

Memorandum

Date: July 17, 2015

To: Planning Commission

From: Chris Kerr, Community Development Director

Subject: Staff Report for Comprehensive Plan text amendments and adoption of Economic Opportunities Analysis (PLN 15-01)

Purpose

Staff is seeking a recommendation from the Planning Commission regarding the proposed text amendments to the Comprehensive Plan which will include the adoption of an updated Economic Opportunities Analysis (“EOA”). The proposed EOA and specific associated text amendments to Goal 9 of the Plan are attached to this Staff Report. The EOA is a key component to the City’s long-term economic development strategy and is a statutory requirement of the State.

The purpose of the hearing is for the Planning Commission to receive testimony, consider the proposed Plan amendments, revise as warranted, and make a recommendation to the City Council.

Background

The City received grant funds from the Department of Land Conservation and Development (DLCD) for technical consultant assistance to complete this project. The consulting firm of Cogan Owens Greene was hired to assist the City with this process. The EOA was developed in compliance with OAR 660 Division 9 (Statewide Planning Goal 9: Economic Development). This EOA serves as a basis for the City of West Linn to document and adopt local policies and actions that help make West Linn a more economically viable community while maintaining a good quality of life for residents, businesses, and workers.

An important outcome of this project is to provide the City with the most accurate and up to date data available. By adopting this plan and the amendments, the City will ensure it is in compliance with applicable laws, rules, regulations, plans, and programs. Importantly, the update will also ensure that Goal 9 of the Comprehensive Plan reflects current community conditions and values.

Specifically, the EOA examines key issues and trends to assess the City’s economic development potential, projects employment growth in key industries, and determines short and long-term demand for employment land (demand). This demand is compared to an inventory of suitable commercial and industrial properties (supply) to assess the sufficiency supply of commercial and industrial employment land in the City’s UGB.

The West Linn Economic Development Committee (EDC) acted as the project advisory committee, and reviewed each task during the process to complete the EOA. The six elements reviewed by the West Linn EDC include:

1. Community Economic Development Objectives
2. Economic Trends Analysis

3. Site Suitability Analysis (Land Demand)
4. Inventory of Suitable Sites (Land Supply)
5. Assessment of Potential (Reconciliation of Demand and Supply)
6. Implementation Policies and Action Measures

In addition to the adoption of the EOA in its entirety as a component of the Comprehensive Plan, this proposal includes specific text amendments that revise and update the Background, Goals and Policies sections of Goal 9 of the Plan consistent with the data and recommendations found in the Plan.

Over the course of 10 months, the City's Economic Development Committee ("EDC") met seven times in public meetings to guide the completion of the project by reviewing work products, engaging community leaders, and providing advice and feedback to ensure the community's needs and aspirations were being captured in the update.

On two separate occasions this spring, the consultant and Staff presented draft versions of these amendments to the Planning Commission at separate joint meetings with the EDC and City Council. . All comments and recommendations made during these worksessions have been incorporated into the proposed EOA presented herein.

Public Comments

Since the last Planning Commission Worksession on this topic (May 20, 2015), no written responses were submitted.

Discussion

For clarity of review, Staff is has included the proposed text amendments separately as "Exhibit A" of this report. The EOA is included as "Exhibit B".

Recommendation

Staff commends the EDC, DLCD, Clackamas County, the consultant team, and community leaders for their involvement on this project and concludes that the proposal complies with all State and local requirements for Plan amendments.

Attachments:

- Exhibit 1 - Proposed Comprehensive Plan Text Amendments*
- Exhibit 2 - Proposed Economic Opportunities Analysis*

ADDENDUM
PLANNING COMMISSION STAFF REPORT
For the public hearing: July 29, 2015

**STAFF EVALUATION OF THE PROPOSAL'S COMPLIANCE
WITH APPLICABLE CRITERIA**

CDC Section 98.100 lists the factors to be addressed in the staff report for legislative proposals. The applicable factors along with staff's response are as follows:

1. *The Statewide Planning Goals and rules adopted under ORS Chapter 197 and other applicable state statutes.*

Staff Response: Staff reviewed the Statewide Planning Goals and found that Goal 9 is applicable. Staff is not aware of any other state regulations that apply to the proposed amendments that are not reflected in the Metro and City plans and regulations addressed in this Addendum.

Goal 9 – Economic Development. *To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon's citizens.*

The proposal directly relates to this goal, and seeks to amend the City's Goal 9 Comprehensive Plan. According to OAR 660-015-0000(9), comprehensive plans for urban areas shall:

- Include an analysis of the community's economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends;
- Contain policies concerning the economic development opportunities in the community;
- Provide for at least an adequate supply of sites of suitable sizes, types, locations, and service levels for a variety of industrial and commercial uses consistent with plan policies;
- Limit uses on or near sites zoned for specific industrial and commercial uses to those which are compatible with proposed uses.

The proposal was been prepared in accordance with the exact requirements of the Technical Assistance grant which was provided by the state, and in accordance with state guidelines and administrative rules to meet this goal. Please see EOA for extensive additional documentation on compliance with Goal 9 and OAR 660-015-0000(9).

2. *Any federal or state statutes or rules found to be applicable;*

Staff Response: Staff is not aware of any applicable state or federal regulations which are not implemented by the OAR, Metro and City plans and codes addressed in this Addendum. OAR 660-009-0015(5) also encourages cities to develop community economic development objectives that are used to support implementing policies as described in OAR 660-009-0020(1-7). These are included in the proposed EOA.

3. *Metro plans and rules found to be applicable*

Staff Response: the consultant worked closely with Metro on this project. They were instrumental with in providing employment and population data; however, Staff is not aware of any applicable Metro plans which are not implemented by Metro and City plans and codes address in this Addendum.

4. *Applicable Comprehensive Plan provisions;*

Staff Response: The last EOA was completed by the City over 20 years ago. This amendment will adopt an updated EOA with all of the associated data and analysis required by the State and will prove an invaluable tool for the City. Staff is not aware of any specific Plan provisions that would contradict this proposal.

5. *Portions of implementing ordinances relevant to the proposal*

Staff response: Staff is not aware of any ordinances relevant to the proposed amendments that are not addressed above.

EXHIBIT '1'

This proposal includes the following amendments to Goal 9 of the Comprehensive Plan:

GOAL 9: ECONOMIC DEVELOPMENT

A strong commercial and industrial tax base is important to the economic vitality of the City. Financial resources are critical to maintain and provide needed infrastructure and services to retain and improve the quality of life in West Linn. Property tax and other revenues from appropriately sited and designed commercial, industrial, and other businesses should be considered in future development review decisions. Equally important to West Linn is the identity that the business districts give to the City. Hence, when planning for economic development, the City must address a host of issues that include the location of business and industry; types of new businesses needed in the City; retention and expansion of existing businesses; access control on major roadways; home occupations and cottage industries; appearance of commercial and industrial development; the City government's role in economic development; and development costs.

The City recognizes the importance of providing and maintaining an adequate balance of jobs and housing to help reduce commuting and meet other important objectives. The City also recognizes the importance of home occupations in reducing commuting and helping limit the need for additional public infrastructure.

BACKGROUND

In July 2015, the City adopted the West Linn Economic Opportunities Analysis (EOA), which complies with Statewide Planning Goal 9 and its associated statutory requirements. The EOA provides a technical framework and supports the City's economic development goals and policies that aim to make West Linn a more economically viable community, while maintaining its unique character for residents, businesses, and employees.

According to Metro's 2014 job growth forecast, West Linn is projected to add 1,902 jobs by 2035. The service sector is expected to receive the most new jobs and grow the fastest in the next 20 years. The amount of land needed to accommodate the projected job growth falls within the range of 45 to 52 acres.. The City's 2015 inventory of vacant and redevelopable land zoned for industrial/institutional, commercial and mixed use land in West Linn totals approximately 46 acres, which is adequate to accommodate projected employment growth over the next 20-years.

The City's 2015 EOA also shows employment in West Linn has increased by only 25 jobs per year (annual average) over the past seven years. The largest increase in employment has occurred in the service and retail sectors, while the largest decrease occurred in the industrial and government sectors. The biggest employment sectors in West Linn are largely service industries with the top five being: food services/drinking places; educational services; food/beverage stores; professional/scientific/technical services; and ambulatory health care services. The top employers in West Linn include several private companies and two local government entities. The top five employers are the West Linn Paper Company, City of West Linn, West Linn High School, Rose Linn Care Center and Safeway Stores. Additionally, business license data for 2014 indicates that of the 928 total licenses issued (408 businesses within city limits and 520 outside city limits), a total of 424 (47%) are home-based businesses, with most located outside the city limits.

Another statistic from the EOA the City needs to consider is the 2.4 households for every job in the City, which is far above the ratio for Clackamas County and the Metro Region. This means the majority of West Linn residents are commuting outside the city for employment. Decreasing the household-to-jobs ratio for West Linn would provide more opportunities for residents to decrease their commute, but would also require the city to attract more jobs than households over the next two decades, which is contrary to past City trends.

GOALS AND IMPLEMENTATION POLICIES

Goal 1. Encourage the recruitment, retention, expansion and economic viability of West Linn business and industry.

