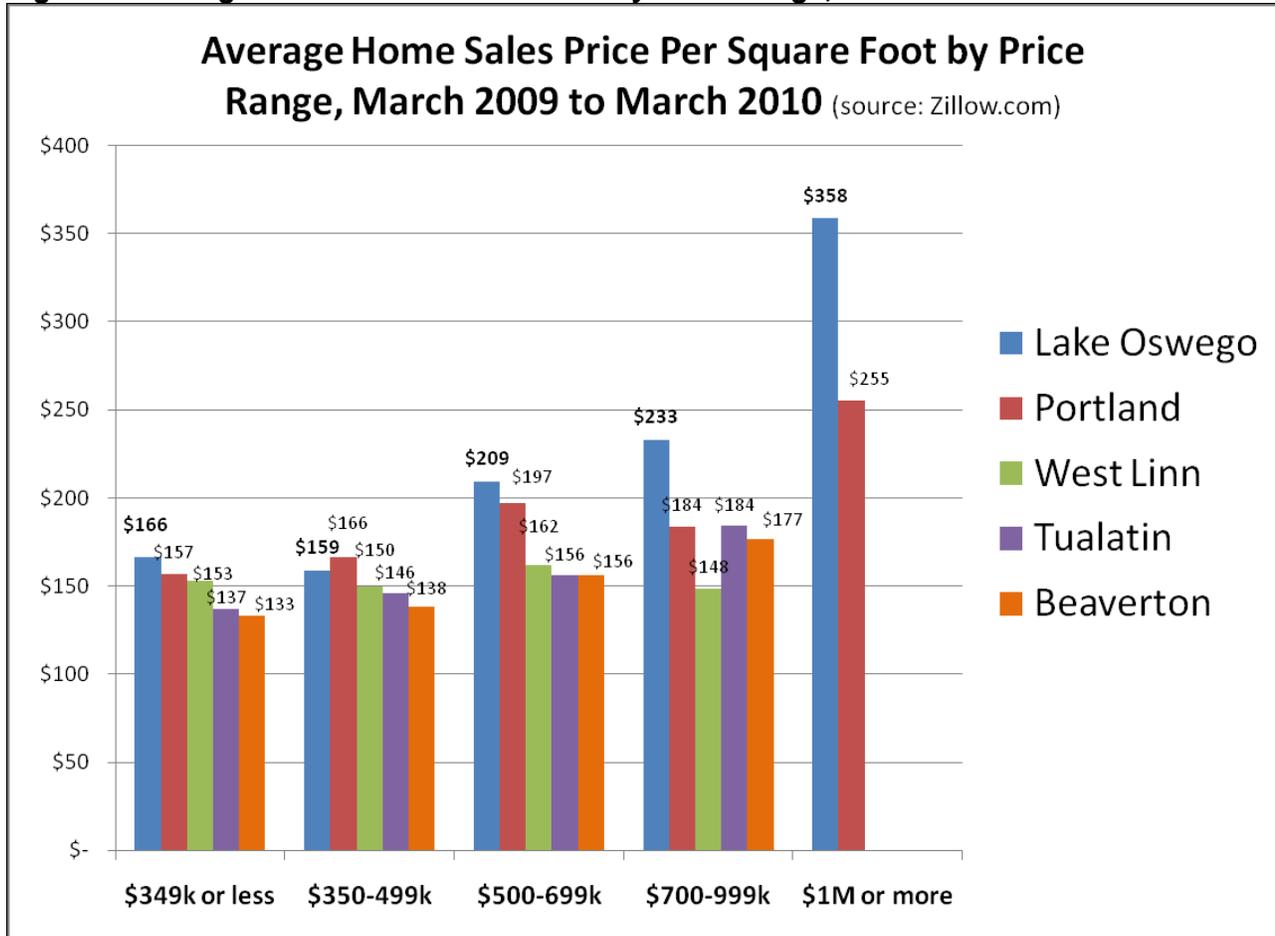
Table 8. Average Home Sales Price Per SF of Floor Area in Selected Market Areas

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

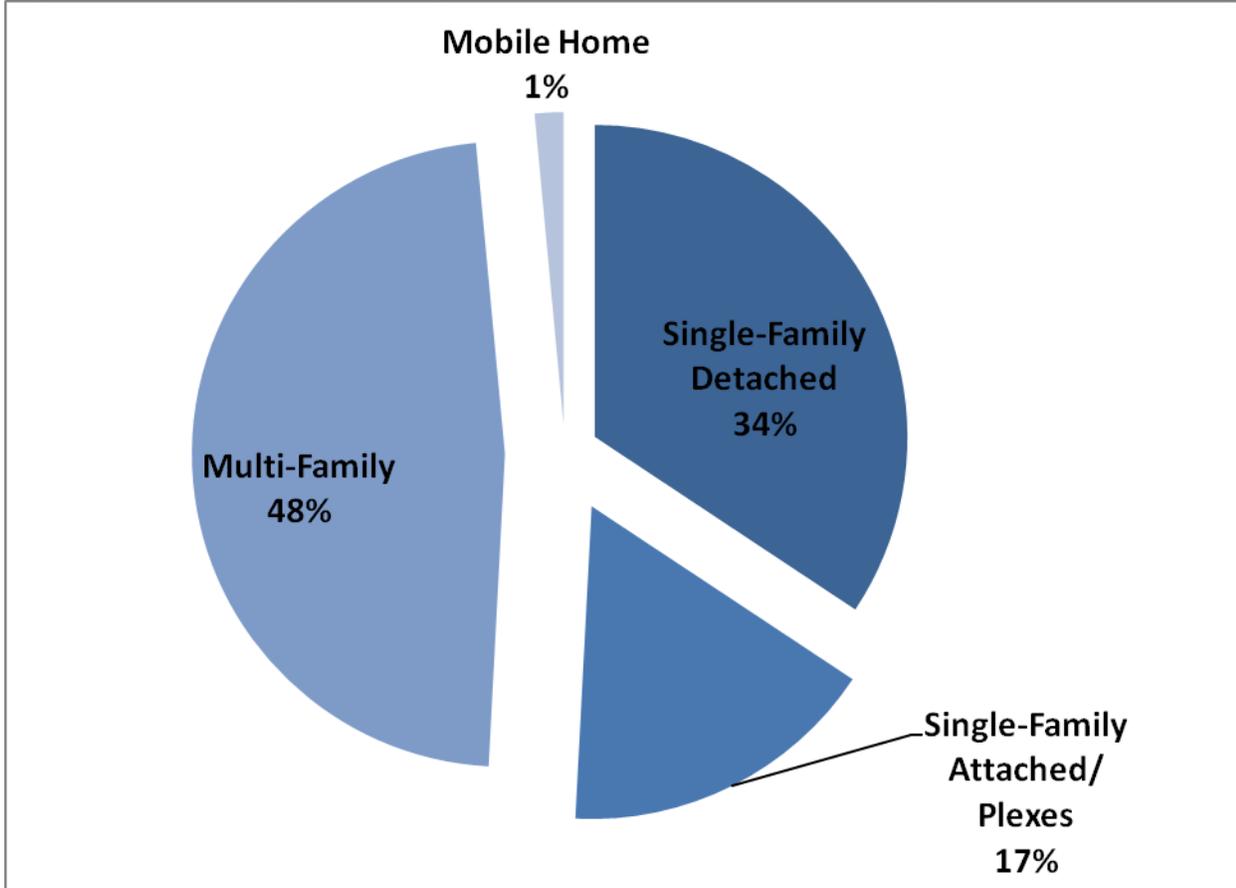


Source: FCS Group.

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 64% of the total housing inventory occupied by owners and 29% 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 65% of the total housing inventory additions since 2000, according to U.S. Census estimates.

Figure 6. Lake Oswego Housing Inventory Additions, 2000 to 2010 (Source: U.S. Census)



**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 2010	Change
Dwelling Units			
Owner-Occupied	10,423	10,950	527
Renter-Occupied	4,346	4,943	597
Vacant*	972	1,102	130
Total Unit Count	15,741	16,995	1,254
Structure Type	Census 2000	ACS 2008-10	Change
Single-Family Detached	10,055	10,425	370
Single-Family Attached/Plexes	2,117	2,295	178
Multi-Family	3,470	3,984	514
Mobile Home	26	42	16
Total Unit Count	15,668	16,746	1,078
	Census 2000	ACS 2008-10	Change
Median Home Value	\$296,200	\$535,300	\$239,100
Median Gross Rent	\$839	\$1,111	\$272

** indicates that data was obtained from 2010 census*

Source: U.S. Census, 2000 and 2010 and 2008-2010 American Community Survey, data compiled by FCS Group

In light of the increase in seniors over the age of 65 and increase in married and single households without kids, the desired mix of future housing demand will likely be strongest for relatively smaller two bedroom dwelling units, including single family “cottages”, multifamily apartments and low rise flats or condominiums.

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 forecast for the Lake Oswego USB considered for this HNA are summarized in Table 10. Base year (2010) housing counts 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 2.25 people per occupied housing unit, based on Lake Oswego Planning Department estimates.

For regulatory compliance, Lake Oswego is required to adopt a forecast “consistent” with that which Metro establishes for Lake Oswego. At the time this report was originally developed in 2011, the most recent long-term jobs and households forecast for the Lake Oswego area was adopted by the Metro Council in 2005 (Metroscope Generation 2.3). The May 2011 draft of this report used two growth forecasts to explore a range of options while Metro worked with local jurisdictions to update the forecasts. In June 2012, the report was updated to be consistent with draft projections by Metro, and the forecast range was narrowed to the single “Medium Growth Forecast” originally presented in the May 2011 draft.

In the fall of 2012, Metro completed its updated employment and housing forecast for 2035, which maintained consistency with the “Medium Growth Forecast” for households originally developed by the City. Updated City and Metro forecasts are shown on the table below. The Lake Oswego City Council was presented with these forecasts along with the employment forecasts in September 2012, and on October 9, 2012 accepted the forecasts listed below, which were presented in the October 9, 2012 Council Report. The Metro Council adopted Metro forecast for households on November 29, 2012.

This forecast is based on Lake Oswego’s capacity for future housing units on vacant, part-vacant and redevelopable land among other trends and market assumptions.

Table 10. Summary of Growth Forecast

Units	2010 Estimate	2035 Projection	2010 - 2035 Change	Average Annual Change
Population	43,094	51,000	8,006	320
City Forecast – Households	19,166	22,726	3,560	142
Metro Forecast – Households	19,556	23,299	3,743	150

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 Metropolitan Housing Rule (MHR) requirements. The following steps were performed:

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 based on the growth forecast.
5. Compared dwelling demand forecast to dwelling capacity on vacant, part vacant and redevelopment lands using current zoning.
6. Applied 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 has approximately 600 acres of buildable lands in residentially designated zones, including approximately 77 acres of vacant land and over 500 acres of part-vacant residentially zoned land as shown in Table 11. 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. This analysis considered lots partially vacant if they were at least 2.5 times the minimum lot size for the zone.

Table 11. Summary of Vacant and Part-Vacant Residential Buildable Land Inventory and Expected Dwelling Capacity Levels

Residentially Designated Land and Buildable Land Inventory, Lake Oswego USB					
Zone/Plan Designation	Total Acres within USB	Area as % of Total Land in USB	Vacant Acres	Part Vacant Acres	Total Vacant/ Part Vacant Acres
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
Total			77.3	538.9	616.2

Source: City of Lake Oswego, 2009.

Table 12 shows that the vacant land area is zoned to accommodate approximately 447 new dwelling units under current zoning.

Table 12. 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
Total	77.3	5.8	447

Source: City of Lake Oswego, Winterbrook Planning.

As shown in Table 13, Lake Oswego’s current development opportunities on vacant and part-vacant land are primarily concentrated among lower-density land use zone/plan designations. The part-vacant land inventory is estimated to accommodate 1,708 net new dwellings under current land use zone/plan designations.

Table 13. 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
Total	538.9	5.5	2,936	1,228	1,708

Source: City of Lake Oswego, January 2011.

Combining the number expected dwelling units on vacant land (447) and part-vacant land (1,708) results in a dwelling capacity 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 also estimated the potential number of net new units that could reasonably be expected to redevelop in medium and high-density 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) where there is capacity for additional units to be added through redevelopment. The analysis 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, which are considered likely to redevelop by 2035. 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 14 below, the preliminary redevelopment analysis identifies the potential for up to 1,331 net new dwellings in medium and high-density residential zones.

Table 14. 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
Total	127.1		537	1,867	1,331

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

A redevelopment analysis also was conducted for mixed use zones that allows both residential and commercial 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 used to remove constraints and determine vacant and part-vacant buildable land was used in the redevelopment analysis. In addition, this analysis assumes a range of building floor areas allocated toward housing, as noted in Table 15, under “Estimated Residential FAR as % of Total FAR.” The residential allocation assumptions reflected here differ by zone based on City staff and consultant observations in the city and region.

Table 15. 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/R-0	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	-	-	-	-	-	-
EC/R-0	0	-	-	-	-	-	-
OC	1.6	0.30	20,386	50%	9	-	9
Total	80.9		2,795,855		1,589	12	1,577

* 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.

The findings, as shown in Table 15, result in 80.9 acres of mixed-use zoned land area that is likely to redevelop over the next 20 years. This redevelopment acreage is zoned to accommodate nearly 2.8 million square feet of building floor area, though not all of this development will be housing. An analysis of potential housing units results in up to 1,589 dwellings that could potentially be provided in these mixed-use areas under current zoning. After accounting for the existing 12 dwellings on these properties, the net new residential development potential on mixed-use redevelopment lands in the Lake Oswego USB is expected to be 1,577 dwelling units. The remaining portion of these redeveloped lands could serve non-residential development and employment/job growth.

Based on the preceding analyses, the Lake Oswego USB has the potential of accommodating approximately 5,063 net new dwelling units under current zoning capacity. As indicated in Table 16, 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 2,400 multifamily dwellings (apartments and mid-rise flats) under current zoning.

Table 16. Summary of Net New Residential Dwelling Unit Capacity in Lake Oswego USB

Land Classification	Low Density Dwellings ⁵	Medium Density Dwellings ⁶	Higher Density Dwellings ⁷	Total Dwellings
Vacant Land in "R Zones" ¹	329	44	74	447
Part Vacant Land in "R Zones" ²	1,317	244	147	1,708
Redevelopment Land in Medium & High Density "R Zones" ³	-	729	602	1,331
Redevelopment Land in "Mixed-Use Zones" ⁴	-	-	1,577	1,577
Total	1,646	1,017	2,400	5,063

Notes:

¹ derived from Table 14.

² derived from Table 15.

³ derived from Table 16.

⁴ reflects land zoned R-6, R-7.5, R-10, and R-15.

⁵ reflects land zoned R-3, and R-5.

⁶ 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: Analysis by FCS GROUP based on City of Lake Oswego redevelopment assumptions.

HOUSING NEEDS ANALYSIS

Housing Requirements

Housing Mix Requirement

According to state Metropolitan Housing Rule 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

Through the Periodic Review process, Lake Oswego must have a forecast that is coordinated with Metro. Based on the expected development capacity levels described earlier, Lake Oswego could potentially provide up to 5,063 dwelling units without changes to existing zone/plan standards. This capacity exceeds the total demand anticipated by the 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. Lake Oswego’s approach to meeting this rule is discussed on page 31.

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 17 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.

