

To: Joe Dills, AICP, Angelo Planning Group
Date: October 31, 2018
From: Todd Chase and Tim Wood, FCS GROUP
CC: Project #2874
RE Housing and Employment Land Needs Methodology Overview (Tasks 1.3f & 1.3-g)

INTRODUCTION

The City of Happy Valley intends to amend its Comprehensive Land Use Plan per Oregon Department of Land Conservation and Development (DLCD) and Metro Functional Plan requirements. This memorandum describes the approach that will be used to prepare the housing and employment land needs analyses for the Pleasant Valley/North Carver (PV/NC) Comprehensive Plan.

HOUSING LAND NEEDS FRAMEWORK

As part of the Comprehensive Plan amendment, the PV/NC Plan housing element must address the requirements of Goal 10 (OAR 660-008), and its implementing/guiding measure: Division 7 Metropolitan Housing Rule (OAR 660-007).

In short, the Metropolitan Housing Rule (MHR) requires that Happy Valley adopt local Comprehensive Land Use Plan amendments that *provide the opportunity* for meeting the minimum density and dwelling mix, tenure and affordability considerations (see complete MHR summary in **Appendix A**). According to the MHR, new residential construction in the City of Happy Valley is to consist of at least 50 percent attached single family housing or multifamily housing; and the City must provide “clear and objective” zoning and development code standards that provide an overall density of *six or more* dwelling units per net buildable acre.

The ability to provide clear and objective zoning standards in a manner that establishes a minimum density and expected dwelling mix requirement is to be addressed in the findings, along with housing affordability findings. While this work effort is not intended to be a full citywide Housing Needs Analysis (HNA) per Goal 10 requirements, the results and findings are intended to feed into a citywide HNA at some point in the future.

Housing Land Needs Methodology

The following approach is recommended to address state and Metro requirements for the housing needs analysis:

Housing Need Analysis

1. Review past five years (2012 to 2017) of housing permit activity within the City of Happy Valley for new construction by zoning type, number of units allowed, buildable acres and location (City data provided to FCS GROUP on 7/25/18).

2. Identify existing (2015) and forecast (2040) number of households within the PV/NC Plan area using Metro estimates by traffic analysis zone (TAZ).¹ Note, some TAZs will include areas that are inside and outside of the plan area, so this input will be considered as a general guideline for forecasting growth.
3. Review other relevant planning policy documents to ascertain growth expectations for the City of Happy Valley and the plan area, including but not limited to: City of Happy Valley Transportation System Plan, adopted 2017; and, East Happy Valley Comprehensive Plan, adopted 2009.
4. Compile current socioeconomic, demographic and housing trend analyses for the City of Happy Valley (primary market area) using available data obtained from the U.S. Census, American Community Survey, and interviews with local residential brokers and/or developers. These data will depict population, average household size, housing vacancy rates, tenancy (own vs. rent), housing mix (single family detached, attached/townhouse, multifamily), income levels, housing sales price, rent levels, and affordability characteristics.
5. Utilize steps 1-4 to prepare a range (low to high) net new housing growth and housing mix forecast for the plan area by dwelling unit type for the 2015-2040 timeframe.
6. Apply Metropolitan Housing Rule (MHR) density, mix & affordability requirements. The methodology for determining housing affordability will include the following steps:
 1. Determine housing attainability income levels and corresponding home value and monthly rent levels using U.S. Housing and Urban Development Median Household Income (MHI) thresholds for Clackamas County, showing attainable monthly housing costs at: 60 percent, 80 percent, 100 percent and 120 percent of MHI level with 30 percent of MHI dedicated to housing rent or mortgage.² Home ownership analysis will assume 20 percent down-payment and conventional 30-year mortgage at prevailing interest rates.
 2. Establish range in plan area housing price/rent level by housing type based on current market findings.

¹ Metro Source: *2015-2040 Distributed Forecast (Scenario #1610)*. Oregon Metro Research Center. Metro Region Data Adopted 2016 by Metro Ordinance 16-1371. Clark County Data Provided by Regional Transportation Commission. The 2015 and 2040 household allocations have been reviewed by local jurisdictions and adopted by the Metro Council in 2016.