- Policy 1. Recruit and encourage businesses, particularly those that provide family-wage jobs to locate in West Linn.
- Policy 2. Encourage the economic vitality of the City's existing commercial areas.
- Policy 3. Promote home occupations by developing and implementing supportive zoning and building codes and services and other regulations.
- Policy 4. Encourage West Linn employers, including the City, to offer the option to telecommute (i.e., work from home).
- Policy 5. Adopt City regulations that are predictable, easy to understand and contain standards that can be uniformly applied.
- Policy 6. Encourage economic development through streamlined permitting processes and development fees.
- Policy 7. Work with the Chamber of Commerce, business community, and other agencies and organizations, to meet the economic needs of West Linn.

- Policy 8. Coordinate with Tri-Met, Metro, Oregon Department of Economic Development, and other organizations in economic development planning and implementation efforts.
- Policy 9. Pursue Comprehensive Plan and Community Development Code changes to implement the objectives and principles of the Arch Bridge/Bolton Concept Plan.
- Policy 10. Consider incentives such as reduced system development charges (SDCs) and shared parking districts to encourage commercial and mixed-use development.

Goal 2. Support retail businesses that enhance the community and provide wanted goods and services.

- Policy 1. Support efforts and programs that promote tourism in the City.
- Policy 2. Enhance recreation based tourism in the City focused on parcels constrained by the Willamette River floodplain or other environmental constraints.
- Policy 3. Work with interested property owners to accommodate and to attract new hotel.

Goal 3. Promote the efficient use of commercial and industrial land adequate to serve a range of employment opportunities in the City.

- Policy 1. Preserve employment (commercial and industrial) land to ensure an appropriate mix of uses and jobs-housing balance.
- Policy 2. Inventory and maintain a list of vacant and redevelopable sites for new or expanding businesses.
- Policy 3. Ensure the City has adequate public facilities and infrastructure to support economic activities. Maximize the use of regional, state, and federal funding for infrastructure planning and development. Work with ODOT to realize the full potential of the I-205 maintenance parcel.

BACKGROUND AND FINDINGS

West Linn's economy is based primarily on service and retail oriented commercial businesses, with a relatively limited number of industrial employers. In addition, West Linn has significantly more residents than employees, in comparison to the Portland metropolitan region as a whole and many other communities within the region. The ratio of residents to employees in West Linn is about 5:1, compared to 1.7:1 in the region. In 1990, approximately 3.9% of people employed in the City worked in their homes. In comparison, in the Portland MSA, 4.6% of residents worked in their homes in 1990. As of 1998, 45% of all licensed businesses in the City were home occupations. Though this is a high percentage of existing businesses, it still does not represent a significant percentage of jobs held by West Linn residents, though given the relative jobs/housing imbalance in West Linn, it may represent a more significant percentage of employees in the City (possibly around 15%).

Small businesses that are based in individual residences (also known as “home-based Goal 9: Economic Development ED-2 Goal 9: Economic Development businesses” and “home occupations”) are growing in number in West Linn. In July 2002, 626 such businesses had City licenses, with an additional unknown number unlicensed, but existing nonetheless. This is an increase of approximately 15% since 1999. The number of these businesses has steadily increased because of time, lifestyle, and satisfaction benefits. While some of these businesses generate traffic and other impacts, the overall impact to the City of such businesses when compared to the alternative (business districts, commuters, manufacturing plants) is positive. West Linn can accelerate and expand on this natural trend that, if properly controlled, offers to enhance neighborhoods and reduce traffic congestion.

In 1999, 1,012 licensed businesses were located in West Linn. The City has one major industrial employer, the West Linn Paper Company, located on the Willamette River with over 300 employees. At the same time, this industrial zoned property has some of the more scenic views of the Willamette River and the Willamette Falls. Because mill operations on both sides of the River have scaled back in recent years, this area has been coveted by some in the community as a prime redevelopment site. In the future, this area may support even more economic and employment activity.

The remaining manufacturers in the City employ a total of less than 50 people. West Linn is also the location for a number of small businesses and industries. In addition to the West Linn Paper Co., the School District and smaller employers (retail, services, offices, and professional) provide for most of the employment in West Linn. As noted previously, a significant number of businesses in West Linn are home occupations.

Commercial development is concentrated in three primary areas of the City — the Willamette (including north of I-205 and 10th Street), Bolton, and Robinwood areas. Tanner Basin is in the process of becoming the fourth major commercial district in West Linn. A shopping center is currently under construction (2000). Additional commercial development may occur in this area if unincorporated areas adjacent to Tanner Basin are annexed to the City and developed.

Creation of a strong and diverse economic environment is a priority for the City as it is an essential component for the City to maintain its excellent quality of life. Sustainable economic activities provide services for residents, create jobs, offer opportunities, and generate tax revenue. In particular, the City's economic development efforts should promote development that is well-planned, contextually appropriate, and which enhances the overall quality of life for our residents. These could range from smaller home-based businesses in residential areas to more vibrant mixed use developments near the Arch Bridge that would serve tourists and visitors to the City.

West Linn has significant strengths as a location for employers. West Linn is conveniently located on the regional transportation network with two interchanges off of I-205, Highway 43, bridge connections to Oregon City and is within 30 minutes of the Portland International Airport. It is a 20 to 30 minute auto commute to the major employment centers of Portland, Vancouver, Beaverton, Gresham, Wilsonville and Hillsboro. This locational advantage can help provide options for residents employed outside West Linn and bring employment opportunities to the City.

Unemployment rates in the Portland metropolitan area and West Linn have been relatively low during the 1990s. In 1998, unemployment ranged from 3.9 to 4.4% in the Portland metro area. In 1997, the average unemployment rate was 3.7% in Clackamas County, compared to about 4.3% in the Portland area and 4.7% in the state. In 1990, the unemployment rate in West Linn was 2.6%, compared to 4.2% in the county.

Metro projects employment in the City to be 5,725 in 2017. City projections, based on a 1999 inventory of vacant and underutilized land zoned for commercial and industrial use within the City, indicate that West Linn could accommodate between 4,840 and 6,045 jobs by the year 2017, depending on market factors and the degree commercial areas develop and/or redevelop over time. This represents an increase of between 1,048 and 2,253 new employees in all employment sectors since 1996, with the greatest increases in office, retail, and service sectors.

GOALS, POLICIES, AND RECOMMENDED ACTION MEASURES

GOALS

1. Support telecommuting, home-based businesses compatible with residential neighborhoods and, in general, a higher jobs-to-housing ratio.
2. Encourage the retention, expansion and economic viability of existing business and industry.
3. Encourage businesses that enhance the community; provide wanted goods and services; and pay living wages. Small, locally owned businesses with strong ties to the community are especially desired.
4. Provide adequate commercial and industrial land for a range of employment opportunities in the City.
5. Make the most efficient use of our existing commercial and industrial lands.
6. Retain, strengthen, and expand the City's existing business base.

POLICIES

- ~~1. Promote home occupations by developing and implementing supportive zoning and building codes and services and other regulations; that are compatible with surrounding neighborhoods.~~
- ~~2. Encourage West Linn employers, including the City, to offer the option to telecommute (i.e., work from home).~~
- ~~3. Support and encourage telecommunications, printing, and similar types of business support firms.~~
- ~~4. Update City regulations to respond to changes in technology as they affect local businesses.~~
- ~~5. Maintain public facilities (specifically right of way improvements) in established commercial and industrial districts to promote economic activity.~~
- ~~6. Develop a working partnership with the Chamber of Commerce, business community, and various agencies and organizations, such as the School District, to meet the economic needs of West Linn.~~
- ~~7. Interact with Tri-Met, Metro, the Port of Portland, Oregon Department of Economic Development, and other organizations in economic development planning and implementation efforts.~~
- ~~8. Maximize the use of regional, state, and federal funding for infrastructure planning and development.~~
- ~~9. Adopt City regulations that are easy to understand and contain development standards that can be uniformly applied.~~
- ~~10. Enforce design and development standards for industrial areas.~~
- ~~11. Encourage the economic vitality of the four existing commercial areas.~~
- ~~12. Continue to maintain good working relationships with property owners in industrial areas overlooking the Willamette River to ensure the City is "at the table" when these areas transition to other uses.~~
- ~~13. Support efforts and programs that promote tourism in the City.~~

~~RECOMMENDED ACTION MEASURES~~

- ~~1. Explore ways to support and improve the business climate and enhance employment opportunities in the City.~~
- ~~2. Inventory and maintain a list of vacant and redevelopable sites for new or expanding businesses.~~

- ~~3. Encourage a business environment and businesses that are viable and sustainable and that add to the overall quality of life in the community.~~
- ~~4. Actively identify and pursue businesses that will have a positive overall impact on the community to develop or expand in West Linn.~~
- ~~5. Investigate incentives and improve regulations to support locally owned businesses.~~
- ~~6. Identify and provide improvements for infrastructure needs to support appropriately located businesses.~~
- ~~7. Recommend a West Linn business representative to serve on the Clackamas County Economic Development Commission (EDC).~~
- ~~8. Develop and maintain a good working relationship with the West Linn business organizations.~~
- ~~9. Develop and maintain a good working relationship with the West Linn-Wilsonville School District.~~
- ~~10. Participate in regional efforts to encourage employers and policy makers to promote telecommuting and other flexible work arrangements.~~
- ~~11. Develop and implement a strategy for assisting and supporting locally owned businesses, particularly successful home based businesses and start-ups (e.g. support for a small business center, regulatory modifications, assisting with business education, identifying grant opportunities, etc.)~~
- ~~12. Create a master plan for the Arch Bridge area and prepare a planning framework and proposed CDC revisions, as necessary to implement the plan.~~
- ~~13. Explore opportunities, and create specific district plans and regulations, as necessary for each of the City's commercial areas.~~
- ~~14. Engage and collaborate with regional partners to further our economic development efforts; particularly with regard to procuring additional sources of revenue, promoting tourism opportunities, and providing technical assistance.~~
- ~~15. Regularly evaluate the City's Economic Development Plan and update it as required.~~
- ~~16. Establish and support a standing advisory board to advise the City Council and to advance economic development efforts in the City.~~

EXHIBIT B



City of West Linn Economic Opportunity Analysis

July 2015



Prepared by



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This project is funded by Oregon general fund dollars through the Department of Land Conservation and Development. The contents of this document do not necessarily reflect the views or policies of the State of Oregon.