Table 17. Income Levels and Distribution in 2010

Income Cohort	Qualifying Income ¹		Region ²		Lake Oswego ³	
	Lower-end	Upper-end	Households	Percent Dist.	Households	Percent Dist.
High (120% or more of Median Income)	\$87,600	or more	303,230	35%	8,222	54%
Upper Middle (80% to 120% of Median Income)	\$58,400	\$87,600	170,460	20%	2,511	16%
Lower Middle (50% to 80% of Median Income)	\$36,500	\$58,400	124,204	14%	1,684	11%
Low (30% to 50% of Median Income)	\$21,900	\$36,500	167,890	20%	2,052	13%
Very Low (less than 30% of Median Income)	or less	\$21,900	91,654	11%	857	6%
			857,439	100%	15,326	100%

Notes:

1. Consistent with current regional HUD income limits for Urban Clackamas County, shown in Appendix A.
2. Region includes Clackamas, Multnomah and Washington counties, Oregon. Derived from American Community Survey, 2008-2010.
3. Reflects data for Lake Oswego city; derived from American Community Survey, 2006-2010.

The income levels and distribution in Table 17 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 18 have been adjusted slightly in favor of additional allocation toward the upper and lower middle income range.

Table 18. Home Types and Price Points to Meet Attainability Goals*

Owner-Occupied Housing				
Approximate Attainable Home Price*	Low Range	High Range	Attainable Housing Product**	Net New DU Allocation to Address Attainability
High (120% or more of Median Income)	\$434,000	or more	SFD or other high end type (ie., condos)	35%
Upper Middle (80% to 120% of Median Income)	\$289,000	\$434,000	SFD or other mid-value type (ie., townhomes)	20%
Lower Middle (50% to 80% of Median Income)	\$181,000	\$289,000	Small-lot "cottage" SFD, SFA, apt. & gov. assisted housing	14%
Low (30% to 50% of Median Income)	\$109,000	\$181,000	Duplex/Triplex/Quadplexes & gov. assisted housing	20%
Very Low (less than 30% of Median Income)	or less	\$109,000	Condos/Plexes & gov. assisted	11%
				100%

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

** consistent with regional HUD income limits shown in Appendix A.

Renter-Occupied Housing				
Approximate Attainable Monthly Rents*	Low Range	High Range	Attainable Housing Product	Net New DU Allocation to Address Attainability
High (120% or more of Median Income)	\$2,190	or more	Any housing type, higher price	35%
Upper Middle (80% to 120% of Median Income)	\$1,460	\$2,190	Any housing type, lower price	20%
Lower Middle (50% to 80% of Median Income)	\$913	\$1,460	Small-lot "cottage" SFD, SFA, apt. & gov. assisted housing	14%
Low (30% to 50% of Median Income)	\$548	\$913	Apartments, plexes & gov. assisted housing	20%
Very Low (less than 30% of Median Income)	or less	\$548	Apartments, plexes & gov. assisted housing	11%
				100%

*Assumes 30% of income is used for rental payments.

** consistent with regional HUD income limits shown in Appendix A.

In light of the most current findings regarding demographics, housing tenure, and recent housing additions, it appears that the market for housing in Lake Oswego is appropriate at a 60:40 owner/renter ratio of housing inventory, rather than a 64.5:35.5 ratio that was determined previously in the May 2011 draft report. We would also expect the planned mix of multifamily to rise to about 40% of all new dwellings (up from 22.9% assumed previously), and the planned increase in other housing types to fall.

Table 19. Projected Residential Housing Need Mix, Lake Oswego USB, 2010 to 2035

	Owner-Occupied Dwelling Units	Renter-Occupied Dwelling Units	All Dwelling Units
Housing Tenure Distribution:	60.0%	40.0%	100%
Housing Unit/Type Distribution			
Detached Large Lot SF (> 5,000 sq.ft. lot size)	34%	4%	22.0%
Detached Small Lot SF "cottages" (<+ 5,000 sq.ft. lot size)	18%	5%	12.8%
Attached SF (Rowhouses, Secondary Dus, Zero Lot Line DUs)	30%	8%	21.2%
Duplex/Triplex	10%	11%	10.4%
Multifamily (Apartments, Condos)	8%	72%	33.6%
Total	100%	100%	100%

COMPARISON OF RESIDENTIAL CAPACITY AND PROJECTED DEMAND

Future Needed Housing Types and Land

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 opportunities that could be provided through new secondary dwelling units (SDUs), which are currently allowed but conservatively excluded from these capacity forecasts. As indicated in Table 20, after applying the housing attainability assumptions (shown in Table 18) to the low and medium growth forecasts, it appears that the city can accommodate the low growth forecast for all housing and zone types, but would need to adopt some new policies to fully accommodate the expected medium housing density need associated with the medium growth forecast.

Specifically, the analysis indicates that under the medium forecast, there is an additional need to accommodate approximately 349 medium density (townhouse, duplex, SDU, etc.) dwelling units, which would require approximately 48 acres. This need could mainly be addressed by redevelopment in appropriate locations within the existing USB area. 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 be provided at price levels at or below medium-density price levels. 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.

Table 20. Residential Dwelling Capacity and Projected Housing Demand, Lake Oswego USB, 2010 to 2035

Land Use Classifications	Potential Net Buildable Land Area in Acres					Dwelling Unit Capacity and Demand Forecast			Potential Land Need in by Year 2035	
	Vacant (acres)	Part Vacant (acres)	Redevelopment: R Zones (acres)	Redevelopment: Mixed-Use Zones (acres)	Total Acres	Potential Dwelling Unit Capacity (dwellings)	New Dwellings Needed to Meet Pop. Forecast & Attainability Levels (dwellings)	Potential Dwelling Unit Surplus by 2035 (dwellings)	Likely Residential Land Need by 2035 (acres)	Potential Residential Land Surplus or (Deficit) by 2035 (acres)
Low Density (primarily large lot SFD in R-7.5, R-10, R-15 zones)	69.2	502.7	-	-	571.9	1,646	783	863	272.1	299.8
Medium Density (primarily small lot SFD in R-3, R-5 zones)	5.5	30.6	104.3	-	140.4	1,017	456	561	62.9	77.5
High Density (primarily MF in RO, R-2, R-2.5, GC, NC/RO, OC/R3, EC, HC, CR&D, EC/RO, OC zones)	2.6	5.6	22.8	80.9	111.9	2,400	2,321	79	108.2	3.7
Total	77.3	538.9	127.1	80.9	824.2	5,063	3,560	1,503	443.3	380.9

SUMMARY AND POLICY OPTIONS

Considering the supply of vacant, part-vacant, and redevelopable land, Lake Oswego appears to have a surplus of buildable low-density and high-density land, but a deficit of medium density land 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.

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

Although the City appears to meet its MHR requirements for attached/detached mix, needed housing types and locations, the City will need to review its code and make updates as needed to ensure that all needed housing types can be developed under clear and objective standards. In other words, policies and regulations should not prohibit or discourage the provision of affordable and needed housing.

In addition, the City may want to consider new policies and incentives specifically aimed at providing opportunities for 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 in April 2013, the Lake Oswego City Council will need to adopt a single population projection and update these strategies if and as needed.

IMPLEMENTATION STRATEGIES

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 and its advisory groups to consider as they work to update the Comprehensive Plan based on the findings that have been identified through this HNA process.

Demographic Trends

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. The location of senior-oriented housing options in relation to senior needs and community amenities will also be an important part of this policy discussion.

Discussions with the 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. The demographic and housing trends and conditions suggest 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 providing additional opportunities 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

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

Metropolitan Housing Rule

Housing Mix. 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 7). 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.

Clear and Objective Standards. 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, 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 and is reviewed against a set of building design standards. The City received a Periodic Review grant from DLCDC to update its development code to ensure the opportunity for these housing types to be developed under clear and objectives standards. The City plans to adopt revised standards within the timeframe of Periodic Review to comply with this provision of the Metropolitan Housing Rule.

Minimum Density. To help maintain the Metro Urban Growth Boundary and efficient land use patterns, the MHR requires cities within the Metro UBG to provide minimum average zoned density levels. Lake Oswego must provide for an overall density of ten or more dwelling units per net buildable acre. The city was assigned this density category because it is one of the "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."

Lake Oswego has demonstrated compliance with this rule at each Periodic Review since the city's original acknowledgement of its 1978 Comprehensive Plan. In 1994, DLCDC acknowledged Lake Oswego's average density at 10.2 dwelling units/acre. The City may demonstrate compliance with this rule using one of two buildable land inventory approaches as outlined in OAR 660-007-0045 (2). Consistent with the City's last acknowledgement, Lake Oswego plans to demonstrate its average density "based on the jurisdiction BLI at the time of acknowledgment as updated." Lake Oswego's preliminary analysis shows that zone/plan changes since acknowledgement have not had the effect of decreasing zoned density below 10 dwelling units/net buildable acre.

Other Complete Neighborhood and Housing Strategies for Consideration

Other strategies for consideration:

- 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.
- Amend development standards in appropriate areas targeted for mixed-use development to remove barriers to mixed-use housing and employment uses. Amendments 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.
- 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 (2012)*	\$73,000	
Market Segment by Income Level		
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		
High (120% or more of MFI)	\$87,600	or more
Upper Middle (80% to 120% of MFI)	\$58,400	\$87,600
Lower Middle (50% to 80% of MFI)	\$36,500	\$58,400
Low (30% to 50%)	\$21,900	\$36,500
Very Low (less than 30% of MFI)	\$21,900	or less
Available Annual Housing Payment (@30% of income level)		
High (120% or more of MFI)	\$26,280	or more
Upper Middle (80% to 120% of MFI)	\$17,520	\$26,280
Lower Middle (50% to 80% of MFI)	\$10,950	\$17,520
Low (30% to 50%)	\$6,570	\$10,950
Very Low (less than 30% of MFI)	\$6,570	or less
Available Monthly Rent or Payment (@30% of income level)		
High (120% or more of MFI)	\$2,190	or more
Upper Middle (80% to 120% of MFI)	\$1,460	\$2,190
Lower Middle (50% to 80% of MFI)	\$913	\$1,460
Low (30% to 50%)	\$548	\$913
Very Low (less than 30% of MFI)	\$548	or less
Approximate Attainable Home Price**		
High (120% or more of MFI)	\$434,000	or more
Upper Middle (80% to 120% of MFI)	\$289,000	\$434,000
Lower Middle (50% to 80% of MFI)	\$181,000	\$289,000
Low (30% to 50%)	\$109,000	\$181,000
Very Low (less than 30% of MFI)	\$109,000	or less

Notes:

* based on Housing and Urban Development thresholds for Clackamas County in 2012.

Note, this analysis is generally consistent with 4-person household size characteristics.

** assumes 20% down payment on 30-year fixed mortgage at 6.0% interest.

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

APPENDIX B. FEDERAL POVERTY THRESHOLDS BY FAMILY SIZE, URBAN CLACKAMAS COUNTY, CURRENT YEAR DOLLAR AMOUNTS (NOT INFLATION ADJUSTED)



2012 – Income Limits for LIHTC & Tax-Exempt Bonds Clackamas County, Oregon



For more detailed MTSP income limit information, please visit HUD's website:
<http://www.huduser.org/portal/datasets/mtsp.html>

Actual 2012 Median	\$73,000	
Ntntl Non-Metro 2012 Median	\$52,400	(applies to 9% credits only in non-metro areas)
2012 HERA Special Median	\$73,400	(applies to projects in existence before January 1, 2009)

Median incomes calculated based on a 4-person household

What Income Limit Should You Use?

Is the location considered RURAL by USDA? (if yes, it is eligible to use the Ntntl Non-Metro Median for 9% projects)¹

Not All Clackamas County is considered urban within its major cities, to verify your address and accuracy, please visit:
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfn&NavKey=property@12>

--The following income limits indicate the highest income limit allowable--

Did the project exist ² in 2008? -- If it's a 4% Tax Credit Project Use: HERA Special 2012 -- If it's a 9% Tax Credit Project Use: HERA Special 2012	If NO, did it exist ² : Between Jan 1, 2009 - Nov 30th, 2011 -- If it's a 4% Tax Credit Project Use: Actual Incomes 2012 -- If it's a 9% Tax Credit Project Use: Actual Incomes 2012	If NO, did it exist ² : After Dec 1st 2011 -- If it's a 4% Tax Credit Project Use: Actual Incomes 2012 -- If it's a 9% Tax Credit Project Use: Actual Incomes 2012
---	--	--

Actual Income Limits 2012								
% MFI	1 Pers	2 Pers	3 Pers	4 Pers	5 Pers	6 Pers	7 Pers	8 Pers
30%	\$15,330	\$17,520	\$19,710	\$21,900	\$23,670	\$25,410	\$27,180	\$28,920
35%	\$17,885	\$20,440	\$22,995	\$25,550	\$27,615	\$29,645	\$31,710	\$33,740
40%	\$20,440	\$23,360	\$26,280	\$29,200	\$31,560	\$33,880	\$36,240	\$38,560
45%	\$22,995	\$26,280	\$29,565	\$32,850	\$35,505	\$38,115	\$40,770	\$43,380
50%	\$25,550	\$29,200	\$32,850	\$36,500	\$39,450	\$42,350	\$45,300	\$48,200
55%	\$28,105	\$32,120	\$36,135	\$40,150	\$43,395	\$46,585	\$49,830	\$53,020
60%	\$30,660	\$35,040	\$39,420	\$43,800	\$47,340	\$50,820	\$54,360	\$57,840
80%	\$40,880	\$46,720	\$52,560	\$58,400	\$63,120	\$67,760	\$72,480	\$77,120

HERA Special Income Limits 2012								
% MFI	1 Pers	2 Pers	3 Pers	4 Pers	5 Pers	6 Pers	7 Pers	8 Pers
30%	\$15,420	\$17,640	\$19,830	\$22,020	\$23,790	\$25,560	\$27,330	\$29,070
35%	\$17,990	\$20,580	\$23,135	\$25,690	\$27,755	\$29,820	\$31,885	\$33,915
40%	\$20,560	\$23,520	\$26,440	\$29,360	\$31,720	\$34,080	\$36,440	\$38,760
45%	\$23,130	\$26,460	\$29,745	\$33,030	\$35,685	\$38,340	\$40,995	\$43,605
50%	\$25,700	\$29,400	\$33,050	\$36,700	\$39,650	\$42,600	\$45,550	\$48,450
55%	\$28,270	\$32,340	\$36,355	\$40,370	\$43,615	\$46,860	\$50,105	\$53,295
60%	\$30,840	\$35,280	\$39,660	\$44,040	\$47,580	\$51,120	\$54,660	\$58,140
80%	\$41,120	\$47,040	\$52,880	\$58,720	\$63,440	\$68,160	\$72,880	\$77,520

Ntntl Non-Metro Income Limits 2012								
% MFI	1 Pers	2 Pers	3 Pers	4 Pers	5 Pers	6 Pers	7 Pers	8 Pers
30%	\$11,010	\$12,570	\$14,160	\$15,720	\$16,980	\$18,240	\$19,500	\$20,760
35%	\$12,845	\$14,665	\$16,520	\$18,340	\$19,810	\$21,280	\$22,750	\$24,220
40%	\$14,680	\$16,760	\$18,880	\$20,960	\$22,640	\$24,320	\$26,000	\$27,680
45%	\$16,515	\$18,855	\$21,240	\$23,580	\$25,470	\$27,360	\$29,250	\$31,140
50%	\$18,350	\$20,950	\$23,600	\$26,200	\$28,300	\$30,400	\$32,500	\$34,600
55%	\$20,185	\$23,045	\$25,960	\$28,820	\$31,130	\$33,440	\$35,750	\$38,060
60%	\$22,020	\$25,140	\$28,320	\$31,440	\$33,960	\$36,480	\$39,000	\$41,520
80%	\$29,360	\$33,520	\$37,760	\$41,920	\$45,280	\$48,640	\$52,000	\$55,360

Notes:

1: Projects with previous "Rural" designations that are no longer considered to be located in rural areas (by the USDA) are permitted to use the previous year's National Non-Metro income limits should they be higher than the current year's income limits. The National Non-Metro income limits are online here: http://www.ohcs.oregon.gov/OHCS/HPM_income_limits.shtml

2: Exist - defined by OHCS as the project's placed-in-service (PIS) date. Projects consisting of multiple buildings, where each building is being treated as part of a multiple building project (see line 8b on IRS Form 9809), will be considered as being "in existence" provided at least one building was PIS during the affected year.