Model Vintage: Scenario 1610, William 2 forecast, file created 07/21/2017

² Current HUD guidelines are provided at: [link](#)

3. Draft recommend housing types (mix and density) level for the plan area that optimizes housing affordability.

Buildable Land Inventory Analysis

7. Buildable Land Inventory (BLI) Analysis: Calculate gross buildable land inventory (BLI) of vacant and part-vacant residential-zoned land within the plan area (draft BLI was completed by APG).

Reconciliation of BLI and Housing Demand

8. Apply housing density assumptions to the BLI comprehensive plan designations to determine expected level of dwelling capacity within the plan area. Consider MHR density and mix requirements, and potential mixed-use development opportunity areas.
9. Evaluate the land use zoning designations and local “policy actions” that provide required level of net new dwelling units at attainable price points over the next 20 years.
10. Working with the PV/NC consultant planning team, city staff, and stakeholders, we will assist in refining the locally preferred growth forecast along with the recommended land use zoning and policy actions that will align with housing needs as part of Task 4.

EMPLOYMENT LAND NEEDS FRAMEWORK

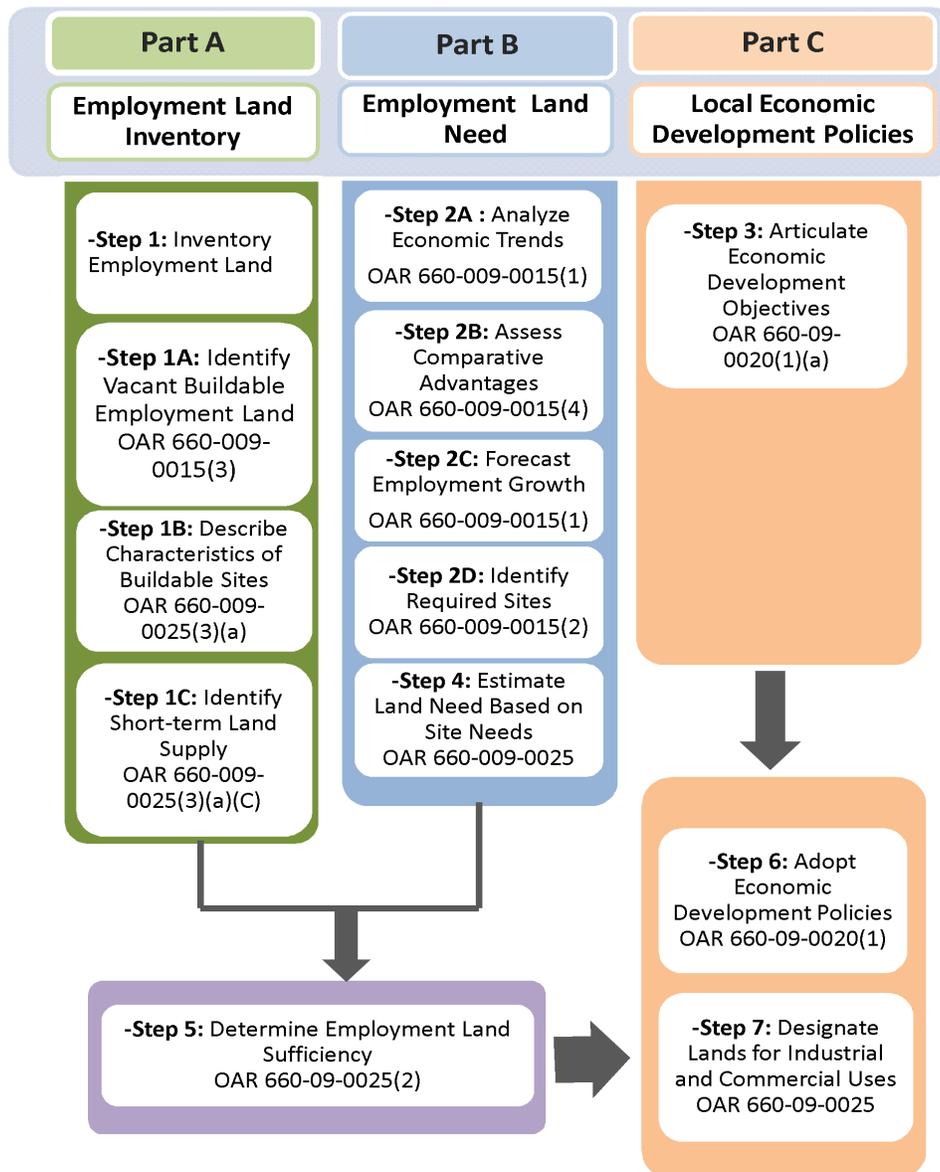
As part of the PV/NC Comprehensive Plan, the City must address the requirements of Goal 9 (Economic Development, OAR 660-009), and the requirements of Title 4 (Industrial and Other Employment Areas) of the Metro Urban Growth Management Functional Plan. Goal 9 and the PV/NC planning process will require the City to periodically review and update the following per OAR 660-009 (1) - (5):