Introduction

The City of West Linn is conducting an Economic Opportunities Analysis (EOA) to update its Comprehensive Plan. The City last updated its EOA in 1994. The City received grant funds from the Department of Land Conservation and Development (DLCD) for technical consultant assistance to complete this task. The consulting firm of Cogan Owens Greene was hired to assist the City with this process. We developed the EOA in compliance with OAR 660 Division 9 (Statewide Planning Goal 9: Economic Development). The West Linn (EOA) will serve as a basis for the City of West Linn to document and adopt local policies and actions that help make West Linn a more economically viable community while maintaining a good quality of life for residents, businesses, and workers. The EOA addresses state requirements to periodically review and update:

- West Linn’s vision for strengthening its economy through the adoption of policies that include community economic development objectives.
- Urban growth requirements (land needs) for providing an adequate supply of land needed to accommodate anticipated demand associated with a 20-year employment growth forecasts.

The West Linn Economic Development Committee (EDC) acted as the project advisory committee, reviewing each task during the process to complete the EOA. The six elements reviewed by the West Linn EDC include:

1. Community Economic Development Objectives
2. Economic Trends Analysis
3. Site Suitability Analysis (Land Demand)
4. Inventory of Suitable Sites (Land Supply)
5. Assessment of Potential (Reconciliation of Demand and Supply)
6. Implementation Policies and Action Measures

In addition, City staff and the consultant team coordinated with the following organizations and agencies at several stages in the process:

Stakeholder Group	Coordination Method
Clackamas County Business and Economic Development	Stakeholder interview (Appendix A)
West Linn City Council	Stakeholder interviews (Appendix A) April 6 joint Planning Commission/City Council work session
West Linn Planning Commission	April 6 joint Planning Commission/City Council work session May 20 joint Planning Commission/EDC work session
West Linn Chamber of Commerce	Stakeholder interview (Appendix A)

The process and findings of these elements are outlined in detail throughout the remainder of the EOA document. This includes establishing community economic development objectives (CEDOs) to guide the process. We examined key demographic and employment opportunities

and trends to assess West Linn's economic development potential, projected employment growth, and determined short- and long-term demand for employment land. This demand is compared to an inventory of suitable commercial and industrial properties (supply) to assess the sufficiency of immediate and longer term (20-year) supply of commercial and industrial employment land in the City's Urban Planning Area (UPA). Finally, economic development objectives, policies and action measures are recommended for inclusion in the West Linn Comprehensive Plan.

Methodology and Approach

The methodology used to prepare the West Linn EOA is consistent with the Department of Land Conservation and Development (DLCD) Goal 9 administrative rule, and the supporting Oregon Administrative Rule (OAR) 660 guidance, as well as other supporting guidance provided per the *DLCD Industrial & Other Employment Lands Analysis Guidebook (2005)*.

Community Economic Development Objectives

The West Linn Community Economic Development Objectives were developed by reviewing and updating the Goal 9: Economic Development Goals in West Linn's Comprehensive Plan. Existing goals were refined based on comments received in a community-wide survey, interviews with key stakeholders and comments from staff and members of the EDC. A summary of outreach results is provided in Appendix A. Upon adoption, the following CEDOs will replace the Comprehensive Plan goals for economic development:

1. Encourage the retention, expansion and economic viability of existing business and industry.
2. Support retail businesses that enhance the community and provide wanted goods and services.
3. Promote the efficient use of commercial and industrial land adequate to serve a range of employment opportunities in the City.

Employment Trends

In accordance with OAR 660-009-0015(1-4), the COG/FCS Group consulting team conducted an analysis of economic trends and local competitive advantages to prepare employment growth forecast for the City of West Linn. The analysis considers local economic development visions, goals and objectives to inform the growth forecast scenarios.

Economic Overview and Market Context

The economic overview and real estate market analysis of office, commercial, industrial, and public government space development for the West Linn area focused on the expected level of demand for new development related to job growth in the City over the next 20 years (2015-2035).

The US economy is still recovering from the recent recession. Trends indicate moderate growth in the gross domestic product (GDP), the dollar value of all goods and services

produced. Wells Fargo estimates the US economy will have a 2.4% annual year-over-year GDP growth in 2014, up from 1.3% in 2013. The US Consumer Price Index (CPI) has remained relatively low (1.5% to 1.7%) over the past few years. However, analysts expect the CPI to increase to 2.1% next year. This would likely push the historically low interest rates for bank loans and home mortgages up supporting increased demand. Projections for US GDP growth in 2015 look promising, as advanced and developing economies continue to make economic gains (Exhibit 1).

Exhibit 1: Worldwide GDP and CPI Trends

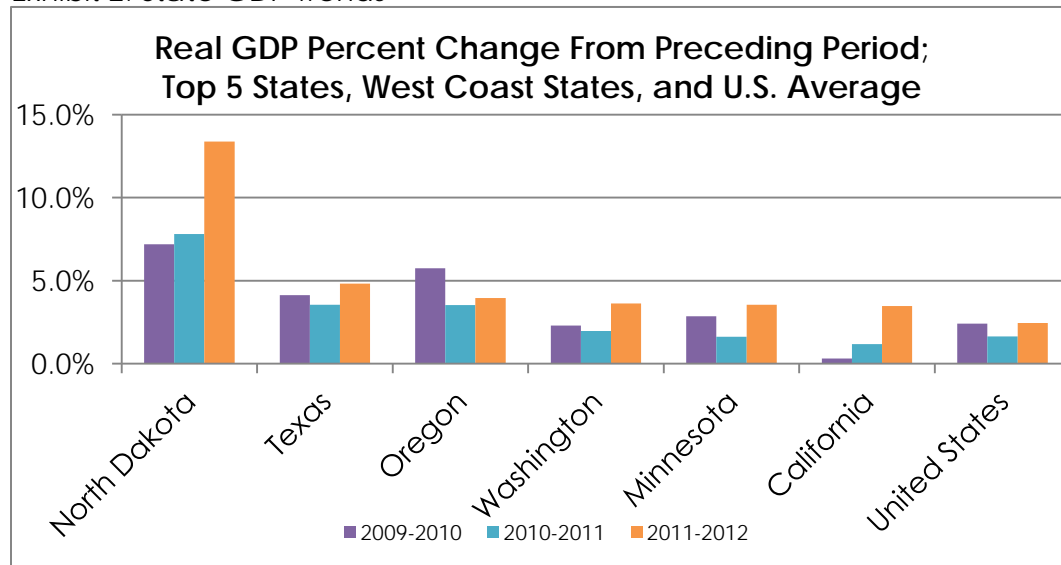
	GDP			CPI		
	2013	2014 est.	2015 proj.	2013	2014 est.	2015 proj.
Advanced Economies	1.3%	2.2%	2.6%	1.3%	1.4%	1.8%
United States	1.9%	2.4%	3.1%	1.5%	1.7%	2.1%
Eurozone	-0.4%	1.3%	1.9%	1.4%	0.9%	1.4%
United Kingdom	1.8%	2.6%	2.7%	2.6%	1.9%	2.3%
Japan	1.5%	1.4%	1.4%	0.4%	1.5%	1.3%
Korea	2.8%	3.8%	3.5%	1.3%	2.0%	2.9%
Canada	2.0%	2.1%	2.4%	1.0%	1.5%	1.9%
Developing Economies	4.6%	4.9%	5.0%	6.6%	6.2%	6.4%
China	7.7%	7.5%	7.1%	2.6%	2.5%	3.0%
India	4.6%	5.3%	5.5%	10.1%	8.5%	8.5%
Mexico	1.1%	2.7%	3.2%	3.8%	4.6%	4.1%
Brazil	2.3%	2.3%	3.2%	6.2%	5.5%	5.8%
Russia	1.3%	2.2%	3.2%	6.8%	6.0%	5.7%

Source: Wells Fargo Bank, Forecast as of March 12, 2014. **Abbreviations:** CPI - Consumer Price Index, GDP - Gross Domestic Product.
Compiled by FCS Group.