The income limits listed above are based on the Multifamily Tax Subsidy Program (MTSP) income limits published by HUD on December 1, 2011. Per Revenue Ruling 94-57, owners will have until January 15, 2012 to implement these new MTSP income limits (45 days from their effective date). Please note that all definitions and explanations herein may be subject to change upon later IRS and/or HUD clarification.

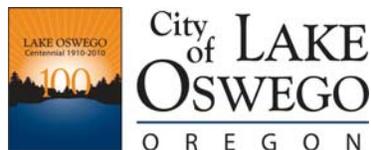
APPENDIX C. OPTIONS FOR PROVIDING NEW DWELLINGS WITHIN LAKE OSWEGO USB

	Estimated Acres in USB (net buildable)	Dwelling Potential (net new)	Potential Avg. Density (DU/acre)
1. Vacant and Part Vacant Land Inventory			
a. Low Density	571.9	1,640	2.9
b. Medium Density	36.1	292	8.1
c. Higher Density	8.2	221	30.0
2. Redevelopment: Net New Dwellings on Medium & High Density R-Zones (R-0, R-2, R-2.5, R-3, R-5)	127	1,331	10.5
3. Redevelopment: Net New Dwellings on Mixed-Use Zones (GC/R-0, NC/R-0, OC/R-3, EC, GC, HC, EC/R-0)	80.9	1,577	19.5
4. Redevelopment: Increase housing in Boones Ferry Corridor (various strategies may be used)	n/a	n/a	n/a
5 Specific Plan and Zone Change for Foothills Industrial Area	n/a	1,735	n/a
6. New Goals and Standards for SDUs	n/a	n/a	n/a

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

**City of Lake Oswego
Draft Economic Opportunities Analysis
May 26, 2011**

Updated March 18, 2013



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EXECUTIVE SUMMARY

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

2013 Update

This EOA was originally drafted in 2011 to inform the update of Comprehensive Plan goals and policies. As noted in the Site Suitability (Land Demand) section of this document (page 30), at that time, Metro was in the process of coordinating with local jurisdictions to develop updates to its regional employment and housing forecasts through 2045. The most recent adopted Metro forecast at that time was from 2005. This forecast, along with preliminary forecast numbers contained within the 2009 Regional Growth Report guided the development of four employment growth scenarios for Lake Oswego in the 2011 Draft EOA.

In the fall of 2012, Metro completed its updated employment and housing forecast for 2035. Metro's updated forecasts incorporate local input to make the forecast more consistent with the work conducted as part of the City's 2011 draft Economic Opportunities Analysis. The Metro numbers are slightly higher than the City's Medium-High Employment Forecast described in Table 12 of this report. The differences are not significant enough to be of concern for planning purposes; the Metro numbers are slightly higher than the City's numbers partially because the Lake Oswego boundaries used by Metro¹ are slightly larger than the City's USB.

Updated City and Metro forecasts are shown in the table below. The Lake Oswego City Council was presented with these forecasts in September 2012, and on October 9, 2012 accepted the housing and employment forecasts listed below, which were presented in the October 9, 2012 Council Report. The Metro Council adopted this forecast on November 29, 2012.

Comparison of 2010 to 2035 City Forecasts with the Metro Adopted TAZ Forecasts for the Current Lake Oswego USB			
Forecast	2010 Total	2035 Total	2010-2035 Change
City Forecast - Households	19,166	22,726	3,560
Metro Forecast - Households	19,556	23,299	3,743
City Forecast - Employment	20,538	25,398	4,860
Metro Forecast - Employment	21,804	27,095	5,291

While a range of four employment forecast options is described throughout this report, **the Medium-High employment forecast should be considered the correct forecast for the**

¹ Metro's forecast numbers are developed for Transportation Analysis Zones (TAZ) within the metro area, with certain TAZ assigned to each jurisdiction. The TAZ do not align perfectly with jurisdictional lines, for example one TAZ assigned to Lake Oswego includes a portion of Tualatin's commercial area near I-5.
03/18/13 Exhibit 5/Page 5

purpose of employment land planning. Additional updates were made to this report to reflect more recent demographic information available from the 2010 Census.

Vision and Goals (Local Aspirations)

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

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

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

Draft Community Economic Development Objectives:

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

Demographic Trends

The City's most current population estimate for the Lake Oswego Urban Services Boundary is approximately 43,000 people and 19,166 dwelling units. By 2035, the population within the Lake Oswego urban services boundary is expected to be between 47,000 to 51,000 people.

According to U.S. Census estimates, the median age of Lake Oswego residents increased from 41.2 years in 2000 to 42.1 years of age in 2006/2008. This is more than five years older than the median age of residents within the Portland Vancouver Metropolitan Statistical Area (36.7). 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.

Economic Conditions, Trends and Forecasts

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

Lake Oswego had 18,871 jobs at 2,297 places of work in 2009. The average wage per employee was about \$52,700. The sectors with the most employment and above average wages were Finance and Insurance, and Professional, Scientific and Technical Services. This data also indicates that between 9% and 12% of Lake Oswego’s workforce is located on land that is not designated for employment uses, figures that are consistent with the City’s business license database which shows that 9% of Lake Oswego businesses are home-based.

An analysis of how Lake Oswego fits into the Clackamas County economy based on job concentration by employment sector indicates the City of Lake Oswego has different economic strengths than the rest of Clackamas County. What defines Lake Oswego is its high concentration of wages in the Finance, Insurance, and Professional Consulting Services sectors compared to the County as a whole. The most pertinent employment trends for Lake Oswego over the next 20-years are: growth in financial firms, growing importance of health care, and growth in other services that require high quality office space.

Target Industries

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

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

Assessment of Employment Land Needs

A range of employment land need forecasts were prepared for consideration in this report. A description of the forecasts can be found on page 30 in the land demand analysis. While four potential forecasts (low, medium, medium-high and high growth) have been considered in this report, feedback from the City’s advisory groups and Metro indicate that the high forecast likely represents a higher level of job growth than is currently expected or feasible for Lake Oswego over the next 20 years. Lake Oswego is in the process of coordinating with Metro on job forecasts and will narrow the range to a single forecast prior to the completion of Periodic Review.

The table on page 4 summarizes Lake Oswego’s land supply and demand for each employment growth forecast. The Economic Opportunities Analysis requirements focus on an assessment of vacant employment land, however due to Lake Oswego’s limited supply of vacant employment land, this report also assesses the potential to add jobs through redevelopment and through filling vacant office space.

The results in the table below show that with the exception of Institutional demand in the medium-high employment forecast, Lake Oswego’s supply of vacant and redevelopable land along with vacant office space, could provide the capacity for over 4,000 new jobs under the medium job growth forecast. The limited *vacant* land supply can most easily accommodate the low growth forecast without more focused economic strategies to support job growth. While commercial and mixed-use land demand can only be met by vacant land in the low scenario, the redevelopable land supply provides sufficient capacity to meet commercial/mixed-use demand in all but the high growth forecast. For institutional uses, the vacant land supply can accommodate the low and medium demand forecasts, while an additional 2.1 to 14.1 acres of land would be needed for the medium-high and high forecasts. For industrial uses, the low to flat demand in all but the high scenario, combined with over 30 acres of redevelopment potential in the southwest Industrial Park zone, results in a surplus of industrial land for the low, medium and medium-high employment forecasts.

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

	Vacant & Redevelopment Potential Land Acreage			
	Low Growth Scenario	Medium Growth Scenario	Med-High Growth Scenario	High Growth Scenario
Commercial & Mixed-Use				
Land Supply – <i>Vacant</i>	12.3	12.3	12.3	12.3
Land Supply – <i>Redevelopment</i>	106.7	106.7	106.7	106.7
Land Supply Subtotal	119.0	119.0	119.0	119.0
Vacant Land Demand	10.0	20.0	40.0	95.0
Redevelopment Land	8.7	21.8	49.4	91.7
Land Demand Subtotal	18.7	41.8	89.4	186.7
Overall Land Surplus /	100.3	77.2	29.6	(67.7)
Institutional				
Land Supply – <i>Vacant</i>	6.9	6.9	6.9	6.9
Land Supply – <i>Redevelopment</i>	n/a	n/a	n/a	n/a
Land Supply Subtotal	6.9	6.9	6.9	6.9
Vacant Land Demand	1.0	1.0	9.0	21.0
Redevelopment Land	0.5	1.0	16.7	37.6
Land Demand Subtotal	1.5	2.0	25.7	58.6
Overall Land Surplus /	5.4	4.9	(18.8)	(51.7)
Industrial				
Land Supply – <i>Vacant</i>	1.0	1.0	1.0	1.0
Land Supply – <i>Redevelopment</i>	37.5	37.5	37.5	37.5
Land Supply Subtotal	38.5	38.5	38.5	38.5
Vacant Land Demand	1.0	2.0	-	24.0
Redevelopment Land	-	-	-	46.4
Land Demand Subtotal	1.0	2.0	-	70.4
Overall Land Surplus /	37.5	36.5	38.5	(31.9)

Note: Redevelopment assumptions assume portion of job growth is addressed through building refill/vacancy absorption as noted in Appendix C.

Conclusion

Lake Oswego has a limited 20-acre supply of vacant land area inside the USB, seven acres of which are located on the Marylhurst/Mary's Woods campus. The redevelopment analysis, however, demonstrates a large capacity for redevelopment in commercial and mixed use zones that could accommodate 1,600 net new jobs. In addition, the redevelopment analysis shows the potential for a significant amount of redevelopment in the City's southwest Industrial Park zone. The assessment of vacant office space also indicates the capacity for 1,500 additional jobs without additional land needs. 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.

INTRODUCTION

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

The focus of Goal 9 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.” Goal 9 describes an EOA report as “an analysis of the community’s economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends” and states that a principal determinant in planning for employment should be the competitive advantage of the region within which the developments would be located. The assessment of economic development potential in Lake Oswego is therefore presented in this analysis along with preliminary policies and strategies that would help the City provide economic development opportunities consistent with state requirements and its community aspirations. The implementation section identifies policies and strategies for meeting the economic development needs of existing and future Lake Oswego residents. These will merit further discussion and analysis in the implementation phase 2011-2012.

Requirements

This EOA describes how the City has and will comply with state and local requirements related to economic development. Specifically, as part of its Comprehensive Plan update, the City must address the requirements of Goal 9 (OAR 660-009) and the Metro Functional Plan Title 4 (Industrial and Other Employment Areas).

Planning in the State of Oregon is governed by 19 Goals that express the State’s aspirations on land use planning and related topics, including economic development. Each goal includes guidelines for local jurisdictions’ comprehensive plans. The substantive content of an EOA is governed by Oregon Administrative Rule, 660-009-0015 which implements Goal 9: Economic Development. This rule requires inclusion of the following three interrelated elements inventory (supply), need, and policies as shown in Figure 1.

Metro’s Urban Growth Management Functional Plan

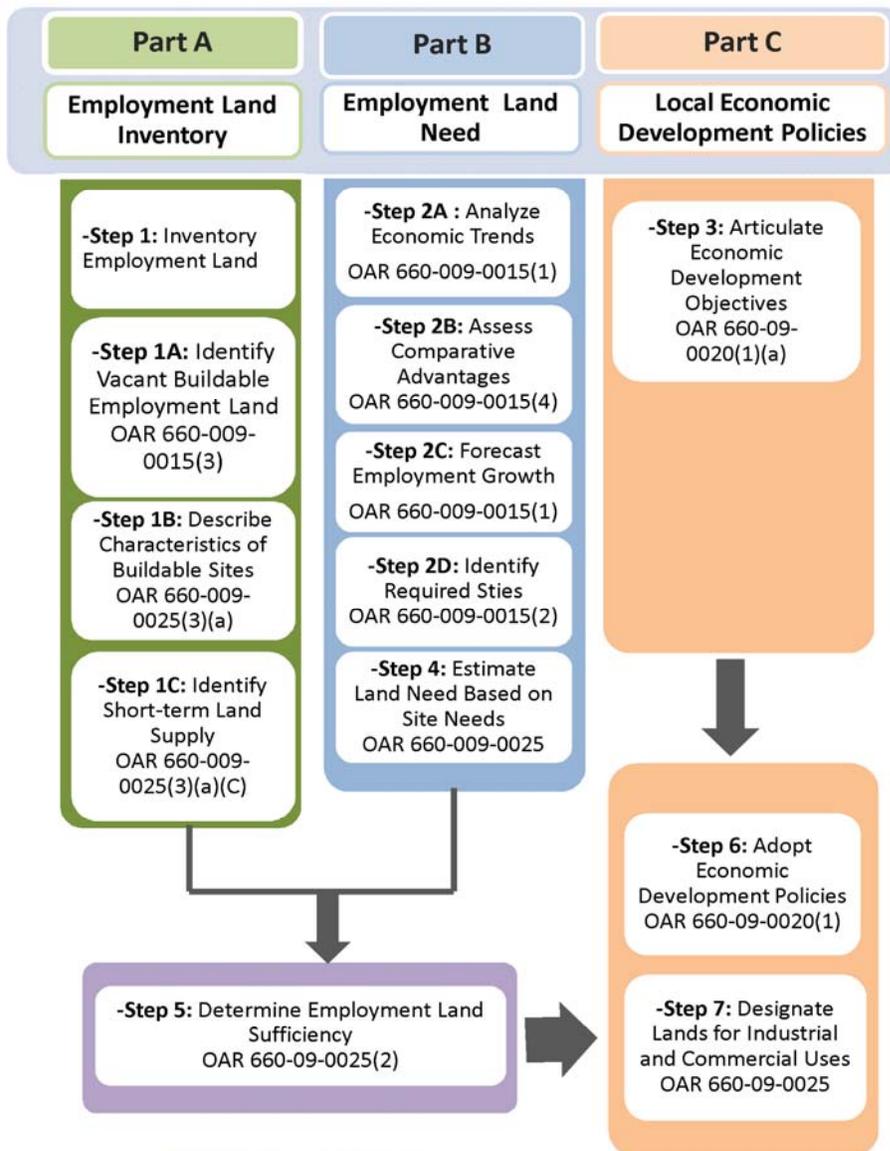
Title 4 of Metro’s Urban Growth Management Functional Plan is intended to provide and protect a supply of sites for industrial uses and to cluster those industries so they may operate more productively. Title 4 also seeks to provide for the efficient movement of goods and services and to encourage the location of other types of employment in Centers, Employment Areas, Corridors, Main Streets and Station Communities.

Title 4 requires that jurisdictions adopt land use regulations that:

- Derive specific plan designations and zoning district boundaries of industrial areas in an Employment and Industrial Areas Map.
- Limit the size of new buildings for retail commercial uses and retail and professional services to ensure that they serve primarily the needs of workers in the area.

Title 6 of the Functional Plan addresses Centers, Corridors, Station Communities and Main Streets in the regional 2040 Growth Concept. It recognizes these areas as “the principal centers of urban life in the region”. It defines the elements (boundary, assessment, policies and action strategies) needed for regional growth including federal investments.