- Local vision for strengthening local economies through the adoption of local economic policies that include community economic development objectives (CEDOs);
- Local urban growth requirements (land needs) for providing an adequate land needed to accommodate 20-year employment growth forecasts. Land needs are to be based upon:
 - Current analysis of vacant and part-vacant buildable lands that are zoned or planned to accommodate job growth; and
 - Forecasted land needs based on an Economic Opportunities Analysis that considers global, national and local trends, and is generally consistent with regional growth forecasts or coordinated population growth forecasts.

Employment Land Needs Methodology

The technical approach recommended for the PV/NC Plan employment land needs element is intended to build upon the findings contained in the Happy Valley Economic Opportunities Analysis (EOA) adopted in 2009. The Happy Valley EOA applied a methodology using the steps illustrated in **Figure 1**. The approach shown in Figure 1 has been deemed to be consistent with the state requirements, as well as other guidance provided per DLCDC and Metro staff.

Figure 1. Employment Land Needs Work Flow



The recommended approach for the employment land needs analysis includes the following steps:

Demand Analysis

1. Meet with city staff to identify potential non-residential development projects in the “pipeline” and known “land banking” issues associated with major property owners, such as local school districts within the plan area.
2. Identify existing (2015) and forecast (2040) number of jobs (employment by place of work) within the plan area using Metro estimates by TAZ.

3. Compile current office, industrial and retail market data to ascertain growth trends for the East Happy Valley area, Highway 212 Corridor, and Gresham area. Market data would indicate vacant land availability, building vacancy rates, absorption levels and lease rates for office, retail and industrial sectors.
4. Compile a retail development opportunity analysis based on current and projected retail spending patterns for the East Happy Valley and PV/NC Plan areas.
5. Utilize steps 1-4 to prepare a range (low to high) market capture rates and net new job growth forecast for the plan area by general building type (office, retail, general industrial, flex) for the 2015-2040 timeframe.

BLI Analysis

6. Buildable Land Inventory Analysis: Calculate gross buildable land inventory (BLI) of vacant and part-vacant non-residential (employment) zoned land within the plan area. Include special analysis of industrial areas assuming 10% slope constraint layer. (Draft BLI was completed by APG).

Reconciliation of BLI and Employment Land Demand

7. Apply job density assumptions that are consistent with the Metro 2015 Urban Growth Report to the BLI comprehensive plan designations to determine expected level of job capacity within the plan area.
8. Recommend general land use zoning designations, and land areas associated with the designations, that would be consistent with the market demand capture rates for the plan area and note draft amendments needed for the Happy Valley EOA to provide adequate employment land needs over the next 20 years as part of Task 4.
9. Obtain input from the consultant planning team, city staff, and stakeholders to refine and select locally preferred growth forecast and recommended land use zoning and other EOA amendments that would be reflected by Part C of Figure 1.

Please contact Todd Chase or Tim Wood with any questions or comments on this methodology and approach.