Within the US, Oregon has one of the fastest growing GDPs in the country since the Great Recession,¹ as measured in real GDP percent change from year to year. According to the US Bureau of Economic Research, the Oregon economy grew faster than all but two states (North Dakota and Texas) in the past few years in terms of percent GDP growth (Exhibit 2).

¹ According to the National Bureau of Economic Research, the “Great Recession” occurred between December 2007 and June 2009.

Exhibit 2: State GDP Trends



Source: US Bureau of Economic Analysis
Compiled by FCS Group.

Despite relatively strong statewide GDP growth, the greater Portland region and particularly Clackamas County are still recovering from high unemployment levels from the Great Recession. Since 2010, unemployment levels have steadily declined within Clackamas County and the greater Portland Metropolitan Statistical Area (MSA). However, unemployment and under-employment levels remain higher than before the Great Recession (Exhibit 3).

Exhibit 3: Unemployment Rates

	2007	2008	2009	2010	2011	2012	2013
Clackamas County	4.6%	5.7%	10.2%	10.1%	8.9%	8.0%	6.8%
Portland MSA*	4.9%	6.0%	10.8%	10.6%	9.3%	8.2%	7.3%
Oregon	5.2%	6.5%	11.1%	10.8%	9.7%	8.8%	7.7%

Source: Oregon Employment Department

Notes: the Portland MSA includes all of Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington State.

Compiled by FCS Group.

Population Trends

While employment levels have experienced ups and downs, population continues to increase in West Linn, Clackamas County, the tri-county Metro region, and the State. West Linn’s population increased from 22,261 residents in 2000 to 25,992 in 2013. The Compound Annual Growth Rate (CAGR) for population within West Linn (1.2%) outpaced that of the state and Clackamas County (but not the tri-county Metro region) between 2000 and 2010.

The number of occupied housing units in West Linn has been growing faster than the population, and increasing at a faster rate (1.6% CAGR) than Clackamas County, Metro region and the state. One reason why housing units are increasing faster than the

population could be that West Linn’s average household size decreased from 2.7 people per housing unit in 2000 to 2.6 in 2010 (Exhibit 4).

Exhibit 4: Population and Housing Units

	2000	2010	2013	CAGR 2000-2010	CAGR 2010-2013
West Linn					
Population	22,261	25,109	25,992	1.2%	1.2%
Occupied Housing Units	8,161	9,523		1.6%	
Average Household Size	2.7	2.6			
Clackamas County					
Population	338,391	375,992	388,263	1.1%	1.1%
Occupied Housing Units	127,054	145,790		1.4%	
Average Household Size	2.7	2.6			
Metro Region (tri-county includes Clackamas, Multnomah, and Washington Counties)					
Population	1,444,219	1,641,036	1,709,394	1.3%	1.4%
Occupied Housing Units	568,314	651,264		1.4%	
Average Household Size	2.5	2.5			
Oregon					
Population	3,421,399	3,831,074	3,930,065	1.1%	0.8%

Source: US Census Bureau **Abbreviations:** CAGR - Compound Annual Growth Rate
Compiled by FCS Group.

Long-term regional growth forecasts by Metro, the regional government, expect population within the tri-county Metro region to increase from 1.7 million (current estimate) to more than 2.2 million people by 2015. The Oregon Office of Economic Analysis (OEA) projects the Clackamas County population to increase by 119,514 residents between 2015 and 2035 (Exhibit 5).

Exhibit 5: Population Projections; 2015-2035

Area	2015 proj.	2035 proj.	CAGR
Clackamas County	393,217	512,731	1.3%
Washington County	570,672	782,316	1.6%
Multnomah County	768,632	909,947	0.8%
Metro Region (tri-county)	1,732,521	2,204,994	1.2%
Oregon	4,001,600	4,995,200	1.1%

Source: Office of Economic Analysis **Abbreviations:** CAGR - Compound Annual Growth Rate
Compiled by FCS Group.

Economic Trends Analysis

To better understand socio-economic characteristics of West Linn’s residents and consumers, FCS Group evaluated ESRI’s Tapestry™ Segment definitions for the West Linn zip codes. The leading Tapestry types in West Linn include:

- 35% Savvy Suburbanites: includes empty nesters or empty nester wannabes living in established neighborhoods. These residents tend to be well educated, well read and well capitalized.

- **25% In Style:** includes professional couples and singles with strong work ethics and no children. They are also well educated and enjoy travel, reading and technology.
- **18% Soccer Moms:** includes affluent family-oriented couples with children. They also tend to be well educated and enjoy outdoor recreation.

The fact that West Linn is comprised of relatively affluent households with relatively higher income levels than most surrounding areas may bode well for existing and future retail development. Comparative income statistics are provided in Exhibit 6.

Exhibit 6: Income Trends

	Area	Census 1999	ACS 2008-2012	CAGR
Median House hold Income	West Linn	\$72,010	\$86,611	1.4%
	Clackamas County	\$52,080	\$63,951	1.6%
	Washington County	\$52,122	\$64,375	1.6%
	Multnomah County	\$41,278	\$51,582	1.7%
	Oregon	\$40,916	\$50,036	1.6%
Per Capita Income	West Linn	\$34,671	\$41,319	1.4%
	Clackamas County	\$25,973	\$32,249	1.7%
	Washington County	\$24,969	\$31,476	1.8%
	Multnomah County	\$22,606	\$29,984	2.2%
	Oregon	\$20,940	\$26,702	1.9%

Source: US Census Bureau; American Community Survey (2008-2012) figures reported in 2012 inflation adjusted dollars, and the 2000 Census **Abbreviations:** CAGR - Compound Annual Growth Rate. Compiled by FCS Group.

Employment, comprised of workers at local business establishments, in Clackamas County has increased by 490 jobs per year (annual average increase) over the past ten years. As indicated in Exhibit 7, the largest increases in employment occurred in the service and retail sectors, while the largest decrease in employment has occurred in the industrial and government sectors.

Exhibit 7: Clackamas County Non-Farm, Covered at Place of Work Employment

Sector	2004	2006	2010	2012	2013	2004-2013 Change	
						Jobs	CAGR
Industrial ¹	42,900	46,500	39,000	39,900	41,400	(1,500)	-0.4%
Service ²	59,600	63,600	62,400	64,200	65,500	5,900	1.1%
Retail	16,500	17,400	16,400	17,100	17,600	1,100	0.7%
Government ³	17,100	17,600	17,400	16,700	16,500	(600)	-0.4%
Total	136,100	145,100	135,200	137,900	141,000	4,900	0.4%

Source: Oregon Employment Department (non-farm employment) **Abbreviations:** CAGR - Compound Annual Growth Rate

¹Industrial jobs include the following sectors: Natural Resources and Mining (11-21), Construction (23), Manufacturing (31-33), Wholesale Trade (42), and Transportation, warehousing, and utilities (48-49)

²Service jobs include the following sectors: Information (51), Financial (52), Professional business services (54), Education and Health Services (61-62), Leisure and hospitality (71-72), and Other services (81)

³Government jobs include the following sectors: Education services (61), and Public Administration (92)
Compiled by FCS Group.

Employment in West Linn has increased by only 25 jobs per year (annual average) over the past seven years.² Like Clackamas County, the largest increase in employment has occurred in the service and retail sectors, while the largest decrease occurred in the industrial and government sectors (Exhibit 8).

Of note, these employment estimates may understate the total number of employees that work in West Linn, because the Oregon Employment Department job estimates tend to exclude home-based businesses (workers) that do not report unemployment insurance. Our examination of West Linn business license data for 2014 indicates that of the 928 total businesses with a business license (408 businesses within city limits and 520 outside city limits), a total of 424 are home-based businesses; 47% of the total. Most of them are located outside the city limits.

Exhibit 8: West Linn Non-Farm, Covered at Place of Work Employment

Sector	2006	2012	2006-2012 Change	
			Jobs	CAGR
Industrial ¹	1,098	907	(191)	-3.1%
Service ²	2,471	2,828	357	2.3%
Retail	508	575	67	2.1%
Government ³	736	679	(57)	-1.3%
Total	4,813	4,989	176	0.6%

Source: Oregon Employment Department **Abbreviations:** CAGR - Compound Annual Growth Rate
¹Industrial jobs include the following sectors: Natural Resources and Mining (11-21), Construction (23), Manufacturing (31-33), Wholesale Trade (42), and Transportation, warehousing, and utilities (48-49)
²Service jobs include the following sectors: Information (51), Financial (52), Professional business services (54), Education and Health Services (61-62), Leisure and hospitality (71-72), and Other services (81)
³Government jobs include the following sectors: Education services (61), and Public Administration (92)
 Compiled by FCS Group.

The top employment sectors in West Linn (sorted by 3-digit North American Industrial Classification) are largely services. The top five sectors include: food services/drinking places; educational services; food/beverage stores; professional/scientific/technical services; and ambulatory health care services (Exhibit 9).

² Note, a seven-year analysis time frame is used to coincide with the available data provided by Oregon Employment Department for the City of West Linn.

Exhibit 9: Largest Employment Sectors in West Linn

3-Digit NAICS	Industry	2012 Jobs
722	Food Services and Drinking Places	567
611	Educational Services	529
445	Food and Beverage Stores	345
541	Professional, Scientific, and Technical Services	344
621	Ambulatory Health Care Services	310
561	Administrative and Support Services	285
322	Paper Manufacturing	242
623	Nursing and Residential Care Facilities	200
425	Wholesale Electronic Markets and Agents and Brokers	180
813	Religious/Civic/Professional Organizations	153

Source: Oregon Employment Department
 Compiled by FCS Group.