Figure 1. Lake Oswego Economic Opportunities Analysis Methodology



Methodology

The technical and political approach used for the EOA and related steps are consistent with the DLCDC Goal 9 administrative rule, and the supporting OAR 660 guidance, as well as other supporting guidance provided per the DLCDC Industrial & Other Employment Lands Analysis Guidebook (2005), and the Updated Draft Economic Development and Employment Land Planning Guidebook (July 2010).

VISION AND GOALS (LOCAL ASPIRATIONS)

While this report complies with state rules and regulations, more importantly, it provides a vision for how the City of Lake Oswego, within a land use context, will plan for and provide economic opportunities for its citizens from 2010 to 2035. The strategies in this report are designed to help City leaders improve economic vitality for Lake Oswego, as described in the draft Lake Oswego Community Vision for 2035:

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

To this end, the City of Lake Oswego developed a set of Community Economic Development Objectives (CEDOs) that are intended to help guide the development of the EOA and move the community towards implementation of its vision for Economic Vitality. Some community objectives may, in the Implementation Phase rise to the level of a goal or policy and be formally incorporated into the updated Comprehensive Plan. Others may be more appropriately refined to become strategies for implementation. The objectives were developed based on the City's existing Comprehensive Plan, the Economic Development Strategy, other local market analyses and were reviewed and updated by the Goal 9 & 10 Work Group, the Citizen Advisory Committee and the Planning Commission.

Draft Community Economic Development Objectives:

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

ECONOMIC CONDITIONS, TRENDS AND FORECASTS

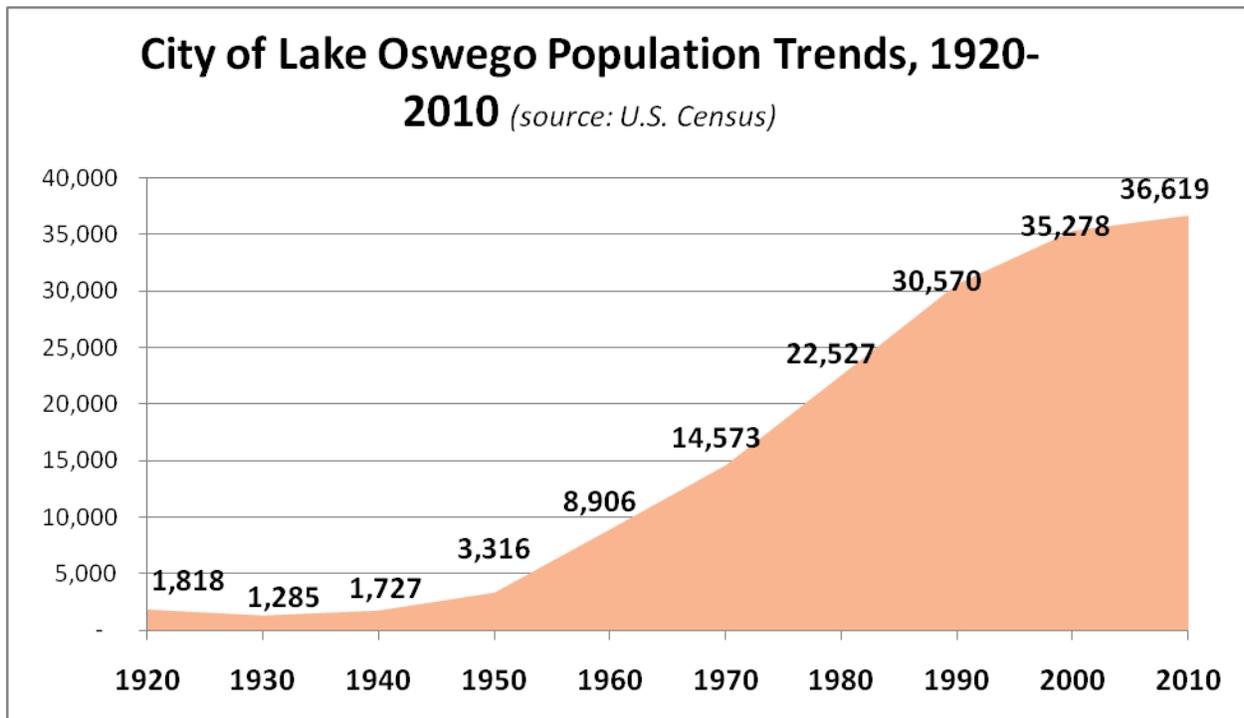
Lake Oswego exists as part of the larger economy of the Portland metropolitan area and is strongly influenced by regional economic conditions. For many factors, such as workforce, Lake Oswego does not differ significantly from the broader region. For other factors, such as income, it does. Thus, Lake Oswego benefits from being a part of the larger regional economy and plays a specific role in the regional economy.

Demographic Trends

Lake Oswego is located in the very desirable “inner-urban area” within the greater Portland region. This location is considered advantageous for accessing downtown Portland and its surrounding communities within a manageable commute. Downtown Lake Oswego’s ongoing renaissance and excellent parks, schools and community facilities continue to serve as attributes that make it a desirable place to live, work and visit.

As Figure 2 indicates, the U.S. Census Bureau’s 2010 census count estimated there to be approximately 36,619 people in the City of Lake Oswego,² which is an increase of 1,341 people since the 2000 U.S. Census.³ For comparison purposes, Figure 3 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 2. Lake Oswego Historic Population Trends, 1920-2010

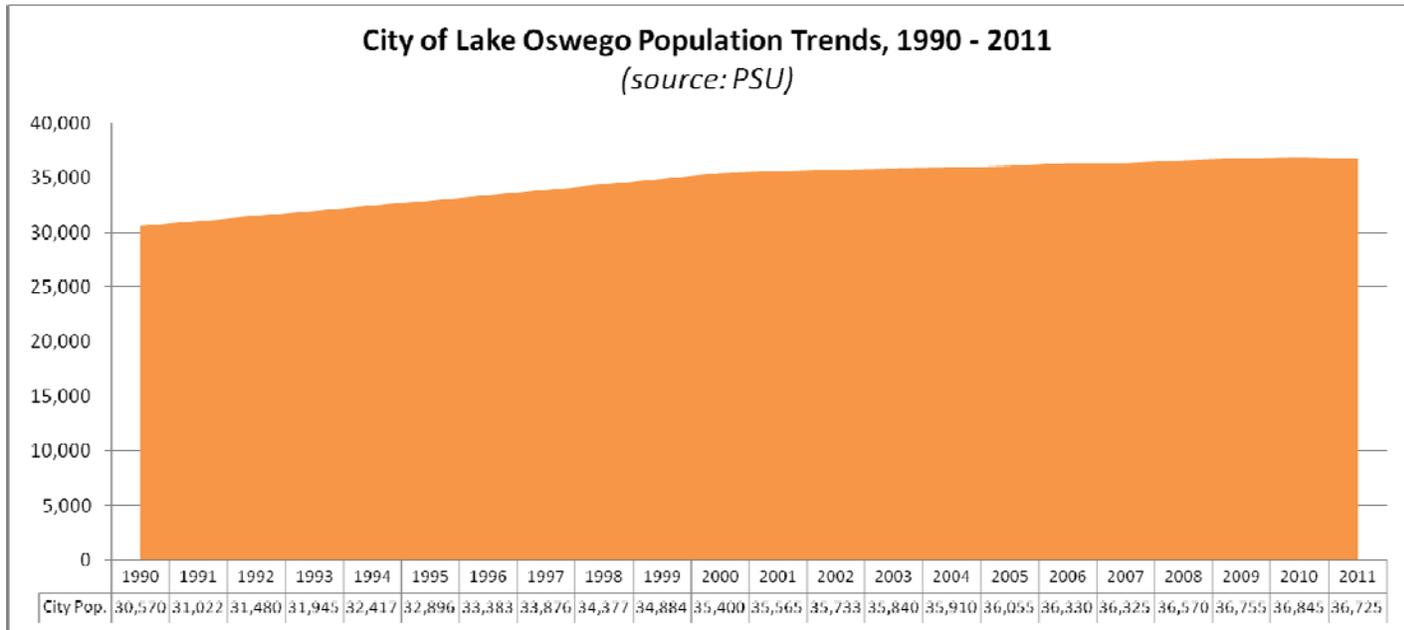


Source: U.S. Census; compiled by FCS Group.

² The Census area is slightly larger than the city limits, but smaller than the urban services boundary (USB).

³ Limited Census 2010 information was available at the conclusion of the grant period. Where information was available, it was included.

Figure 3. Lake Oswego Recent Population Trends, 1990-2011



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

Lake Oswego experienced a net gain of approximately 898 1,097 households since year 2000, with an increase of 472 414 family households and 426 710 nonfamily households, which represents an increase in the share of nonfamily households when compared to the 2006-08 Census data. Another notable shift as indicated in Table 1 on the following page, is the decrease in average household size from 2000-2010, which indicates a recent trend when compared to the increase in household size that occurred between 2000 and 2006-8. As indicated in Table 1, according to the U.S. Census, the average household size and average family size in Lake Oswego 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, City staff estimates that there were 43,09 people and 19,166 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 population that resides in households (not group quarters) population.

Table 1. Lake Oswego Demographic and Socio-economic Trends

	Census 2000	Census 2010	Change
Population	35,237	36,619	1,382
Group Quarters Population	163	222	59
Households	14,796	15,893	1,097
Family Households	9,665	10,079	414
Nonfamily Households	5,104	5,814	710
Average Household Size	2.38	2.29	(0.09)
Average Family Size	2.95	2.88	(0.07)
Median Age	41.2	45.8	4.6
	Census 2000	ACS 2008-10	Change
Median Household Income (unadjusted)	\$71,597	\$81,097	\$9,500
Median Family Income (unadjusted)	\$94,587	\$105,722	\$11,135
Per Capita Income (unadjusted)	\$42,166	\$47,704	\$5,538
Median Household Income (inflation adjusted)*	\$98,883	\$86,977	(\$11,906)
Median Family Income (inflation adjusted)*	\$130,634	\$113,387	(\$17,247)
Per Capita Income (inflation adjusted)*	\$58,235	\$51,163	(\$7,073)

* Income data were adjusted to current June 2012 dollars by FCS Group based on the U.S. Bureau of Labor Statistics, inflation calculator.

Source: U.S. Census, 2000 and 2010 and 2008-2010 American Community Survey, data compiled by FCS Group

Prepared by FCS GROUP.

According to U.S. Census estimates, the median age of Lake Oswego residents also increased from 41.2 years in 2000 to 45.8 years of age in 2010. This is more than nine 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.

A closer look at population age cohort patterns for Lake Oswego reflects the aging Baby Boom population (born between 1946 and 1965). As indicated in Figure 4 and Table 2, 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 to 74) recorded a combined gain of 4,315 people since 2000.

Figure 4. Population Age Cohort Trends, Lake Oswego, 2000 and circa 2010

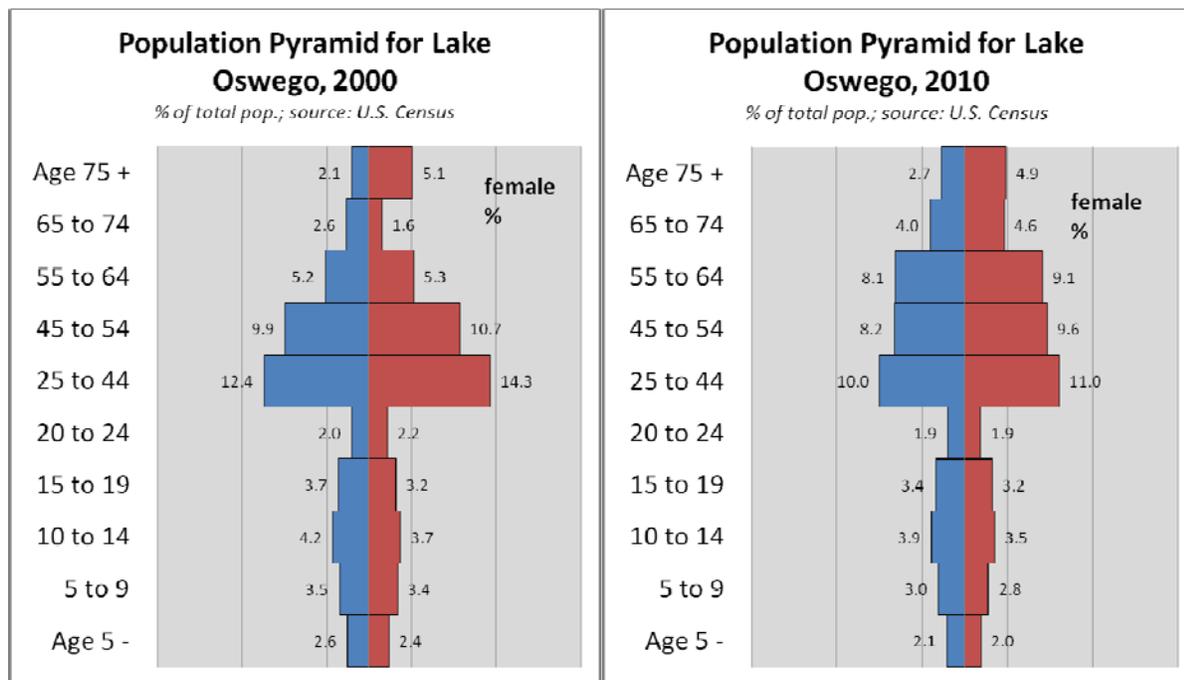


Table 2. Lake Oswego Area Population Age Cohort Trends

Age Cohort (years)	Census 2000	Census 2010	Change	Percent Change
under 5	1,746	1,489	(257)	-15%
5 to 9	2,426	2,129	(297)	-12%
10 to 14	2,810	2,694	(116)	-4%
15 to 19	2,424	2,439	15	1%
20 to 24	1,470	1,403	(67)	-5%
25 to 44	9,441	7,697	(1,744)	-18%
45 to 54	7,267	6,548	(719)	-10%
55 to 64	3,676	6,302	2,626	71%
65 to 74	1,477	3,166	1,689	114%
75+	2,541	2,752	211	8%
Total	35,278	36,619	1,341	4%

Source: U.S. Census, 2000 and 2010. Lake Oswego area is slightly larger than city limits but smaller than the Urban Service Boundary.

As summarized in Figure 4 and Table 2 above, since 2000 there have been significant increases in the 55-64 and 65-74 age cohorts, with increases of 70% and 113% respectively. The only other increase occurred among the 15-19 age cohort with a minor 15 person gain. The 20-54 age cohorts experienced the most significant population decline, followed by the birth-age 14 cohort.

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.

Table 3. Lake Oswego Area Annual Historic Population Growth Rates

	10-Year Trend 2000 to 2010		Long-Term Trend 1990 to 2010	
	Number	AAGR%	Number	AAGR%
Total Population	134	0.4%	302	0.9%
Male	33	0.2%	133	0.8%
Female	101	0.5%	169	1.0%
Age Cohort (years)				
under 5	(26)	-1.6%	(14)	-0.9%
5 to 9	(30)	-1.3%	5	0.2%
10 to 14	(12)	-0.4%	26	1.1%
15 to 19	2	0.1%	26	1.2%
20 to 24	(7)	-0.5%	2	0.2%
25 to 44	(174)	-2.0%	(159)	-1.7%
45 to 54	(72)	-1.0%	101	1.9%
55 to 64	263	5.5%	188	4.7%
65 to 74	169	7.9%	58	2.3%
75+	21	0.8%	69	3.6%

Source: US Census. AAGR = average annual growth rate.