ATTACHMENT A

LAND CONSERVATION AND DEVELOPMENT DEPARTMENT DIVISION 7 METROPOLITAN HOUSING

660-007-0000

Statement of Purpose

The purpose of this rule is to assure opportunity for the provision of adequate numbers of needed housing units and the efficient use of land within the Metropolitan Portland (Metro) urban growth boundary, to provide greater certainty in the development process and so to reduce housing costs. OAR 660-007-0030 through 660-007-0037 are intended to establish by rule regional residential density and mix standards to measure Goal 10 Housing compliance for cities and counties within the Metro urban growth boundary, and to ensure the efficient use of residential land within the regional UGB consistent with Goal 14 Urbanization. OAR 660-007-0035 implements the Commission's determination in the Metro UGB acknowledgment proceedings that region wide, planned residential densities must be considerably in excess of the residential density assumed in Metro's "UGB Findings". The new construction density and mix standards and the criteria for varying from them in this rule take into consideration and also satisfy the price range and rent level criteria for needed housing as set forth in ORS 197.303.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCD 10-1981, f. & ef. 12-11-81; LCDC 1-1987, f. & ef. 2-18-87

660-007-0005

Definitions

For the purposes of this rule, the definitions in ORS 197.015, 197.295, and 197.303 shall apply. In addition, the following definitions apply:

- (1) A "Net Buildable Acre" consists of 43,560 square feet of residentially designated buildable land, after excluding present and future rights-of-way, restricted hazard areas, public open spaces and restricted resource protection areas.
- (2) "Attached Single Family Housing" means common-wall dwellings or rowhouses where each dwelling unit occupies a separate lot.
- (3) "Buildable Land" means residentially designated land within the Metro urban growth boundary, including both vacant and developed land likely to be redeveloped, that is suitable, available and necessary for residential uses. Publicly owned land is generally not considered available for residential uses. Land is generally considered "suitable and available" unless it:
 - (a) Is severely constrained by natural hazards as determined under Statewide Planning Goal 7;
 - (b) Is subject to natural resource protection measures determined under statewide Planning Goals 5 or 15;
 - (c) Has slopes of 25 percent or greater;
 - (d) Is within the 100-year flood plain; or
 - (e) Cannot be provided with public facilities.
- (4) "Detached Single Family Housing" means a housing unit that is free standing and separate from other housing units.
- (5) "Housing Needs Projection" refers to a local determination, justified in the plan, as to the housing types and densities that will be:

- (a) Commensurate with the financial capabilities of present and future area residents of all income levels during the planning period;
 - (b) Consistent with OAR 660-007-0010 through 660-007-0037 and any other adopted regional housing standards; and
 - (c) Consistent with Goal 14 requirements for the efficient provision of public facilities and services, and efficiency of land use.
- (6) "Multiple Family Housing" means attached housing where each dwelling unit is not located on a separate lot.
- (7) "Redevelopable Land" means land zoned for residential use on which development has already occurred but on which, due to present or expected market forces, there exists the likelihood that existing development will be converted to more intensive residential uses during the planning period.
- Stat. Auth.: ORS 197.040
Stats. Implemented: ORS 197.295 - 197.314 & 197.475 - 197.490
Hist.: LCD 10-1981, f. & ef. 12-11-81; LCDC 1-1987, f. & ef. 2-18-87; LCDC 3-1990, f. & cert. ef. 6-6-90; LCDD 3-2008, f. & cert. ef. 4-18-08

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.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCD 10-1981, f. & ef. 12-11-81

660-007-0018

Specific Plan Designations Required

(1) Plan designations that allow or require residential uses shall be assigned to all buildable land. Such designations may allow nonresidential uses as well as residential uses. Such designations may be considered to be "residential plan designations" for the purposes of this division. The plan designations assigned to buildable land shall be specific so as to accommodate the varying housing types and densities identified in OAR 660-007-0030 through 660-007-0037.

(2) A local government may defer the assignment of specific residential plan designations only when the following conditions have been met:

- (a) Uncertainties concerning the funding, location and timing of public facilities have been identified in the local comprehensive plan;
- (b) The decision not to assign specific residential plan designations is specifically related to identified public facilities constraints and is so justified in the plan; and
- (c) The plan includes a time-specific strategy for resolution of identified public facilities uncertainties and a policy commitment to assign specific residential plan designations when identified public facilities uncertainties are resolved.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCDC 1-1987, f. & ef. 2-18-87; LCDD 4-1999, f. & cert. ef. 7-2-99

660-007-0020

The Rezoning Process

A local government may defer rezoning of land within the urban growth boundary to maximum planned residential density provided that the process for future rezoning is reasonably justified:

(1) The plan must contain a justification for the rezoning process and policies which explain how this process will be used to provide for needed housing.