The top employers in West Linn include several private companies and two local government entities. The top five employers are the West Linn Paper Company, City of West Linn, West Linn High School, Rose Linn Care Center and Safeway Stores (Exhibit 10).

Exhibit 10: Largest Employers in West Linn

	Description	Jobs
West Linn Paper Company	Paper Manufacturing	200-249
City of West Linn	Local Government	150-200
West Linn High School	Educational Services	100-149
Rose Linn Care Center	Nursing and Residential Care Facilities	100-149
Safeway Stores, Inc.	Food and Beverage Stores	100-149
First Student Management LLC	Transit and Ground Passenger Transportation	50-99
Market of Choice	Food and Beverage Stores	50-99
Tanner Spring Assisted Living	Nursing and Residential Care Facilities	50-99
Albertsons	Food and Beverage Stores	50-99

Compiled by FCS Group.

Employment Growth Forecasts

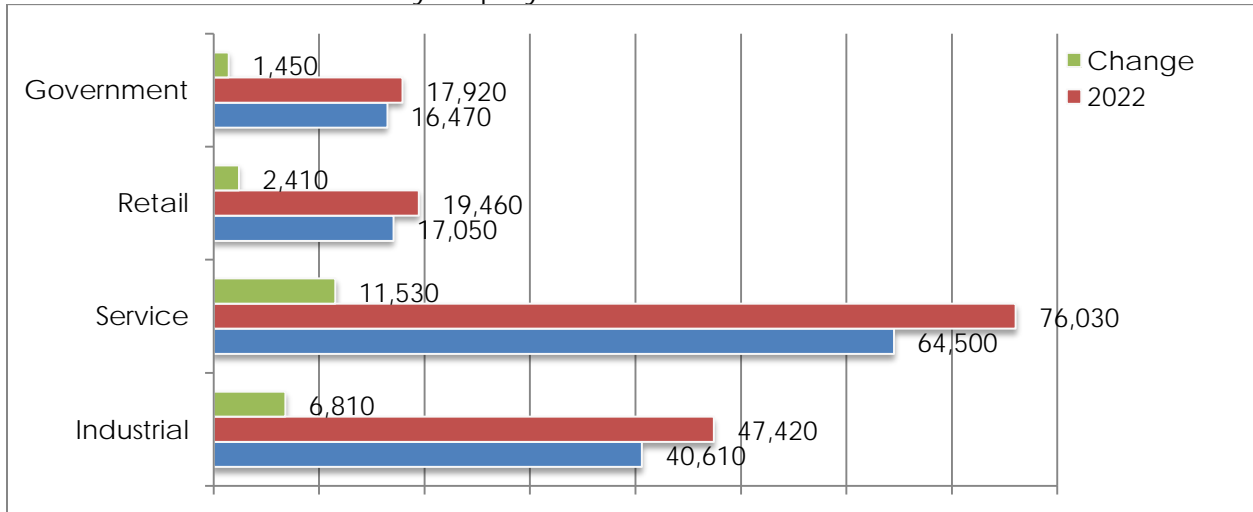
The Oregon Employment Department (OED) forecast for employment by major job sectors in Clackamas County is shown in Exhibit 11. The 2012 to 2022 OED job growth forecast for projects a 22,200 increase in the total number of jobs for the County. The service sector is expected to increase by the largest number of jobs (11,530) followed by the industrial sector (6,810), retail sector (2,410) and government sector (1,450).

In addition to examining the OED job growth forecasts, we also looked at Metro job growth forecasts. The job growth forecasts included in this EOA are generally consistent with the latest Metroscope Gamma Forecast which has been reviewed by the City of West Linn, and includes the most current 2010 estimates and updated 2035 forecasts. These job growth forecasts are also consistent with the assumptions used in other long term planning documents including the West Linn Transportation System Development Charge Methodology Report, adopted by the City of West Linn in January 2015.

According to the current Metro job growth forecast, West Linn is projected to add 1,902 jobs and 1,410 households by 2035. The Gamma forecast projects the service sector will

receive the most new jobs and grow the fastest in the next 20 years for West Linn and Clackamas County.

Exhibit 11: Clackamas County Employment Forecast: 2012-2022



Source: Oregon Employment Department

¹Industrial jobs include the following sectors: Natural Resources and Mining (11-21), Construction (23), Manufacturing (31-33), Wholesale Trade (42), and Transportation, warehousing, and utilities (48-49)

²Service jobs include the following sectors: Information (51), Financial (52), Professional business services (54), Education and Health Services (61-62), Leisure and hospitality (71-72), and Other services (81)

³Government jobs include the following sectors: Education services (61), and Public Administration (92)
Compiled by FCS Group.

According to Metro, West Linn is projected to capture more of Clackamas County’s retail jobs and fewer service jobs over time. Over the 2015-2035 timeframe, West Linn is expected to capture 5% of total retail jobs and 3.1% of the total number of service jobs in the County (Exhibit 12).

Exhibit 12: Employment Growth Forecast

Area	Sector	2010	2015	2035	Change 2015-2035	
					Jobs	CAGR
West Linn						
	Retail	966	1,057	1,517	460	1.8%
	Service	1,593	1,768	2,685	916	2.1%
	Other*	1,693	1,805	2,331	526	1.3%
	Total	4,252	4,630	6,533	1,902	1.7%
Clackamas County						
	Retail	20,533	22,382	31,600	9,218	1.7%
	Service	38,214	43,558	73,526	29,968	2.7%
	Other*	68,639	72,428	89,794	17,366	1.1%
	Total	127,386	138,368	194,920	56,553	1.7%
Metro Region (tri-county area)						
	Total	778,569	844,724	1,174,762	330,038	1.7%
West Linn Capture Rate of County						
	Retail	4.7%	4.7%	4.8%	5.0%	
	Service	4.2%	4.1%	3.7%	3.1%	
	Other*	2.5%	2.5%	2.6%	3.0%	
	Total	3.3%	3.3%	3.4%	3.4%	
West Linn Capture Rate of Metro Region						
	Total	0.5%	0.5%	0.6%	0.6%	

Source: Metroscope Gamma 2040 Forecast with 2015 interpolation by FCS Group

*Other includes government and industrial employment. Compiled by FCS Group.

The ratio of households to jobs shows that West Linn residents tend to commute for work. The City currently averages 2.4 households for every job in the City, far above the ratio for Clackamas County and the Metro Region (Exhibit 13). According to the Gamma Forecast, the household-to-jobs ratio is expected to decrease for West Linn and stay relatively constant in the county and region. This forecasted decrease in the household-to-jobs ratio for West Linn would require the city to attract more jobs than households over the next two decades, which is contrary to past City trends.

Exhibit 13: Ratio of Households to Jobs

Area	2010	2015 est.	2035 proj.
West Linn	2.4	2.3	1.8
Clackamas County	1.1	1.1	1.1
Metro Region (tri-county area)	1.2	1.2	1.2

Source: Metroscope Gamma 2035 Forecast with 2015 interpolation by FCS Group

Compiled by FCS Group.

Market Trends Analysis





Current market trends regarding retail, office, and industrial tenant absorption levels, existing vacancy rates, retail inflow/outflow, and input from state and regional economic development organizations are important factors to consider when evaluating the ability to achieve the employment growth forecasts. A summary of these considerations follows.

Office Market

West Linn has added four Class A office buildings over the past eight years, including the Willamette 205 Corporate Center, Willamette Marketplace, West Linn Central Village and

the Summerlinn Center. Available lease spaces range from 637-3,365 SF in the Willamette Marketplace to 6,857 SF in the Sumerlinn Center (Exhibit 14).