Prepared by FCS GROUP.

Income

Table 4 indicates that 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 slightly from 35% to 38% from 2000 to 2008-10. While the portion of households earning below \$75,000 fell slightly, this income level (just above the 2012 Median Family Income for Clackamas County) still represents 47% of all Lake Oswego Households.

Table 4. Households by Income Level, Lake Oswego, 2000 and 2006-2008

Income Cohort	Census 2000		ACS 2008-2010		Change	
	Number	Dist. %	Number	Dist. %	Number	Percent
less than \$14,999	861	5.8%	770	4.9%	(91)	-0.9%
\$15,000 to \$34,999	2,338	15.8%	1,951	12.5%	(387)	-3.3%
\$35,000 to \$74,999	4,472	30.2%	4,615	29.5%	143	-0.7%
\$75,000 to \$99,999	1,931	13.0%	2,359	15.1%	428	2.1%
\$100,000 to \$149,999	2,550	17.2%	2,361	15.1%	(189)	-2.1%
\$150,000 to \$199,999	1,090	7.4%	1,602	10.2%	512	2.8%
\$200,000 or more	1,582	10.7%	1,989	12.7%	407	2.0%
Total	14,824	100%	15,647	100%	823	-0.1%

Source: 2000 U.S. Census data income levels expressed in 1999 dollars, and 2008-2010 U.S. Census American Community Survey, income levels expressed in 2009 dollars.
Prepared by FCS GROUP.

According to the U.S. Census 2008-2010 American Community Survey, Lake Oswego's average per capita income was \$47,704, median household income was \$86,977, and median family income was \$113,387 in 2012 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, however according to the U.S. Census 2006-2008 American Community Survey, Lake Oswego still has an estimated 2,602 people in poverty⁴.

⁴ 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.

Availability of Workforce

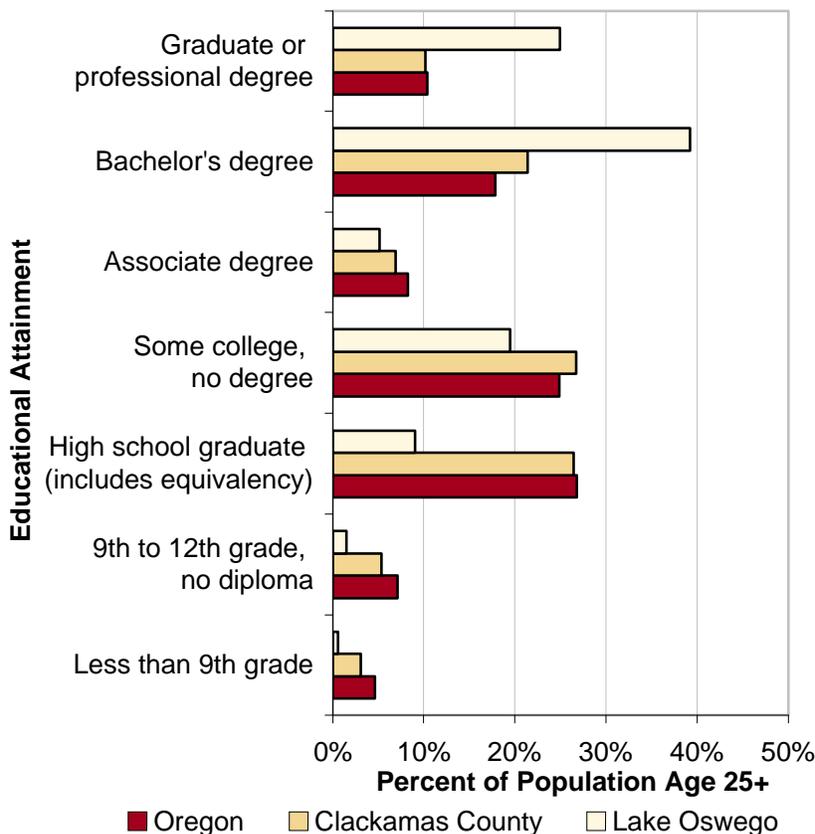
The availability of trained workers in Lake Oswego will impact development of Lake Oswego's economy over the planning period. Key trends that will affect the workforce in Lake Oswego through 2035 include growing population, demographic factors (e.g., aging of the population; income), availability of educated and skilled workers, and regional commuting patterns. Lake Oswego has access to workers in the Portland metropolitan region workforce and is likely to continue to be able to draw workers from the regional workforce in the future.

Educational attainment

The availability of trained, educated workers affects the quality of the workforce in a community. Educational attainment is an important workforce factor because firms need to be able to find educated workers. In addition, educational attainment is correlated with income. The fastest growing occupations in the U.S. require an academic degree and, on average, have higher incomes than occupations that do not require an academic degree.⁵

Figure 5 shows educational attainment in Oregon, Clackamas County, and Lake Oswego in 2007. 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.

Figure 5. Educational attainment for the population 25 years and over, Oregon, Clackamas County and Lake Oswego, 2007



Source: 2007 American Community Survey; prepared by ECONorthwest.

⁵ Arlene Dohm and Lyn Shniper, "Occupational Employment Projections to 2016," *Monthly Labor Review*, November 2007, pp. 86-125.

Commuting Patterns

Commuting plays an important role in Lake Oswego's economy. Lake Oswego residents have a slightly shorter commute than most residents of Clackamas County or the Portland metropolitan region. About 70% of Lake Oswego's residents commute 29 minutes or less, compared to 60% of Clackamas County residents and 65% of residents in the Portland metropolitan region. About 2% of Lake Oswego's residents had a commute of 60 minutes or more, compared to 6% of residents of Clackamas County and the Portland metropolitan region.⁶

Lake Oswego's residents commuted across the Portland metropolitan region in 2006,⁷ with about 90% of workers working in Multnomah County, Clackamas County, and Washington County. About 37% of Lake Oswego's residents worked in the City of Portland, 14% in Lake Oswego, and 5% or more in Beaverton, Tigard, and Tualatin.⁸

Lake Oswego's workforce commuted from across the Portland metropolitan region in 2006, with about 85% of workers coming from Multnomah County, Clackamas County, and Washington County. About 22% of Lake Oswego's workforce lived in the City of Portland, 14% in Lake Oswego, and 5% or more from Beaverton or Tigard.⁹

This means that Lake Oswego's companies have access to workers from across the Portland metropolitan area but especially from the City north to Portland and from Beaverton east to I-205. These commuting patterns create demand for automotive and other forms of transportation, both within Lake Oswego and on roads throughout the Portland metropolitan area.

Changes in Employment

The global economy is evolving. Nationally, this is reflected in changes observed during the 1980's to the current period. These changes affected the composition of Oregon's economy, including the Portland metropolitan area and Lake Oswego. The most important shift during this period at the national-level was the shift in employment from a focus on manufacturing to services. The most important shift in Oregon has been the shift from a timber-based economy to a more diverse economy, with the greatest employment in services. The most important trends and changes in employment for Lake Oswego over the next 20-years are: growth in financial firms, growing importance of health care, and growth in other services that require high quality office space (e.g., professional and technical services).

Lake Oswego had 21,044 jobs at 2,272 establishments in 2006¹⁰, with an average firm size of 9.3 employees.¹¹ The average wage per employee was about \$49,400. The sectors with the most employment and above average wages were Finance and Insurance (\$65,335 average wage) and Professional, Scientific and Technical Services (\$73,100). Other sectors with at least 5% of the City's employment and above average wages were: Wholesale Trade (\$86,400), Construction (\$58,000), and Manufacturing (\$54,700). The sectors with the greatest number of

⁶ 2007 American Community Survey.

⁷ The most current data on commuting patterns is for 2006. This data is available from U.S. Census Bureau: LED on the Map.

⁸ U.S. Census Bureau: Longitudinal Employer-Housing Dynamics mapping tool.

⁹ U.S. Census Bureau: Longitudinal Employer-Housing Dynamics mapping tool.

¹⁰ This study uses 2006 QCEW data to be consistent with the base employment data used by Metro in the recent work on the *Urban Growth Report 2009-2030*.

¹¹ The number of employees per firm is calculated based on the covered data from the Quarterly Census of Employment and Workforce (QCEW). Other data sources give different firm size. For example, Table A-11 presents employment data from Lake Oswego's business license database, which shows an overall firm size of 6.1 employees per firm and 9.1 employees per firm, excluding home occupations. The best available data about firm size is from the QCEW data because businesses with employees covered by unemployment insurance are required by the Federal Government to report all employment on a monthly basis.

employees were: Finance and Insurance (17%), Professional, Scientific and Technical Services (12%), Government (11%), Accommodation and Food Services (9%), Health Care and Social Assistance (8%), and Retail (7%). These sectors accounted for 13,245 or 63% of Lake Oswego's jobs.

The sectors with the most employment and below average wages were Accommodation and Food Services (\$16,300), Retail (\$24,100), Government (\$34,100), and Health Care and Social Assistance (\$36,000). Other sectors with at least 5% of the City's employment and below average wages were: Other Services (\$27,200),¹² and Administrative Support and Waste Management (\$30,500).

A substantial amount of Lake Oswego's employment is located on land that is not designated for employment.

- **Home occupations.** Table 6 shows home occupations, which account for about 9% of employment in the City's License Database. Home occupations tend to have a lower average firm size, 1.5 employees per firm, compared to 9.1 employees per firm for non-home occupations operating in Lake Oswego.¹³ The most common types of home occupations are general construction, interior design, design, consultants, and mortgage brokers.

Table 6. Licensed businesses in Lake Oswego, 2009

	Firms		Employees		
	Number	Percent of total	Number	Percent of total	Avg. Emp/Firm
Businesses operating within Lake Oswego	1,373	61%	12,532	91%	9.1
Home Occupations	887	39%	1,294	9%	1.5
Total	2,260	100%	13,826	100%	6.1

Source: City of Lake Oswego Business License Database; prepared by ECONorthwest.

- **Employment located on non-employment plan designations.** The Quarterly Census of Employment and Wages (QCEW) data in Table 7 includes employment that is located in non-employment plan designations, mostly residential plan designations. This employment includes home occupations (e.g., home offices or construction contractors working out of their home), as well as businesses located in non-employment plan designations (e.g., or assisted living facilities).

¹² Other Services includes services such as repair and maintenance, dry cleaning services, personal care services (e.g., barber shops or nail salons), and organizations.

¹³ This estimate of the number of employees per firm is based on employment data from Lake Oswego's business license database. The best available data about firm size is from the QCEW data because businesses with employees covered by unemployment insurance are required by the Federal Government to report all employment on a monthly basis. The purpose of presenting the data about firm size in this paragraph is to illustrate that home occupations have fewer employees than the City's average firm size.

¹³ This estimate of population is based on the housing and population forecast in the 2009 Housing Needs Analysis conducted by Winterbrook Planning.

Table 7. Employment in Lake Oswego's urban services boundary, 2009

Employment Sector	Firms	Jobs	% of Emp.	Avg. Pay Per Job
Agriculture, Forestry, Fishing & Hunting	3	17	0%	\$20,271
Utilities	3	10	0%	\$46,504
Construction	162	686	4%	\$54,995
Manufacturing	10	191	1%	\$31,175
Wood Product Manufacturing	13	226	1%	\$43,018
Primary Metal Manufacturing	25	468	2%	\$77,453
Wholesale Trade	265	1,115	6%	\$91,833
Retail Trade	96	1,216	6%	\$24,689
Sporting Goods, Hobby, Book, and Music Stores	51	158	1%	\$20,844
Transportation and Warehousing	12	126	1%	\$32,818
Postal Service	6	75	0%	\$57,373
Information	40	537	3%	\$106,415
Finance and Insurance	290	2,549	14%	\$78,665
Real Estate, Rental and Leasing	130	436	2%	\$45,251
Professional, Scientific and Technical Services	407	2,538	13%	\$74,203
Management of Companies and Enterprises	24	335	2%	\$81,397
Admin., Waste Mgmt. and Remediation Services	100	838	4%	\$34,892
Educational Services	55	1,862	10%	\$36,550
Health Care and Social Assistance	191	1,709	9%	\$38,217
Arts, Recreation and Entertainment	25	330	2%	\$18,404
Accommodation and Food Services	118	1,659	9%	\$17,596
Other Services	246	798	4%	\$29,324
Public Administration/Government	4	988	5%	\$45,633
All Other	21	12	0%	\$56,410
Total	2,297	18,879	100%	\$52,685

Source: Oregon Employment Department Quarterly Census of Employment and Wages (QCEW). Summary by industry and percentages calculated by FCS GROUP.

Note: Only employment in "covered" jobs that include workman's comprehensive insurance payments are reflected in Table 7.

Analysis of the QCEW data shows that about 2,450 employees are located in non-employment plan designations, accounting for 12% of Lake Oswego's employment. The most common types of employment located on non-employment plan designations are: Health Care and Social Assistance; Arts, Entertainment, and Recreation; Construction; and Other Services.

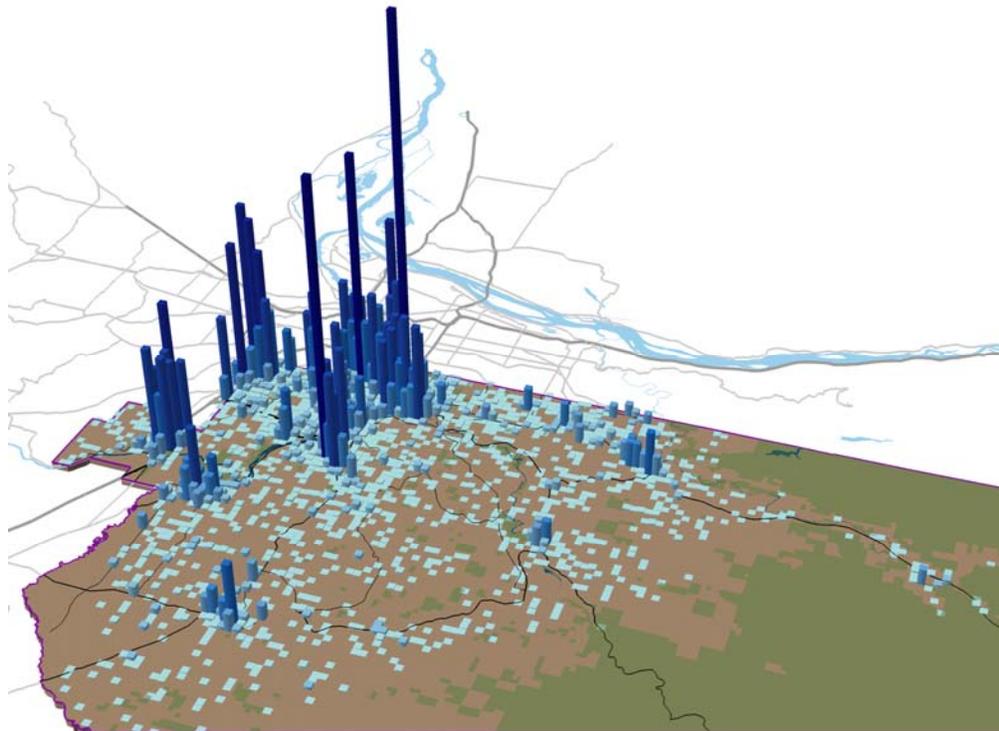
It is likely that there is overlap in the employment reported from these data sources. The QCEW data probably includes some home occupations, such as contractors working from home or telecommuters that work for firms not located in Lake Oswego. The information in this analysis suggests that between 9% and 12% of Lake Oswego's workforce is located on land that is not designated for employment uses.