(2) Standards and procedures governing the process for future rezoning shall be based on the rezoning justification and policy statement, and must be clear and objective.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCD 10-1981, f. & ef. 12-11-81

660-007-0022

Restrictions on Housing Tenure

Any local government that restricts the construction of either rental or owner occupied housing on or after its first periodic review shall either justify such restriction by an analysis of housing need according to tenure or otherwise demonstrate that such restrictions comply with ORS 197.303(a) and 197.307(3).

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCDC 1-1987, f. & ef. 2-18-87

660-007-0030

New Construction Mix

(1) Jurisdictions other than small developed cities must either designate sufficient buildable land to 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. Factors to be considered in justifying an alternate percentage shall include, but need not be limited to:

(a) Metro forecasts of dwelling units by type;

(b) Changes in household structure, size, or composition by age;

(c) Changes in economic factors impacting demand for single family versus multiple family units; and

(d) Changes in price ranges and rent levels relative to income levels.

(2) The considerations listed in section (1) of this rule refer to county-level data within the UGB and data on the specific jurisdiction.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCD 10-1981, f. & ef. 12-11-81; LCDC 1-1987, f. & ef. 2-18-87

660-007-0033

Consideration of Other Housing Types

Each local government shall consider the needs for manufactured housing and government assisted housing within the Portland Metropolitan UGB in arriving at an allocation of housing types.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCDC 1-1987, f. & ef. 2-18-87

660-007-0035

Minimum Residential Density Allocation for New Construction

The following standards shall apply to those jurisdictions which provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing:

(1) The Cities of Cornelius, Durham, Fairview, Happy Valley and Sherwood must provide for an overall density of six or more dwelling units per net buildable acre. These are relatively small cities

with some growth potential (i.e. with a regionally coordinated population projection of less than 8,000 persons for the active planning area).

(2) Clackamas and Washington Counties, and the cities of Forest Grove, Gladstone, Milwaukie, Oregon City, Troutdale, Tualatin, West Linn and Wilsonville must provide for an overall density of eight or more dwelling units per net buildable acre.

(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.

(4) Regional housing density and mix standards as stated in OAR 660-007-0030 and sections (1), (2), and (3) of this rule do not apply to small developed cities which had less than 50 acres of buildable land in 1977 as determined by criteria used in Metro's UGB Findings. These cities include King City, Rivergrove, Maywood Park, Johnson City and Wood Village.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCD 10-1981, f. & ef. 12-11-81; LCDC 1-1987, f. & ef. 2-18-87

660-007-0037

Alternate Minimum Residential Density Allocation for New Construction

The density standards in OAR 660-007-0035 shall not apply to a jurisdiction which justifies an alternative new construction mix under the provisions of OAR 660-007-0030. The following standards shall apply to these jurisdictions:

(1) The jurisdiction must provide for the average density of detached single family housing to be equal to or greater than the density of detached single family housing provided for in the plan at the time of original LCDC acknowledgment.

(2) The jurisdiction must provide for the average density of multiple family housing to be equal to or greater than the density of multiple family housing provided for in the plan at the time of original LCDC acknowledgment.

(3) A jurisdiction which justifies an alternative new construction mix must also evaluate whether the factors in OAR 660-007-0030 support increases in the density of either detached single family or multiple family housing or both. If the evaluation supports increases in density, then necessary amendments to residential plan and zone designations must be made.

Stat. Auth.: ORS 183 & ORS 197

Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490

Hist.: LCDC 1-1987, f. & ef. 2-18-87

660-007-0045

Computation of Buildable Lands

(1) The local buildable lands inventory must document the amount of buildable land in each residential plan designation.