Exhibit 14: Representative For-Lease Office Buildings in West Linn

	<p>Willamette 205 Corporate Center Building A West Linn, OR Shared conference facility with video conferencing and voice-over IP capabilities. Access to Club Ro ...</p>	<p>1,128 - 2,968 SF \$26.50 /SF/Year 5 Spaces 80,000 SF Bldg Office Building</p>
 <p>5 Photos</p>	<p>Willamette Marketplace West Linn, OR Retail / Office / Medical Space Available * Retail: Building A - 1,804 SF Building C - 1,795 SF T ...</p>	<p>637 - 3,365 SF \$25 - \$26 /SF/Year 5 Spaces 10,399 SF GLA Medical Office</p>
	<p>West Linn Central Village - 21900 Willamette Drive West Linn, OR West Linn Central Village Windermere Real Estate Building</p>	<p>6,000 SF \$19.75 /SF/Year 1 Space 6,000 SF Bldg Office Building</p>
	<p>Summerlinn Center West Linn, OR Shared conference facility with video conferencing and voice-over IP capabilities. Access to Club Ro ...</p>	<p>859 - 6,857 SF \$26.50 /SF/Year 6 Spaces 65,000 SF Bldg Office Building</p>

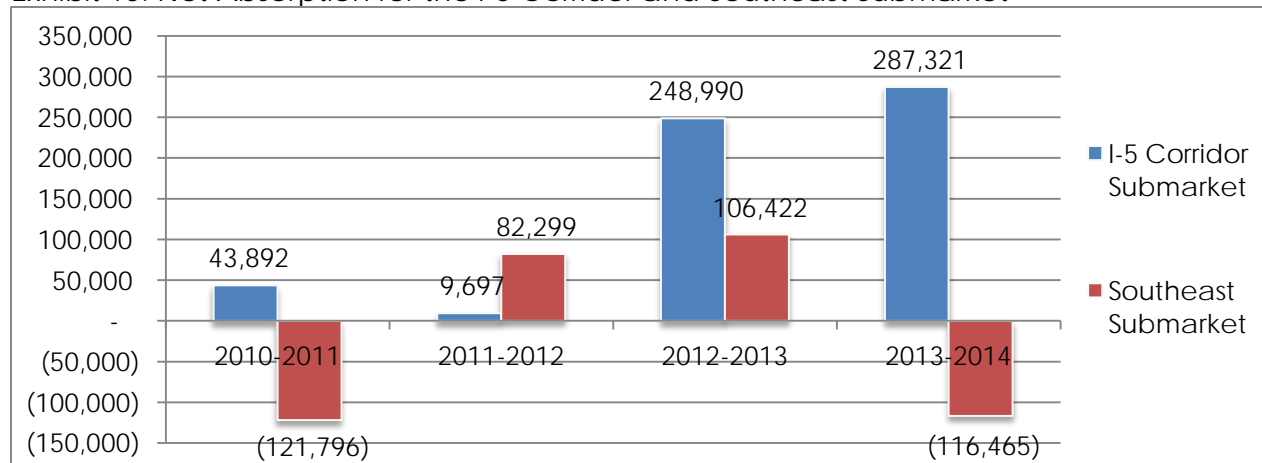
Source: LoopNet.

West Linn's nearest competitive office submarkets include those in the I-5 Corridor submarket cluster, the submarket cluster in which West Linn is contained, and the Southeast area submarket cluster.³

Since 2010, office market activity within the I-5 Corridor submarket recorded positive net absorption every year, which the Southeast market area recorded positive absorption in only two years. Annual rents for Class A space (per leasable square foot) remained relatively strong in both areas at \$24-26 psf (Exhibits 15 and 16).

³ The I-5 Corridor submarket cluster includes the submarkets of Kruse Way, Lake Oswego/West Linn, Sherwood, Tigard, Tualatin, and Wilsonville. The Southeast submarket cluster includes the submarkets of Clackamas/Milwaukie, Mall 205, Oregon City, and SE Close-In. Compiled by FCS Group.

Exhibit 15: Net Absorption for the I-5 Corridor and Southeast Submarket



Source: The CoStar Office Report (annual net absorption, 2Q 2010-1Q 2014)

*The I-5 Corridor submarket cluster includes the submarkets of Kruse Way, Lake Oswego/West Linn, Sherwood, Tigard, Tualatin, and Wilsonville

*The Southeast submarket cluster includes the submarkets of Clackamas/Milwaukie, Mall 205, Oregon City, and SE Close-In. Compiled by FCS Group.

Exhibit 16: Office Space Inventory

Market/ Office Space Class	Existing Inventory		Vacancy			YTD Deliveries	Under Construction SF	Quoted Rates
	# Buildings	Total Rentable Business Area	Total SF	Vacancy %	YTD Net Absorption			
I-5 Corridor*								
A	41	3,525,683	618,664	17.5%	41,849	-	-	\$25.81
B	230	4,390,968	499,294	11.4%	40,841	-	-	\$18.97
Southeast*								
A	10	722,642	171,434	23.7%	(15,823)	-	-	\$23.56
B	170	3,750,505	247,851	6.6%	(24,090)	-	-	\$18.32
Total Suburban*								
A	153	15,917,457	1,725,320	10.8%	138,144	100,000	-	\$23.60
B	1,300	33,206,681	2,921,659	8.8%	306,088	42,601	32,594	\$18.90

Source: The CoStar Office Report, March 2014.

*The I-5 Corridor submarket cluster includes the submarkets of Kruse Way, Lake Oswego/West Linn, Sherwood, Tigard, Tualatin, and Wilsonville

*The Southeast submarket cluster includes the submarkets of Clackamas/Milwaukie, Mall 205, Oregon City, and SE Close-In




*The Suburban submarket consists of all office inventory not in the Central Business District of the metropolitan area

Compiled by FCS Group.

Retail Market

West Linn has four community commercial centers: Robinwood Shopping Center, West Linn Central Village, Salamo Shopping Center and the historic Willamette/12th Street commercial area. There are also dozens of commercial and retail businesses located along Highway 43 (State Street). Representative for-lease commercial buildings are shown in Exhibit 17.

Exhibit 17: Representative For-Lease Retail Buildings in West Linn

 <p>10 Photos</p>	<p>West Linn Willamette District Corner Retail West Linn, OR -Awesome 1893 replica with all the infrastructure of a modern Building. -Opening French door Storefr ...</p>	<p>2,000 SF \$24 /SF/Year 1 Space 9,000 SF Bldg Street Retail</p>
 <p>5 Photos</p>	<p>Willamette Marketplace West Linn, OR Retail / Office / Medical Space Available * Retail: Building A - 1,804 SF Building C - 1,795 SF T ...</p>	<p>637 - 3,365 SF \$25 - \$26 /SF/Year 5 Spaces 10,399 SF GLA Neighborhood Center</p>
	<p>Cedar Oaks Retail West Linn, OR Located in an upscale suburban community on Highway 43.</p>	<p>1,158 SF Negotiable 1 Space 1,158 SF GLA Community Center</p>

Source: Loopnet.

Retail market absorption has remained healthy within the I-5 Corridor, but appears to be softening within West Linn and the Southeast submarket over the past year. As indicated in Exhibit 18, vacancy rates remain relatively low at 4.8% in the I-5 Corridor and 5.4% in the Southeast submarket.

Exhibit 18: Retail Absorption and Vacancy for the I-5 Corridor and Southeast Submarket

	2010-2011	2011-2012	2012-2013	2013-2014
I-5 Corridor Submarket				
Vacant SF	447,884	465,634	461,771	463,019
Vacancy %	4.5%	4.7%	4.7%	4.8%
Net Absorption	10,604	90,289	287,582	41,209
Southeast Submarket				
Vacant SF	1,129,758	1,139,692	1,213,393	1,175,706
Vacancy %	4.9%	5.2%	5.5%	5.4%
Net Absorption	58,441	153,524	108,628	(30,911)

Source: The CoStar Retail Report, March 2014.

*The I-5 Corridor submarket cluster includes the submarkets of Kruse Way, Lake Oswego/West Linn, Sherwood, Tigard, Tualatin, and Wilsonville

*The Southeast submarket cluster includes the submarkets of Clackamas/Milwaukie, Mall 205, Oregon City, and SE Close-In

Compiled by FCS Group.

The retail market within the Lake Oswego/West Linn submarket softened in 2014, with absorption down 13,149 feet (1st quarter 2014) and overall vacancy rates at 5.4%, higher than the previous year. The largest retail project under construction in the Lake Oswego/West Linn submarket includes the Kruse Village project by Gramor. Slated for completion in spring 2015, Kruse Village is located along Kruse Way near the intersection of Meadows Drive and Carmen Drive, and will include six buildings totaling 62,000 SF with 250

parking spaces. The development is viewed as an amenity to the Kruse Way office corridor as well as residents in the surrounding neighborhoods.

Overall, the City of West Linn is well served by a variety of retail store groups. However, given the high level of household income, West Linn has a much higher level of retail demand than supply. As indicated below in Exhibit 19, and detailed in Appendix B, West Linn has a significant gap in retail supply within the general retail trade and food & drink categories. Capturing a share of the retail outflow for food and drink could be achieved through redevelopment and “infill development” on parcels less than 1 acre. Capturing a significant amount of the general retail trade sales leakage from West Linn may require larger sites (typically 10+ acres) to accommodate a neighborhood shopping center with a large anchor tenant such as a Fred Meyer or a New Seasons.

Exhibit 19: Retail Trade Gap in West Linn

Store Group	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap
Total Retail Trade and Food & Drink	\$412,232,204	\$204,713,166	\$207,519,038
Retail Trade	\$371,398,913	\$177,338,094	\$194,060,819
Food & Drink	\$40,833,291	\$27,375,072	\$13,458,219

Source: ESRI Marketplace Profile Report, 2013.
Compiled by FCS Group.

Hospitality Market Constraints

There are no major hotels located in West Linn at this time. The potential for new lodging development in West Linn will depend on prospective site location(s), growth in local visitation, business activity and group demand, such as weddings and local events.

It is unlikely business activity will push development for a new hotel in West Linn. Currently, there is little Class A office or major corporate operations and the overall employment growth of 1.5% annually over the next 20 years does not show indications that business activity that will lead to a hotel. Hence, the potential demand for a new hotel would be primarily derived by visitors and group segments.

According to Oregon Tourism Division data, visitor spending on accommodations (including hotels and motels) has increased by 3.6% annually between 2004-2013 (Exhibit 20).