Lake Oswego's Competitive Advantages and Challenges

Economic development opportunities in Lake Oswego will be affected by local conditions in addition to national and state economic conditions. Economic conditions in Lake Oswego relative to other portions of the Portland metropolitan area form Lake Oswego's competitive advantage for economic development. Lake Oswego's competitive advantages have implications for the types of firms most likely to locate and expand in Lake Oswego.

Lake Oswego's primary competitive advantages are quality of life, prestige, market buying power, location, and access to highly educated and skilled labor. These factors make Lake Oswego attractive to residents and businesses that want a high quality of life where they live and work.

A recent analysis by FCS GROUP revealed that Lake Oswego, and particularly the Kruse Way Corridor, is a major economic engine within Clackamas County. ¹⁴As shown in the figure below, the Lake Oswego Boones Ferry Road Corridor is one of the leading clusters of employment activity within Clackamas County (map depicts level of relative annual economic output per 10-acre grid that occurred in 2008). In 2008, the businesses within the Kruse Way Corridor (the 81 net acre area extending along Kruse Way from I-5 to Boones Ferry Road) included 199 separate businesses with a total covered workforce of 2,747 direct jobs (on site) and generated an annual direct payroll of \$243 million, and annual direct/indirect regional economic output of \$1.4 billion. While, total employment within the Kruse Way Corridor has declined since 2008 in the aftermath of the recent economic recession, this area continues to provide significant employment and economic output within the greater Portland region.



¹⁴ Clackamas County Economic Landscape, Economic Profiles, 2010; report for Clackamas County by FCS GROUP, Cogan Owens Cogan, and Real Urban Geographics.

The local factors that form Lake Oswego's competitive advantage are summarized below.

- **Quality of life.** Lake Oswego's high quality of life and significant amenities are a primary competitive advantage for attracting businesses to the City. Lake Oswego's quality of life attributes include: high-quality housing, urban amenities (restaurants and shopping opportunities), Oswego Lake and lake front properties, parks and open space, proximity to Portland, beautiful setting, and access to urban and outdoor recreation. Lake Oswego's high quality of life is likely to attract businesses and entrepreneurs that want to locate in a high amenity area.
- **Prestige.** Office space in Lake Oswego, especially along Kruse Way, is considered a prestigious location. Businesses that want to locate in a prestigious, high amenity area are likely to be attracted to Lake Oswego.
- **Buying power of markets.** The buying power of Lake Oswego's households provides a strong market for goods and services. According to estimates on household spending by Oregon Prospector,¹⁵ households in Lake Oswego spent over \$1.2 billion in 2008, about 18% of total household expenditures in Clackamas County. Lake Oswego households spend an average of \$78,900 on commonly purchased items. Expenditures by households in Lake Oswego were 135% of the County average (\$58,443 per household). The buying power of households in Lake Oswego is a competitive advantage for attracting retail and services.
- **Location.** Lake Oswego is located in the Portland metropolitan area, immediately south of the City of Portland and near the intersection of I-5 and I-205. Lake Oswego is located near Tigard, Tualatin and West Linn. Lake Oswego is located in the northwestern part of Clackamas County, near Multnomah and Washington counties. Lake Oswego's location affects economic development in the City because: the city is located in the most populous part of Oregon; residents have access to easy shopping in and around the city; residents have access to cultural and urban amenities in Lake Oswego and adjacent cities; and businesses in Lake Oswego have access to transportation and business infrastructure in the Portland metropolitan area.
- **Transportation.** Businesses and residents in Lake Oswego have access to a variety of modes of transportation: automobile (I-5, I-205, Highway 43, Highway 217, and local roads); transit (Tri-Met buses, possible future bus rapid transit or Portland Streetcar extension); and air (Portland International Airport). Businesses that need relatively easy automobile access to I-5 and other major roads in the region may be attracted to Lake Oswego.
- **Labor market.** The availability of labor is critical for economic development. Availability of labor depends not only on the number of workers available, but the quality, skills, and experience of available workers as well. Commuting is common in Lake Oswego. The commuting patterns show that businesses in Lake Oswego are able to attract skilled and unskilled workers from across the Portland metropolitan region. Businesses that need access to workers from across the Portland metropolitan region and that want a pool of local highly educated and skilled workers may be attracted to Lake Oswego.
- **Public policy.** Public policy can impact the amount and type of economic growth in a community. The City can impact economic growth through its policies about the provision of land, redevelopment, and infill development. Success at attracting or retaining firms may depend on availability of attractive sites for development and public support for redevelopment. Although firms may be attracted to Lake Oswego because of

¹⁵ Oregon Prospector is the State of Oregon's economic development website. It has city profiles, which include information about expenditures by residents of the city. The website can be accessed at: <http://www.oregonprospector.com/>.

the City's competitive advantages, the choice to locate in Lake Oswego may be based, in large part, on public assistance with redevelopment (e.g., parcel assembly) because of the challenges associated with redevelopment.

- **Business taxes.** Multnomah County levies a 1.45% business income tax. Clackamas and Washington Counties do not have a business income tax, which gives cities in these counties an advantage for attracting businesses over cities in Multnomah County. Lake Oswego's proximity to Multnomah County presents an opportunity to attract firms that want to locate near Multnomah County.

Lake Oswego also has a number of real or perceived challenges for economic development, relative to the Portland metropolitan region. Interviews with stakeholders identified the following barriers to economic development in Lake Oswego.

- **Land.** The availability of land in Lake Oswego was the most commonly mentioned challenge to economic development. The challenges included: availability of vacant land, availability of sites over a few acres, and cost of land. The lack of light industrial land with highway access or flex space is a concern because the City has so little industrial land.
- **Infill and redevelopment.** Infill and redevelopment, especially of sites larger than an acre, is difficult. This is especially true in Downtown, where parcel assembly of sites is very difficult because of the highly fragmented pattern of ownership. In addition, the City's policies make it challenging to change existing uses through rezoning.
- **Parking.** High land costs make providing parking costly, especially for structured or underground parking. The need for parking, both because of the lack of transportation alternatives and City policies, is cited by the stakeholders as a challenge to increasing densities in areas with office buildings. In addition, it is perceived that a lack of parking in Downtown makes retail uses more challenging, especially for small retailers that cannot afford to build parking structures. This seems to be more perception than reality based on a 2010 Downtown Parking Study.
- **Providing infrastructure.** The cost of providing new infrastructure to increase intensity of uses and funding maintenance of existing infrastructure are also cited by stakeholders as a challenge to economic development.
- **Downtown.** The distance from Downtown to I-5 and the capacity of Highway 43 and local roads are cited as a challenge to development in Downtown, with observations that the distance from I-5 will prevent Downtown from providing regional retail or services. In addition, increasing densities in Downtown substantially may create capacity issues on the street system, especially if people come from outside of Lake Oswego for retail and services.
- **Affordable housing.** The lack of affordable housing, especially workforce housing, is seen as a challenge to businesses with lower paid employees. These employees generally cannot afford to live in Lake Oswego and must commute from other communities.
- **Community attitudes.** Community attitudes are viewed as a challenge to development, especially development near established neighborhoods. In addition, community concerns about development often make the development process (from concept to receiving development approval from the City) slower.
- **City government.** The complexity and speed of the planning process were cited in stakeholder interviews as a challenge to economic development.

Potential Growth Industries in Lake Oswego

The types of jobs and target industries Lake Oswego is focusing on have the following attributes: high-wage, stable jobs with benefits; jobs requiring skilled and unskilled labor; employers in a range of industries that will contribute to a diverse and sustainable economy; and industries that are compatible with Lake Oswego’s community values.

Regional and Local Business Clusters

Overall, Clackamas County’s clusters can be organized into five broad categories: Manufacturing; Warehousing & Transportation; Wholesale Trade; and Finance, Insurance, and Professional Services. Combined, the direct economic impacts of the 10 clusters account for roughly 39.8% of the Clackamas County economy. When secondary impacts, such as those realized by up- and downstream cluster suppliers are considered, the 10 clusters account for about 65% of the county economy.

An analysis of how Lake Oswego fits into the Clackamas County economy based on job concentration by employment sector defined the region as nine counties from Salem to Vancouver.¹⁶ Location quotients (LQ) were calculated using *value added* of an industry as the best measure of economic importance.¹⁷

Related industry sectors are grouped into clusters and ranked according to size and LQ using value added. Key clusters are described in terms of size and other economic characteristics. The summaries were constructed using 2006 IMPLAN (Impact analysis for PLANing software) data, supplemented by QCEW data.

The analysis identified ten “key clusters” in Clackamas County. Each of these clusters met two basic criteria: (1) highest value added location quotients in Clackamas County relative to the nine county CMSA; and (2) a contribution of at least 0.25% to the County’s total Gross Domestic Product (GDP) (as measured by value added). Table 8 provides the results of this analysis.

Table 8. Clackamas County key industry clusters, with selection criteria, 2006 (dollar figures in millions of \$)

	Cluster Name	LQ	Value Added					
			Direct	% County	% Region	Total	% County	% Region
1.	Warehousing	2.58	\$ 102.3	0.8%	0.1%	\$ 149.7	1.2%	0.1%
2.	Fabricated Metal Manufacturing	2.36	345.7	2.7%	0.3%	602.7	4.7%	0.6%
3.	Nurseries and Greenhouses	2.10	197.6	1.5%	0.2%	273.6	2.1%	0.3%
4.	Primary Metal Manufacturing	1.65	188.2	1.5%	0.2%	325.8	2.5%	0.3%
5.	Truck Transport	1.62	235.9	1.8%	0.2%	433.0	3.3%	0.4%
6.	Wood Product Manufacturing	1.43	134.8	1.0%	0.1%	255.8	2.0%	0.2%
7.	Professional Consulting Services	1.41	677.8	5.2%	0.6%	1,168.4	9.0%	1.1%
8.	Finance and Insurance	1.27	1,680.4	13.0%	1.6%	2,637.8	20.4%	2.5%
9.	Wholesale Trade	1.22	1,453.4	11.2%	1.4%	2,283.9	17.7%	2.2%
10.	Machinery Manufacturing	1.17	131.6	1.0%	0.1%	276.1	2.1%	0.3%
	Clusters Total	N/A	\$ 5,147.7	39.8%	4.9%	\$ 8,406.8	65.0%	8.0%

Source: ECONorthwest, using 2006 IMPLAN data.

Note: “Region” is the nine-county Portland CMSA region as defined earlier; the Finance and Insurance cluster excludes banks.

¹⁶ This region is defined by the U.S. Census as the Portland Consolidated Metropolitan Service Area (CMSA). This area includes Clackamas, Columbia, Marion, Multnomah, Polk, Washington, and Yamhill counties in Oregon; and Clark County and Skamania County in Washington.

¹⁷ It is more typical for cluster studies to use employment as the basis for comparison. But the highest employment does not necessarily produce the highest value added. While the measures are highly correlated, value added is a theoretically preferable measure of an industry’s or cluster’s impact on the economy.

Location quotients for industry sectors (defined by 2-digit North American Industrial Classification System (NAICS) codes) were calculated for Lake Oswego compared to Clackamas County, using data on wages for covered employees for 2006. Because of the different methodologies used, these results are not directly comparable to the clusters identified for the County. However, this analysis does shed some light on the relationships between the Lake Oswego and Clackamas County economies.

Four industries in Lake Oswego had more than double the employment concentration than Clackamas County, indicating possible employment clusters. Those sectors were Finance & Insurance; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; and Information. These sectors roughly correlate to two of the key industry clusters identified in Clackamas County: Professional Consulting Services, and Finance and Insurance.

This analysis indicates the City of Lake Oswego has different economic strengths than the rest of Clackamas County. Manufacturing, Transportation and Warehousing are some of the County's key clusters, compared to the Portland metropolitan region. Employment in these clusters is not concentrated in Lake Oswego.

On the other hand, Finance, Insurance, and Professional Consulting Services were identified as key clusters in the County, where Lake Oswego has a high concentration of wages in these sectors, compared to the County as a whole. Were it not for the strength of these sectors in Lake Oswego, it is unlikely that Clackamas County would show a comparative advantage in these clusters.

Target Industries

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

- **Finance and Insurance.** Lake Oswego currently has a high concentration of employment in finance and insurance. The City's high quality of life, prestige, proximity to Downtown Portland, concentration of employment in finance and insurance, and access to high quality labor may make Lake Oswego firms particularly competitive in this industry.
- **Professional, Scientific, Technical Services and Information.** The availability of highly educated and skilled labor, concentration of existing professional firms, and the high quality of life in Lake Oswego make it attractive to professional service firms and information firms. These types of businesses could include engineering, research, law firms, accounting firms, software development, and other professional services that are attracted to high-quality settings.
- **Real Estate.** Lake Oswego's high quality housing stock and reputation as a desirable commercial location make Lake Oswego attractive to real estate firms. The growth in this industry, however, may be limited because of limited supply of land (and real estate opportunities) in Lake Oswego. The City may continue to attract real estate firms that primarily operate in communities outside of Lake Oswego.
- **Corporate or Regional Headquarters.** The availability of office space on Kruse Way (and other parts of Lake Oswego), quality of life, prestige, proximity to Portland, location along I-5, availability of executive housing, and availability of highly educated workers may make Lake Oswego attractive as a place to locate corporate or regional headquarters.

- **Green Businesses.** There is no clear definition of what constitutes a green industry or business. In general, green businesses are those that produce products or services that improve or maintain environmental quality. Opportunities for environmentally conscious businesses are growing. The type of green businesses that may choose to locate or expand in Lake Oswego includes: training and support firms, research firms, or small scale, light industrial firms with environmentally friendly practices.
- **Health Care.** One of the fastest growing sectors in the national and State economy is Health Care. The aging of the population in Lake Oswego, and the Portland metropolitan region, make Health Care a sector that is likely to grow in Lake Oswego. The types of health care businesses likely to locate or expand in Lake Oswego are medical offices rather than large complexes, given land supply.
- **Services for Residents.** Population growth will drive development of retail and government services in Lake Oswego.
- **Services for Seniors.** The Portland metropolitan region and Lake Oswego's growing population of retirees or people nearing retirement, creates demand for services for seniors, such as medical services or high-amenity senior housing, which may be attracted to Lake Oswego.
- **Government and Public Services.** Lake Oswego will continue to be the location for institutions such as: Lake Oswego City Services, the Lake Oswego School District, and Marylhurst University.
- **Advanced Continuing Education.** Lake Oswego has shown a commitment to lifelong learning opportunities and is strategic located near Marylhurst University, Portland Community College, Oregon Health and Sciences University and Lewis and Clark University.
- **Arts.** Lake Oswego supports and promotes the arts through the Arts Council of Lake Oswego, Lakewood Center for the Arts and annual Festival of the Arts among other opportunities. This is an integral part of the community that contributes to the excellent quality of life, one of the City's competitive advantages.

The draft employment land needs analysis will need to consider any special site requirements from these types of target clusters to ascertain whether the existing land supply and zoning regulations are adequate for retaining and enhancing job growth in these employment sectors.

INVENTORY OF SUITABLE SITES (LAND SUPPLY)

Consistent with the employment land demand forecast, the buildable land inventory (BLI) for the Lake Oswego EOA documents industrial and commercial inventory that currently exists within the Lake Oswego USB.

The BLI includes an analysis of existing vacant and partially vacant (sub-dividable) tax lots by current zoning classification and deducted all significant environmental constraints (wetlands, floodplains, stream corridors and slopes greater than 25%) to estimate buildable land area within the Lake Oswego USB. The buildable land area for each tax lot was derived by analyzing GIS data pertaining to environmental features that would constrain the amount of potential site development on vacant and partially vacant areas. The vacant and part-vacant land inventory includes tax lots or parcels that have at least 10,000 square feet (about 1/4 acre) of buildable land area (net of existing developed buildings and environmental and slope constraints).