(2) The Buildable Land Inventory (BLI): The mix and density standards of OAR 660-007-0030, 660-007-0035 and 660-007-0037 apply to land in a buildable land inventory required by OAR 660-007-0010, as modified herein. Except as provided below, the buildable land inventory at each jurisdiction's choice shall either be based on land in a residential plan/zone designation within the jurisdiction at the time of periodic review or based on the jurisdiction BLI at the time of acknowledgment as updated. Each jurisdiction must include in its computations all plan and/or zone changes involving residential land which that jurisdiction made since acknowledgment. A jurisdiction need not include plan and/or zone changes made by another jurisdiction before annexation to a city. The adjustment of the BLI at the time of acknowledgment shall:

- (a) Include changes in zoning ordinances or zoning designations on residential planned land if allowed densities are changed;
- (b) Include changes in planning or zoning designations either to or from residential use. A city shall include changes to annexed or incorporated land if the city changed type or density or the plan/zone designation after annexation or incorporation;
- (c) The county and one or more city(ies) affected by annexations or incorporations may consolidate buildable land inventories. A single calculation of mix and density may be prepared. Jurisdictions which consolidate their buildable lands inventories shall conduct their periodic review simultaneously;
- (d) A new density standard shall be calculated when annexation, incorporation or consolidation results in mixing two or more density standards (OAR 660-007-0035). The calculation shall be made as follows:
 - (A)(i) $\text{BLI Acres} \times 6 \text{ Units/Acre} = \text{Num. of Units}$;
 - (ii) $\text{BLI Acres} \times 8 \text{ Units/Acre} = \text{Num. of Units}$;
 - (iii) $\text{BLI Acres} \times 10 \text{ Units/Acre} = \text{Num. of Units}$;
 - (iv) $\text{Total Acres (TA)} \text{ -- Total Units (TU)}$.
- (B) $\text{Total units divided by Total Acres} = \text{New Density Standard}$;
- (C) Example:
 - (i) Cities A and B have 100 acres and a 6-unit-per-acre standard: $(100 \times 6 = 600 \text{ units})$; City B has 300 acres and a 10-unit-per-acre standard: $(300 \times 10 = 3000 \text{ units})$; County has 200 acres and an 8-unit-per-acre standard: $(200 \times 8 = 1600 \text{ units})$; Total acres = 600 -- Total Units = 5200.
 - (ii) $5200 \text{ units divided by } 600 \text{ acres} = 8.66 \text{ units per acre standard}$.
- (3) Mix and Density Calculation: The housing units allowed by the plan/zone designations at periodic review, except as modified by section (2) of this rule, shall be used to calculate the mix and density. The number of units allowed by the plan/zone designations at the time of development shall be used for developed residential land.
Stat. Auth.: ORS 183 & ORS 197
Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490
Hist.: LCDC 1-1987, f. & ef. 2-18-87

660-007-0050

Regional Coordination

- (1) At each periodic review of the Metro UGB, Metro shall review the findings for the UGB. They shall determine whether the buildable land within the UGB satisfies housing needs by type and density for the region's long-range population and housing projections.
- (2) Metro shall ensure that needed housing is provided for on a regional basis through coordinated comprehensive plans.
Stat. Auth.: ORS 183 & ORS 197
Stats. Implemented: ORS 197.295 - ORS 197.314 & ORS 197.475 - ORS 197.490
Hist.: LCDC 1-1987, f. & ef. 2-18-87

660-007-0060

Applicability

- (1) The new construction mix and minimum residential density standards of OAR 660-007-0030 through 660-007-0037 shall be applicable at each periodic review. During each periodic review local government shall prepare findings regarding the cumulative effects of all plan and zone changes affecting residential use. The jurisdiction's buildable lands inventory (updated pursuant to OAR 660-007-0045) shall be a supporting document to the local jurisdiction's periodic review order.
- (2) For plan and land use regulation amendments which are subject to OAR 660, Division 18, the local jurisdiction shall either:

- (a) Demonstrate through findings that the mix and density standards in this Division are met by the amendment; or
 - (b) Make a commitment through the findings associated with the amendment that the jurisdiction will comply with provisions of this Division for mix or density through subsequent plan amendments.
- Stat. Auth.: ORS 183 & ORS 197