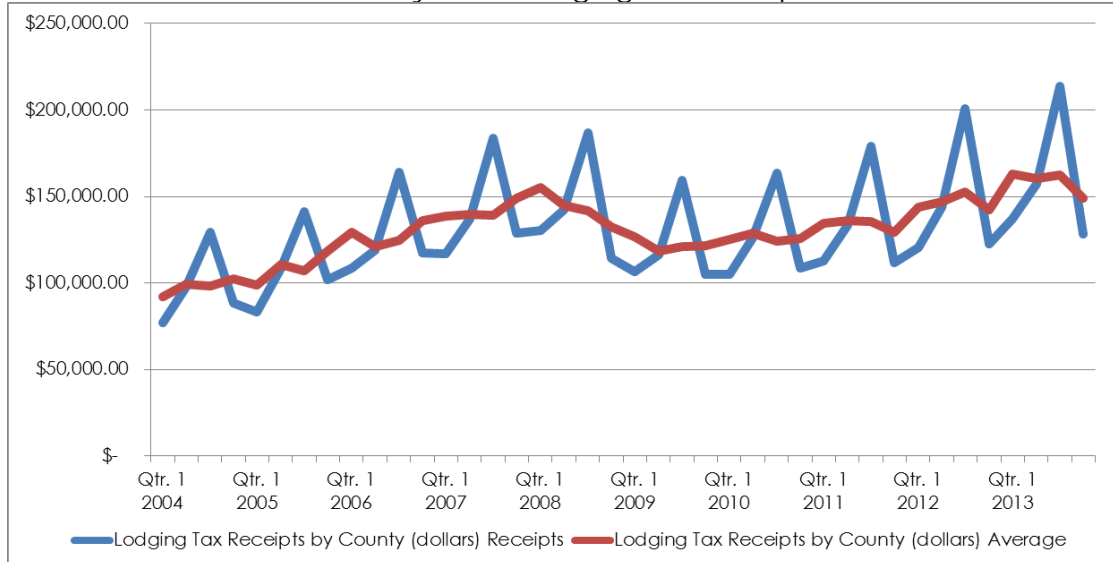
Exhibit 20: Visitor Spending by Commodity Purchased (millions)

	2004	2006	2008	2010	2011	2012	2013 Prelim.	CAGR
Accommodations	\$53.3	\$66.4	\$71.0	\$61.6	\$64.0	\$68.7	\$73.2	3.6%
Food Services	\$113.2	\$124.6	\$126.4	\$126.2	\$124.1	\$130.3	\$131.5	1.7%
Food Stores	\$31.3	\$32.1	\$34.7	\$32.7	\$22.6	\$33.9	\$33.7	0.8%
Local Tran. & Gas	\$41.7	\$53.0	\$60.1	\$51.8	\$56.5	\$57.7	\$55.6	3.2%
Arts, Ent. & Rec.	\$51.3	\$53.3	\$51.1	\$48.1	\$46.7	\$47.8	\$47.3	-0.9%
Retail Sales	\$95.7	\$98.8	\$90.8	\$88.8	\$87.1	\$89.1	\$87.9	-0.9%
Total	\$386.5	\$428.2	\$434.2	\$409.2	\$400.9	\$427.4	\$429.2	1.2%

Source: Oregon Travel Impacts, April 2014, Dean Runyun. Spending adjusted to 2013 dollars.
Compiled by FCS Group.

Overall lodging receipt revenues within Clackamas County have been increasing an average annual rate of approximately 4.2% between 2004 and 2013 (Exhibit 21).

Exhibit 21: Clackamas County Hotel Lodging Tax Receipts



Source: Oregon Department of Revenue, Oregon's State Transient Lodging Tax Report.

Opportunities and Constraints Analysis

The City of West Linn has an estimated 1,000 businesses currently, of which a significant amount is small home-based businesses. The leading employment sectors within the City of West Linn include:

- Commercial retail and miscellaneous services
- Business and professional services
- Education
- Health care services

Preliminary opportunities and constraints to attracting future businesses to West Linn are summarized below.

Opportunities

- Growing local population with relatively high income and education levels
- Excellent schools and housing options for families
- Proximity/visibility to I-205
- Historic city character, especially within the Old Willamette neighborhood
- Supply of available/vacant office and retail space ready to accommodate new small and medium tenants
- Excellent local and regional transit service provided by TriMet
- Adequate water and sewer capacity

Constraints

- Limited employment land availability, especially sites over 5 acres in size
- Limited established class A office locations
- Site topography challenges
- Rent levels for office and retail may not currently support structured parking facilities

Target Business Clusters

The business cluster analysis summarized in Exhibit 22 identifies existing business clusters within the City of West Linn by size (employment) and expected job growth potential. Each cluster has been analyzed by their North American Industrial Classification System (NAICS) code to determine their location quotient (LQ). An LQ represents the present propensity of a particular cluster to locate in West Linn. A cluster with an LQ greater than 1.0 has a relatively high propensity to locate in West Linn, which a cluster with an LQ lower than 1.0 has a relatively low propensity to locate in West Linn (based on 2012 market conditions).

The clusters analysis classifies the existing business sectors in West Linn area into four general categories:

I. Industry Sectors with Large LQ/High Growth Potential (“Stars”)

- Professional, Scientific and Technical Services
- Construction
- Administration and Support Services (private and non-profits)
- Public Administration
- Leisure and Hospitality (includes restaurants)
- Retail Trade

II. Industry Sectors with Small LQ/High Growth Potential (“Emerging”)

- Natural Resources (agriculture, fishing, etc.)

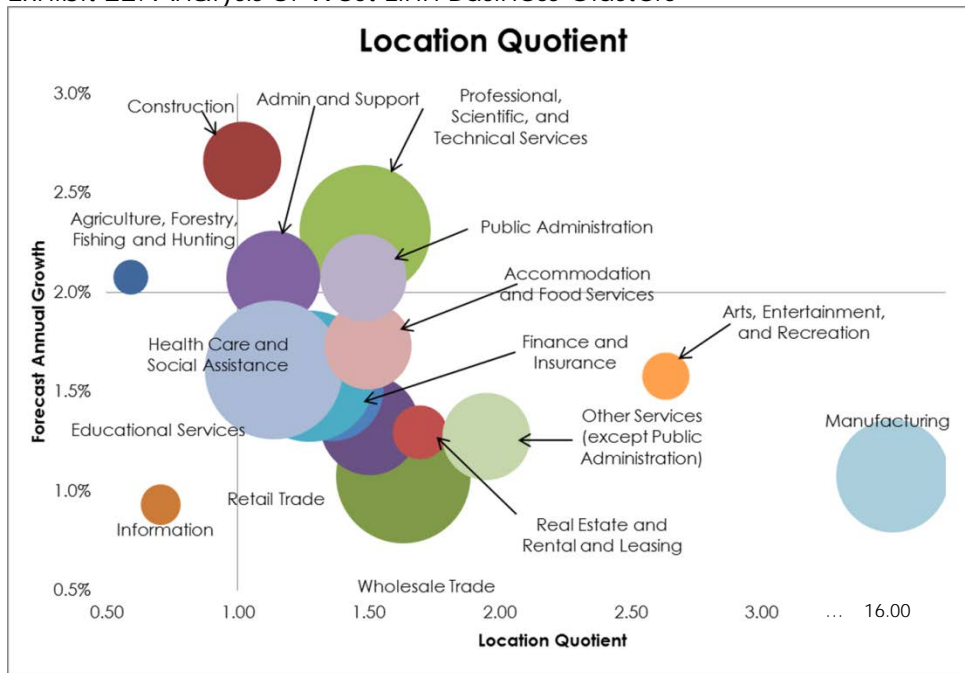
III. Industry Sectors with Large LQ/Low Growth Potential (“Mature”)

- Finance and Insurance
- Health Care
- Retail
- Accommodations and Food
- Wholesale Trade
- Real Estate
- Arts, Entertainment and Recreation
- Manufacturing (paper)
- Other Services

IV. Industry Sectors with Small LQ/Low Growth Potential (“Challenged”)

- Information

Exhibit 22: Analysis of West Linn Business Clusters



Source: FCS Group, utilizing Oregon Employment Department data.

In addition to evaluating existing *local* business clusters, West Linn may also consider the expected *regional* growth in business sectors and emerging clusters. According to the Oregon Employment Department, the job sectors with the highest potential for new growth in the greater Portland metropolitan region include: health care, hotel/motel accommodations & food services, business administration & waste management, professional, scientific & technical service (such as computer science and engineering), state & local government, wholesale trade, finance & insurance, retail trade, and transportation & utilities (includes warehousing, distribution & energy research and private utilities).⁴

Focused marketing and business recruitment efforts are being made by the State of Oregon and regional economic development stakeholders to attract certain established and emerging business clusters. The business and industry clusters that are currently being targeted by the Oregon Business Development Department, Portland Business Alliance and the Portland Development Commission include advanced manufacturing, clean technology (with sustainability sub-clusters in green building, solar & wind power), active wear/outdoor gear, and software.

⁴ These emerging business clusters are documented in the regional WIRED (Workforce Innovation and Regional Economic Development), Global Development Strategy, prepared by FCS Group et.al, 2008.