The land supply analysis focused on the land use classifications that can accommodate job growth within the USB and does not include zones with no buildable land. As shown in Table 9, Lake Oswego has four commercial, one institutional and one industrial zoning designation that meet these criteria.

Table 9. Lake Oswego Employment Zone Designations

Commercial
East End General Commercial (EC)
General Commercial (GC)
West Lake Grove Office Commercial/Neighborhood Commercial (OC/NC)
Campus Research & Development (CR&D)
Institutional
Campus Institutional (CI)
Industrial
Industrial Park (IP)

Prepared by FCS GROUP.

The vacant and partially vacant land inventory for the Lake Oswego USB includes 12 tax lots with a total buildable land area of 20.11 acres, as indicated in Table 10.

Table 10. Distribution of Vacant and Part Vacant Lands by Land Use Zone Classification, Lake Oswego USB

Zone	Vacant and Part-Vacant Property									
	0.26 to 1 Acre		1 to 3 Acres		3 to 6 Acres		> 6 Acres		Total	
	Lots	Acres	Lots	Acres	Lots	Acres	Lots	Acres	Lots	Acres
Commercial	7	2.98	2	4.63	1	4.67			10	12.3
EC	2	0.57							2	0.6
GC	4	1.89	2	4.63					6	6.5
OC/NC	1	0.52							1	0.5
CR & D					1	4.67			1	4.7
Institutional (CI)							1	6.92	1	6.92
Industrial (IP)	1	0.91							1	0.91
Total	8	3.89	2	4.63	1	4.67	1	6.92	12	20.11

Prepared by FCS GROUP.

Redevelopment Potential

In addition to the vacant and part-vacant BLI development opportunities, the City of Lake Oswego is also anticipating the potential for significant redevelopment to occur within these and other employment zones. This includes employment zones: Industrial (I), General Commercial (GC) Highway Commercial (HC); and mixed-use zones: Office Campus/Townhome Residential (OC/R-2.5); Neighborhood Commercial/Residential High Density (NC/R-0); Office Campus/Residential High Density (OC/R-3); and East End Commercial/Residential High Density (EC/R-0).

Unique Refill and Redevelopment Considerations

- Office vacancy rates end of 2010 were 18.3% in Kruse Way and 12.2% in Lake Oswego/West Linn. Equals 635,000 square feet of vacant space.
 - Vacant buildings could support about 1,500 jobs in Lake Oswego (with no vacant land need).
- Retail has relatively low vacancy rates (4%).
- Industrial had negative absorption during 2010 in Lake Oswego (lost 24,000 SF with 6% vacancy rate).
- There are about 103 acres of mixed-use land area with medium to very high redevelopment potential in Lake Oswego (could accommodate about 1,600 net new jobs).

The analysis of redevelopment opportunities is 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% or less of the land value are considered redevelopable. The results provided in Table 11 indicate that there is a significant amount of redevelopment potential within the Lake Oswego USB. The redevelopment analysis identifies more than 121 acres with economic development potential in the Downtown, Foothills, Kruse Way and Boones Ferry areas.

Table 11. Potential Mixed-Use Redevelopment Parcels with less than 1.5:1 improvement-to-land-value ratio and greater than ¼ Acre, Lake Oswego USB

Zoning	Downtown	Foothills	Kruse Way	Boones Ferry	Subtotal
GC	0.0	0.0	0.0	21.3	21.3
NC/R0	0.0	0.0	0.0	2.3	2.3
OC/R3	0.0	0.0	9.9	2.1	12.0
EC	14.8	0.0	0.0	0.0	14.8
HC	0.0	0.0	29.0	0.0	29.0
CR&D	0.0	0.0	0.0	0.0	0.0
EC/R0	0.0	25.7	0.0	0.0	25.7
I (Foothills area)	0.0	14.6	0.0	0.0	14.6
OC	0.0	0.0	0.0	1.6	1.6
Total	14.8	40.2	38.9	27.3	121.2

Source: Analysis by City of Lake Oswego and FCS GROUP, 2011.

SITE SUITABILITY ANALYSIS (LAND DEMAND)

In the case of Lake Oswego, the city is located within the Metro planning boundary and also needs to maintain consistency between adopted regional plans and requirements. The most recent adopted jobs and population forecast for the Lake Oswego area is from 2005 (Metroscope Generation 2.3) and is now being updated by Metro staff (release date expected December 2011).

Preliminary employment and population forecasts for the Lake Oswego area have also been released as part of the 2009 Metro Urban Growth Report, as reflected in the "High" employment growth forecast. Lake Oswego is in the process of coordinating with Metro to update jobs and population forecasts, which are planned for release by Metro in December 2011. The draft EOA will be updated to reflect this forecast prior to final submittal.

Hence, for planning purposes, four job growth forecast scenarios are assumed and summarized in Table 12:¹⁸

Low Growth Forecast is based on the average annual growth rate (AAGR) from the 2010 census between 2000 and 2010 and assumes that the overall job growth is consistent with population growth in the Lake Oswego USB, with no changes to existing land supply or zoning. In light of recent trends and local objectives, we have assumed no gain/loss in jobs within the government and industrial sectors, and growth to occur in the retail and service sectors.

Medium Growth Forecast utilizes the most current trend and forecast data available from the Oregon Employment Department. Like the low growth forecast, it also is based on the AAGR from the 2010 census between 2000-2010 and assumes that the overall job growth is consistent with population growth in the Lake Oswego USB, with no changes to existing land supply or zoning. In light of recent trends and local objectives, we have assumed no gain/loss in jobs within the government and industrial sectors, and growth to occur in the retail and service sectors. To create this forecast, FCS GROUP adjusted the Lake Oswego USB 2009 employment estimates to year 2010 using current employment statistics for the January to December 2010 time period by job sector based on Oregon Employment Department data for Clackamas County.

Medium-High Growth Forecast assumes future job growth is consistent with the Oregon Employment Department 2008-2018 employment sector forecasts for Region 15 (Clackamas County). Long-term average annual growth rates for employment sectors are based on the most recent 10-year (2008-2018) employment forecast for job sectors in Clackamas County (Region 15), and are extrapolated to year 2035.

High Growth Forecast assumes that the job growth rate is consistent with the 2009 Metro Urban Growth Report (UGR) assumptions (which are still being refined for release in December 2011).

¹⁸ Base year (2010) has been updated to reflect current Oregon Employment Dept. job estimates for Lake Oswego USB (Dec. 2009) adjusted to Dec. 2010 using current monthly employment statistics for Clackamas County.

Table 12. Employment Growth Forecasts, Lake Oswego USB, 2010-2035¹⁹

Low Growth Forecast	2010 Estimate	2035 Projection	Change 2010-2035	Average Annual Change	AAGR*
Employment	20,538	22,546	2,008	57	0.37%
<i>Retail</i>	1,551	1,760	209	6	0.51%
<i>Commercial/Services</i>	13,382	15,181	1,799	51	0.51%
<i>Industrial</i>	2,834	2,834	-----	-----	0%
<i>Government/Education</i>	2,771	2,771	-----	-----	0%
Medium Growth Forecast	2010 Estimate	2035 Projection	Change 2010-2035	Average Annual Change	AAGR*
Employment	20,538	24,354	3,815	109	0.68%
<i>Retail</i>	1,551	1,948	396	11	0.91%
<i>Commercial/Services</i>	13,382	16,801	3,419	98	0.91%
<i>Industrial</i>	2,834	2,834	-----	-----	0%
<i>Government/Education</i>	2,771	2,771	-----	-----	0%
Medium-High Growth Forecast	2010 Estimate	2035 Projection	Change 2010-2035	Average Annual Change	AAGR*
Employment	20,538	25,398	4,859	194	0.85%
<i>Retail</i>	1,551	2,142	590	24	1.30%
<i>Commercial/Services</i>	13,382	17,297	3,915	157	1.03%
<i>Industrial</i>	2,834	2,492	(142)	(14)	-0.51%
<i>Government/Education</i>	2,771	3,468	697	28	0.90%
High Growth Forecast	2010 Estimate	2035 Projection	Change 2010-2035	Average Annual Change	AAGR*
Employment	20,538	34,280	13,741	550	2.07%
<i>Retail</i>	1,551	2,691	1,140	46	2.23%
<i>Commercial/Services</i>	13,382	23,001	9,619	385	2.19%
<i>Industrial</i>	2,834	4,251	1,417	57	1.63%
<i>Government/Education</i>	2,771	4,336	1,565	63	1.81%

*AAGR = average annual growth rate

Note: a portion of the total net new job growth shown in Table 12 can and will occur within vacant buildings, including Kruse Way Corridor and locations, and a portion will need to be accommodated on vacant lands and through redevelopment opportunities.

Prepared by FCS GROUP.

Once the annual average job growth rates and job forecasts were created, a series of assumptions were used to allocate: jobs to building types; building types to square feet of floor area; and building floor area to redevelopment or vacant lands by general zone classification. The following key assumptions are generally consistent with the Metro Urban Growth Report (UGR) and local experience.

The methodology used to translate the employment growth forecast into the vacant land needs forecasts involved a series of assumptions to allocate jobs to building types, and assumptions to allocate building types into redevelopment and new construction floor area requirements; and then building types into general land use classifications (see Appendix A). The assumptions for

¹⁹ In October 2012, the Lake Oswego City Council accepted the 2035 forecasts contained in the table on page 4 of this report. The City's forecast reflects the Medium-High forecast from Table 12, which most closely aligns with Metro-adopted forecast for Lake Oswego of 5,291 new jobs between 2010 and 2035.

translating job forecasts into building and land needs were derived by FCS GROUP and City of Lake Oswego Long Range Planning staff based on local observations; with assumptions that are generally consistent with the methodology utilized by Metro in the Draft 2009-2030 UGR. See Appendix B for more information.

As shown in **Table 13**, the long-term analysis of vacant land need for employment growth within the Lake Oswego USB by year 2035 identifies a range in employment land needs from 14 acres (low) to 23 acres (medium) to 56 acres (medium-high) and up to 141 acres (high).

Table 13. Vacant Employment Land Demand Forecast, Lake Oswego USB, 2010 to 2035 (gross buildable acres)

Land Use Classification	Vacant Land Demand			
	Low	Medium	Med-High	High
Commercial and Mixed Use	10	20	40	95
Institutional	1	1	9	21
Industrial	1	2	0	24
Total Vacant Land Demand	14	23	56	141

Source: compiled by FCS GROUP.

ASSESSMENT OF EMPLOYMENT LAND NEEDS

A range of land need forecasts were prepared for consideration, including: low, medium, medium-high and high land needs scenarios.

Table 14 summarizes Lake Oswego's land supply and demand for each employment growth forecast. The Economic Opportunities Analysis requirements focus on an assessment of vacant employment land, however due to Lake Oswego's limited supply of vacant employment land, this report also assesses the potential to add jobs through redevelopment and through filling vacant office space.

The results in Table 14 show that with the exception of Institutional demand in the medium-high employment forecast, Lake Oswego's supply of vacant and redevelopable land along with vacant office space, could provide the capacity for over 4,000 new jobs under the medium-high job growth forecast. The limited *vacant* land supply can most easily accommodate the low growth forecast without more focused economic strategies to support job growth. While commercial and mixed-use land demand can only be met by vacant land in the low scenario, the redevelopable land supply provides sufficient capacity to meet commercial/mixed-use demand in all but the high growth forecast. For institutional uses, the vacant land supply can accommodate the low and medium demand forecasts, while an additional 2.1 to 14.1 acres of land would be needed for the medium-high and high forecasts. For industrial uses, the low to flat demand in all but the high scenario, combined with over 30 acres of redevelopment potential in the southwest Industrial Park zone, results in a surplus of industrial land for the low, medium and medium-high employment forecasts.

Short-Term Land Supply and Need Determination

In addition to the long-term land supply, OAR 660-009-0005 also requires the identification of a short-term supply of land meaning "suitable land that is ready for construction within one year of an application of a building permit or request for a service extension." OAR 660-009-0025 also requires that cities must provide "*at least 25 percent of the total land supply within the urban growth boundary designated for industrial and other employment uses as short-term supply.*"

In Lake Oswego's case all of the vacant employment land supply currently included within the Lake Oswego 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.

Table 14. Employment Vacant Land Needs and Vacant Land Supply, Lake Oswego USB, 2010 to 2035 (gross buildable acres)

	Vacant & Redevelopment Potential Land Acreage			
	Low Growth Scenario	Medium Growth Scenario	Med-High Growth Scenario	High Growth Scenario
Commercial & Mixed-Use				
Land Supply – <i>Vacant</i>	12.3	12.3	12.3	12.3
Land Supply – <i>Redevelopment</i>	106.7	106.7	106.7	106.7
Land Supply Subtotal	119.0	119.0	119.0	119.0
Vacant Land Demand	10.0	20.0	40.0	95.0
Redevelopment Land Demand ¹	8.7	21.8	49.4	91.7
Land Demand Subtotal	18.7	41.8	89.4	186.7
Overall Land Surplus / (Deficit)	100.3	77.2	29.6	(67.7)
Institutional				
Land Supply – <i>Vacant</i>	6.9	6.9	6.9	6.9
Land Supply – <i>Redevelopment</i>	n/a	n/a	n/a	n/a
Land Supply Subtotal	6.9	6.9	6.9	6.9
Vacant Land Demand	1.0	1.0	9.0	21.0
Redevelopment Land Demand ²	0.5	1.0	16.7	37.6
Land Demand Subtotal	1.5	2.0	25.7	58.6
Overall Land Surplus / (Deficit)	5.4	4.9	(18.8)	(51.7)
Industrial				
Land Supply – <i>Vacant</i>	1.0	1.0	1.0	1.0
Land Supply – <i>Redevelopment</i>	37.5	37.5	37.5	37.5
Land Supply Subtotal	38.5	38.5	38.5	38.5
Vacant Land Demand	1.0	2.0	-	24.0
Redevelopment Land Demand ³	-	-	-	46.4
Land Demand Subtotal	1.0	2.0	-	70.4
Overall Land Surplus / (Deficit)	37.5	36.5	38.5	(31.9)

Note: Redevelopment assumptions assume portion of job growth is addressed through building refill/vacancy absorption as noted in Appendix C.

IMPLEMENTATION

Vacant Land Supply/Redevelopment

According to the City's BLI, Lake Oswego has a limited supply of vacant land area inside the USB of approximately 20 acres, seven of which are at Marylhurst/Mary's Woods. Therefore, the City must rely on its redevelopment capacity, and optimize of the remaining vacant land inventory to retain and attract business investment and employment opportunities.

Possible Strategies for Policy Consideration

1. Identify areas for increased, redeveloped employment densities.
2. Strengthen the City's redevelopment program; identify redevelopment tools, strategies and priorities.
3. 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 and/or increasing public transportation use

Commitment to Provide a Short-Term Land Supply

Cities must provide a competitive short-term supply of land. Short-term is defined as developable within one year. Cities must also include detailed strategies for preparing the total land supply for development and replacing the short-term supply of land as it is developed. The policies should identify a process for regular review of the short-term supply of employment land.

Possible Strategies

Monitor and update the Buildable Lands Inventory to assess annually the adequacy of short and long-term supplies of buildable employment land.

Commitment to Provide Adequate Sites and Facilities

Cities must include policies to designate an adequate number of sites of suitable sizes, types and locations for their employment need. Cities also must have policies that provide necessary public facilities and transportation facilities through public facilities and transportation system planning.

Possible Strategy

Address the public facility needs of business and economic development through identifying and programming needed public facilities and services. Update public facility plans according to the economic development vision, objectives and strategies.

Discuss and resolve the desired balance between industrial and employment land.

Other Considerations

Small Businesses

Home occupations are an important form of land use efficiency in Lake Oswego. Home occupations offer employment land use efficiency because they are typically located in existing dwellings and do not require additional land or built space.

Possible Strategy

Emphasize policies that encourage or support home-based employment for sole practitioners while balancing neighborhood quality of life. Provide more opportunities by adding greater flexibility with home occupations.

Appendix A. Assumptions for Vacant Land Needs Forecast

Assumptions for Allocating Employment Sectors to Building Types

Employment Sectors	Building Types						
	Office	Institutional	Flex/Bus. Park	General Industrial	Warehouse	Retail	Total
Retail	5%	1%	5%	0%	0%	89%	100%
Services	72%	1%	5%	0%	0%	22%	100%
Industrial	0%	0%	67%	31%	2%	0%	100%
Government/Education	30%	60%	5%	0%	0%	5%	100%

Source: Metro Draft 2009-2030 Urban Growth Report; modified to reflect local observations.

Assumptions for Allocating Building Types to Land Needs*

	Office	Government/Institutional	Flex/Bus. Park	General Industrial	Warehouse	Retail
Vacant Building/Redevelopment Job Allocation ¹	70%	20%	70%	70%	70%	50%
Vacant Land Allocation ²	30%	80%	30%	30%	30%	50%
Building SF Per Job ²	250	600	550	700	1,100	500
Floor-Area-Ratio ²	0.50	0.35	0.35	0.30	0.30	0.30
Public Facility Net:Gross Adjustment ³	1.10	1.05	1.10	1.05	1.05	1.10
Work at Home Adjustment ⁴	0.15	0.05	0.05	0.05	0.03	0.05

* Assumptions are intended to reflect a long-term average.

1. Adjusts for building refill & vacancy allowances.

2. Building density assumptions for building types are generally consistent with the 2009 Metro Draft 2009-2030 Urban Growth Report development forecast methodology/ assumptions.

3. Allowances take into account land dedicated to public/utility easements.

4. Allowance based on local business license data; and is generally consistent with national statistics by US Dept. of Labor, Bureau of of Labor Statistics, Technical information: "Work at Home in 2004".

Source: assumptions are generally consistent with the Metro Draft 2009-2030 Urban Growth Report; modified to reflect local observations.

Potential Employment Growth Forecasts and Required Building Floor Area, Lake Oswego USB, 2010 to 2035

Potential Demand for Vacant Buildings/Redevelopment (floor area in Sq.Ft.)

	Low	Medium	Med-High	High
Office	133,000	253,000	437,000	1,064,000
Institutional	2,000	3,000	51,000	115,000
Flex/Business Park	25,000	48,000	11,000	550,000
General Industrial	-----	-----	(47,000)	196,000
Warehouse	-----	-----	(5,000)	20,000
Retail	95,000	180,000	324,000	-----
Total	255,000	484,000	771,000	1,945,000

Potential Demand for Development on Vacant Lands (floor area in Sq.Ft.)

	Low	Medium	Med-High	High
Office	57,000	108,000	187,000	456,000
Institutional	6,000	12,000	203,000	458,000
Flex/Business Park	11,000	21,000	5,000	236,000
General Industrial	-----	-----	(20,000)	84,000
Warehouse	-----	-----	(2,000)	9,000
Retail	95,000	180,000	324,000	732,000
Total	169,000	321,000	697,000	1,975,000

Total Potential Building Floor Area Demand (floor area in Sq.Ft.)

	Low	Medium	Med-High	High
Office	190,000	361,000	624,000	1,520,000
Institutional	8,000	15,000	254,000	573,000
Flex/Business Park	36,000	69,000	16,000	786,000
General Industrial	-----	-----	(67,000)	280,000
Warehouse	-----	-----	(7,000)	29,000
Retail	190,000	360,000	648,000	732,000
Total	424,000	805,000	1,468,000	3,920,000

Source: compiled by FCS GROUP, 2011.

Building to Land Use Assignment Assumptions

Local Zoning Classification	Office	Institutional	Flex/Bus. Park	General Industrial	Warehouse	Retail
Commercial	60%	30%	10%	10%	0%	65%
Mixed Use	30%	10%	5%	5%	0%	30%
Institutional	10%	60%	0%	0%	10%	0%
Industrial	0%	0%	85%	85%	90%	5%
Total	100%	100%	100%	100%	100%	100%

Assumptions by FCS GROUP and City of Lake Oswego planning staff based on local observations.

Appendix B. Redevelopment Allocations and Land Needs by Forecast

Redevelopment Forecast, Low Growth Scenario, Lake Oswego USB, 2010-2035

Building Type	Net New Demand for Building Floor Area (Sq.Ft.) ¹	Potential Absorption in Existing Vacant Buildings (%) ²	Potential Absorption in Existing Vacant Buildings (SF)	Potential Absorption for New Redevelopment (SF)	Building Sq.Ft. Per Job ³	Most Likely Job Growth	Avg. Building Floor-Area-Ratio ³	Redevelopment Land Need (acres)
Office	190,000	100%	190,000	-	250	760	0.50	-
Institutional	8,000	50%	4,000	4,000	600	13	0.35	1
Flex/Business Park	36,000	100%	36,000	-	550	65	0.35	-
General Industrial	-	-	-	-	700	-	-	-
Warehouse	-	-	-	-	1,100	-	-	-
Retail	190,000	40%	76,000	114,000	500	380	0.30	9
Total	424,000		306,000	118,000		1,219		9

Redevelopment Forecast, Medium Growth Scenario, Lake Oswego USB, 2010-2035

Building Type	Net New Demand for Building Floor Area (Sq.Ft.) ¹	Potential Absorption in Existing Vacant Buildings (%) ²	Potential Absorption in Existing Vacant Buildings (SF)	Potential Absorption for New Redevelopment (SF)	Building Sq.Ft. Per Job ³	Most Likely Job Growth	Avg. Building Floor-Area-Ratio ³	Redevelopment Land Need (acres)
Office	361,000	100%	361,000	-	250	1,444	0.50	-
Institutional	15,000	50%	7,500	7,500	600	25	0.35	1
Flex/Business Park	69,000	100%	69,000	-	550	125	0.35	-
General Industrial	-	-	-	-	700	-	-	-
Warehouse	-	-	-	-	1,100	-	-	-
Retail	360,000	21%	75,600	284,400	500	720	0.30	22
Total	805,000		513,100	291,900		2,314		23

Redevelopment Forecast, Medium-High Growth Scenario, Lake Oswego USB, 2010-2035

Building Type	Net New Demand for Building Floor Area (Sq.Ft.)¹	Potential Absorption in Existing Vacant Buildings (%)²	Potential Absorption in Existing Vacant Buildings (SF)	Potential Absorption for New Redevelopment (SF)	Building Sq.Ft. Per Job³	Most Likely Job Growth	Avg. Building Floor-Area-Ratio³	Redevelopment Land Need (acres)
Office	624,000	80%	499,200	124,800	250	2,496	0.50	6
Institutional	254,000	10%	25,400	228,600	600	423	0.35	17
Flex/Business Park	16,000	100%	16,000	-	550	29	0.35	-
General Industrial	(67,000)	-	-	(67,000)	700	(96)	-	-
Warehouse	(7,000)	-	-	(7,000)	1,100	(6)	-	-
Retail	648,000	12%	77,760	570,240	500	1,296	0.30	44
Total	1,468,000		618,360	849,640		4,142		66

Redevelopment Forecast, High Growth Scenario, Lake Oswego USB, 2010-2035

Building Type	Net New Demand for Building Floor Area (Sq.Ft.)¹	Potential Absorption in Existing Vacant Buildings (%)²	Potential Absorption in Existing Vacant Buildings (SF)	Potential Absorption for New Redevelopment (SF)	Building Sq.Ft. Per Job³	Most Likely Job Growth	Avg. Building Floor-Area-Ratio³	Redevelopment Land Need (acres)
Office	1,520,000	40%	608,000	912,000	250	6,080	0.50	42
Institutional	573,000	5%	28,650	544,350	600	955	0.35	38
Flex/Business Park	786,000	10%	78,600	707,400	550	1,429	0.35	46
General Industrial	280,000	-	-	280,000	700	400	-	-
Warehouse	29,000	-	-	29,000	1,100	26	-	-
Retail	732,000	11%	80,520	651,480	500	1,464	0.30	50
Total	3,920,000		795,770	3,124,230		10,354		176

Appendix C. Vacant Building Absorption Assumptions

	Vacant Building Absorption Assumption (building floor area in sq. ft.)			
	Low Growth Scenario	Medium Growth Scenario	Med-High Growth Scenario	High Growth Scenario
1. Commercial & Mixed-Use (floor area sq.ft.)	266,000	436,600	576,960	688,520
2. Institutional (floor area sq. ft.)	4,000	7,500	25,400	28,650
3. Industrial (floor area sq. ft.)	36,000	69,000	16,000	78,600

Appendix D. Stakeholder Interview Summary

ECONorthwest conducted interviews with five stakeholders in Lake Oswego. The stakeholders were identified by City staff and included the following people:

1. Matt Coles with Shorenstein Properties
2. Jerry Wheeler with the Lake Oswego Chamber of Commerce
3. Steve Dodds with Norris, Beggs & Simpson
4. Robert LeFeber with Commercial Realty Advisors, Northwest LLC
5. Barry Cain and Matt Grady with Gramor Development

We asked the stakeholders what the opportunities and barriers to economic development in Lake Oswego are. This appendix presents the themes from the interviews.

Opportunities for economic development in Lake Oswego

Interviewees identified the following opportunities to doing business in Lake Oswego:

1. **High amenity.** The amenities in Lake Oswego provide opportunities for business. The amenities attract high-quality workers to the City and make the City attractive to businesses that want to locate in a high amenity area. The amenities most frequently mentioned were: high-end housing, parks, high environmental quality, the Lake, restaurants, and retail.
2. **Demographics.** Lake Oswego's demographics are an opportunity, especially for retail businesses. The demographics identified were: the concentration of high income households, the aging population, family households, and high educational attainment. The types of businesses that might be attracted to Lake Oswego because of the City's demographics include services for the aging population (e.g., medical services) or high-end retail.
3. **Transportation access.** The City's location along I-5, access to I-205, and access to Highway 43 are an opportunity for businesses in Lake Oswego. The City's automotive access provides easy access to the rest of the Portland metropolitan region. If the streetcar is extended to Lake Oswego, that would provide earlier non-automotive access to Portland.
4. **Location.** Lake Oswego's proximity to Portland and location near other communities in the area is an opportunity, especially for businesses that prefer to locate near Portland or other nearby businesses.
5. **Small businesses.** The greatest opportunity for business development in Lake Oswego is for small businesses (those with 50 or fewer employees). Lake Oswego provides opportunities for entrepreneurs, as well as high-paying services (e.g., attorneys, engineering firms, or accounting firms).
6. **Home occupations.** Lake Oswego is attractive to people that want to live and work at home, in a high amenity area. The City may have opportunity for reducing employment land needs and providing opportunities for economic development through home occupations and home offices.
7. **Retail development.** Lake Oswego has opportunities for retail development, such as boutique retail and retail for residents in Downtown. Other areas of Lake Oswego

provide opportunities for retail development, such as village development in Lake Grove or high-end retail and services (e.g., a spa or financial institutions) in Lake View Village.

8. **Office development.** Kruse Way and Meadow Road provide opportunities for office development and location of businesses that want a prestigious location, such as regional or corporate headquarters. Building vacancies provide opportunities for attracting new businesses to Lake Oswego.
9. **Downtown.** Lake Oswego's downtown provides small, infill or redevelopment opportunities, as well as mixed-use opportunities with retail on the ground floor and commercial uses on the upper floors.
10. **City government.** The City government has opportunities to improve the business climate in Lake Oswego. Suggestions included: doing more to coordinate and promote economic development (e.g., assist with parcel assembly to make larger redevelopment project possible); modifying the planning process to make it easier and faster; modifying the zoning code to allow more flexibility with building design, building height (to allow five story buildings), and allow more flexibility with parking requirements. Several interviewees acknowledged that the City has made progress in making the development process easier but they felt it could be further improved.
11. **Infill and redevelopment.** The opportunities for employment growth in Lake Oswego are primarily through increasing densities through infill and redevelopment. There is little vacant land available for development but there is demand for commercial and retail growth in Lake Oswego.
12. **Potential UGB expansion.** If Metro expands the UGB and Lake Oswego expands into the Stafford basin, this would provide opportunities for light industrial and flexible commercial space. Additional land for employment uses would increase economic activity in Lake Oswego. Most interviewees said that they do not expect the City to expand into the Stafford basin in the foreseeable future.
13. **Urban renewal.** The urban renewal district in Downtown has made funding infrastructure improvements possible. Some interviewees suggested that the City should expand the urban renewal district to other areas that need improvements, such as the Foothills area.

Barriers to economic development in Lake Oswego

Interviewees identified the following barriers to doing business in Lake Oswego:

1. **Land.** The availability of land in Lake Oswego was the most commonly mentioned barrier to economic development. The barriers included: availability of vacant land, availability of sites over a few acres, and cost of land. The lack of light industrial land with highway access or flex space is a problem because the City has so little industrial land.
2. **Infill and redevelopment.** Infill and redevelopment, especially of sites larger than an acre, is difficult. This is especially true in Downtown, where parcel assembly of sites is very difficult because of the highly fragmented pattern of ownership. In addition, the City's policies make it difficult to change existing uses through rezoning.
3. **Parking.** High land costs make providing parking costly, especially for structured or underground parking. The need for parking, both because of the lack of transportation alternatives and City policies, make it difficult to increase densities in areas with office

buildings. In addition, the lack of parking in Downtown makes retail uses more difficult, especially for small retailers that cannot afford to build parking structures. The City could address this issue by building public parking structures.

4. **Providing infrastructure.** The cost of providing new infrastructure and funding maintenance of existing infrastructure is a barrier to economic development. The lack of needed infrastructure or maintenance is a barrier to economic development.
5. **Downtown.** The distance from Downtown to I-5 and the capacity of Highway 43 and local roads are a barrier to development in Downtown. The distance from I-5 will prevent Downtown from providing regional retail or services. In addition, increasing densities in Downtown substantially may create capacity issues on the street system, especially if people come from outside of Lake Oswego for retail and services.
6. **Affordable housing.** The lack of affordable housing, especially workforce housing, is a barrier to businesses with lower paid employees. These employees generally cannot afford to live in Lake Oswego and must commute from other communities.
7. **Community attitudes.** Community attitudes about development are a barrier to development, especially development near established neighborhoods. In addition, community concerns about development often make the development process slower.
8. **City government.** The complexity and speed of the planning process is a barrier to economic development. Interviewees identified the following barriers to economic development in City policies:
 - The City's design review process is inflexible and difficult.
 - The City's sign regulations are highly restrictive and do not allow retail businesses enough latitude to advertise their business.
 - The City's zoning ordinance prevents increases in density in some instances, with height limitations and parking requirements. The high cost of land combined with zoning restrictions may make some projects unviable, including some that the City might find desirable. For example, developers cannot build over four stories tall and must provide a certain amount of parking. The cost of the land, parking, and construction may make the project financially unviable. The same project might be financially viable if the building could be one or two stories tall.