Recommended Business Clusters

In light of these findings, we recommend that West Linn focus on retaining and attracting a mix of existing and emerging business clusters that pay above average wages. This includes a mix of existing established and emerging clusters, such as:

- Health Services (e.g., medical offices and ambulatory care center)
- Professional and Business services (finance, insurance, engineering, etc.)
- Accommodations, such as hotel(s) and bed and breakfast(s)
- Recreation/sports (could include major community sports complex that attracts regional and state competitive sporting events)
- Light industrial/flex (with mix of commercial, arts and boutique manufacturing operations)
- Home-based occupations

An evaluation of the development/building types by potential use was conducted to take into account overall market support, revenue generation, and job generation potential for the City of West Linn.

Exhibit 23: Potential Target Development Types

Potential Development / Building Types	Market Potential	Potential Revenue Generation for West Linn	Potential Job Creation	West Linn Target Market
Lodging	●	●	●	☑
Specialized Retail	●	●	●	☑
Grocery Store	●	●	●	☐
Restaurants	●	●	●	☑
Micro Brewery	●	●	●	☑
Office (Class A)	●	●	●	☑
Medical Office	●	●	●	☑
Light Industrial/Flex	●	●	●	☑
General Industrial	●	●	●	☐
Assisted Living	●	●	○	☑
Recreation / Sports Complex	●	●	●	☑

Legend: Good: ● Fair: ● Poor: ○

Site Suitability Analysis (Land Need)

West Linn Employment Growth Forecasts

Metro has prepared forecasts for households and employment for all local jurisdictions in the Metro Urban Growth Planning Area. The most recently adopted Metro growth forecasts are referred to as the MetroScope Gamma model, and include a forecast period from 2010 to 2040. We interpolated the Metro forecasts to years 2015 and 2035 using Metro’s forecasted growth rate from 2010-2035. As indicated in Exhibit 24, the 2015 to 2035 forecasts anticipate that West Linn will add jobs over the 20-year forecast period. Two employment growth forecast scenarios were formulated for the West Linn EOA:

Scenario A: Assumes that the Metro 20-year employment forecast for West Linn is realized using an employment mix that resembles what exists in West Linn currently.

Scenario B: Assumes that the Metro 20-year employment forecast for West Linn is realized using an employment mix that trends less towards industrial and government/education job growth and more towards retail and office jobs.

Both job growth scenarios are assumed to utilize available vacant buildings and require a moderate level of redevelopment. Detailed assumptions are provided in Appendix C.

Exhibit 24: West Linn Employment Growth Scenarios, 2015 to 2035

Land Use Classification	Scenario A	Scenario B
Retail Trades	460	550
Services (office or home based)	916	1,162
Industrial/Other	289	40
Government/Education	237	150
Total	1,902	1,902

Source: Metro 2035 Gamma forecast for West Linn and scenario assumptions stated above.

Vacant and Redevelopment Land Needs

In accordance with Oregon Administrative Rule (OAR) 660-009-0025, an analysis of 20-year land needs for employment growth in the West Linn is required along with attention to unique site needs based on the identified employment types.

Building Floor Area Space Needs Analysis

Prior to estimating the amount of vacant land area needed to accommodate future employment growth, our team considered several local factors that can influence where businesses choose to locate their operations. These factors include assumptions regarding:

- Amount of existing available vacant building space currently on the market (“redevelopment infill” or “refill”);
- Ability for existing businesses to hire new workers within existing operations (also refill);
- Potential areas/sites that would be likely to accommodate commercial or office redevelopment where existing single-level buildings are replaced by new multi-level single purpose or mixed-use buildings
- Level of home-based employment for general categories, including retail, service and industrial/other occupations
- Assumptions regarding the type of general building requirements that are desired by retail, service, industrial/other, and public/institutional employers.

We assume that about 15% of the new jobs will be in home-based occupations and not require new employment land or buildings, and 11% of the jobs will be accommodated through refill. The resulting findings indicate approximately 643,000-721,000 square feet of building floor area will be required to accommodate 1,902 jobs. We estimate that approximately 81,000 to 87,000 SF could be accommodated through refill on about eight (8) acres of land. Approximately 562,000 to 634,000 SF would be developed on vacant lands (Exhibit 25).

The West Linn employment growth scenarios and land needs will be refined, once the existing buildable land supply and economic development objectives are fully evaluated.

Exhibit 25: West Linn Building Floor Area Needs, 2015 to 2035

Required Building Floor Area for Redevelopment and Refill Needs						
	Office	Institutional	Flex/Bus. Park	Gen. Industrial	Retail	Total
Scenario A	34,000	9,000	7,000	4,000	27,000	81,000
Scenario B	43,000	8,000	2,000	1,000	33,000	87,000

Required Building Floor Area for Vacant Land						
	Office	Institutional	Flex/Bus. Park	Gen. Industrial	Retail	Total
Scenario A	103,000	174,000	136,000	16,000	205,000	634,000
Scenario B	128,000	143,000	40,000	2,000	249,000	562,000

Source: FCS GROUP.

Overall Employment Land Need Requirements

After accounting for the level of expected redevelopment activity, the amount of vacant land demand in West Linn for employment uses over the next 20-years is expected to range from 45 to 52 acres. Preliminary estimates for vacant lands needs in West Linn by general building type are provided in Exhibit 26.

Exhibit 26: Vacant Land Needs by General Land Use Classification, West Linn, 2035 Forecast (buildable acres)

Land Use Classification	Scenario A	Scenario B
Commercial/Retail/Office	25	27
Mixed Use	4	5
Institutional	12	10
Industrial	11	3
Total	52	45

Assumptions by FCS Group based on Metro Urban Growth Report assumptions and local observations.

Inventory of Suitable Sites (Land Supply)

Buildable Land Inventory Methodology

In accordance with OAR 660-009-0015(3) and OAR 660-009-0025(3)(a)(C), the existing supply of buildable employment zoned land within the West Linn Urban Service Boundary (USB) was inventoried and evaluated as part of the EOA. The West Linn EOA includes a recent buildable land inventory completed by the City of West Linn Planning Department

staff using Geographic Information Systems (GIS) data that is consistent with current land use development characteristics, as of July 1, 2014.

The West Linn buildable land inventory (BLI) uses a methodology suggested by *Industrial and Other Employment Lands Guidebook* produced by the Oregon Department of Land Conservation and Development (DLCD). The steps used in this methodology have been followed to the greatest extent possible, given the data available for the City of West Linn.

West Linn's BLI is comprised of existing vacant and partially vacant (sub-dividable) tax lots zoned for employment uses within the West Linn USB. Employment zoning classifications include commercial, mixed-use and industrial zones. The City has four zones that account for a wide variety of commercial and mixed-uses and two zones that accommodate industrial uses. Please refer to Appendix D for an overview of each of the City's zone classifications. Tax lots of less than ½ acre are considered unsuitable for new development for the purposes of this analysis. All significant environmental constraints are deducted from gross vacant land area to estimate buildable land area, including waterways, wetlands, riparian buffers, slopes of more than 25 percent and other known site development constraints identified by City staff. Appendix E includes maps illustrating natural hazards and how environmental constraints impact buildable employment lands.

An additional infrastructure analysis was conducted by the City's planning and engineering staff to ascertain known infrastructure conditions and related capacity constraints (if any) to providing adequate transportation, water, sewer, and stormwater requirements associated with future development. In accordance with OAR 660-009-025(3)(a)(C), City staff also provided estimated time frames and preliminary capital cost estimates for planned infrastructure improvements.

Vacant and Redevelopment Land Supply

Vacant and Partially Vacant Supply

The vacant and partially vacant land inventory for the West Linn USB includes 14 tax lots totaling 20.55 acres of buildable vacant land after accounting for a variety of environmental constraints including steep slopes and the Willamette River floodplain. Approximately 14.5 acres of land on seven lots is zoned for commercial use, accounting for about 70% of the vacant supply. Another 1.31 acres is designated for mixed commercial and residential uses. The vacant industrial land supply, comprised of approximately 4.71 acres on five lots, makes up about 23% of the overall inventory. Less than one acre of the industrial supply is zoned as Campus Industrial, which can accommodate institutional uses.

West Linn's vacant land supply primarily consists of small (less than one acre) tax lots and tax lots between one and five acres in size. As indicated in Exhibit 27, the tax lots of less than five acres in size comprise approximately 15 acres or about 75% of the total vacant land supply. Only one tax lot in the inventory, a 5.5-acre commercial parcel, is larger than five acres. Appendix E includes a map depicting the vacant and partially vacant buildable land supply. This

parcel, at the intersection of Blankenship and Tannler roads, is adjacent to two other parcels of 1.3 and 2.0 buildable acres respectively that have one owner and can be assembled into one parcel of approximately 8.3 buildable acres (11.0 gross acres).

Exhibit 27. Vacant and Partially Vacant Parcels, West Linn USB (Net Acres)

	Vacant and Partially Vacant Property									
	< 1 acre		1 to 5 acres		5 to 10 acres		> 10 acres		Total	
	Lots	Acres	Lots	Acres	Lots	Acres	Lots	Acres	Lots	Acres
Commercial	3	0.92	3	8.05	1	5.55	0	0.00	7	14.52
Mixed Use	2	1.31	0	0.00	0	0.00	0	0.00	2	1.31
Industrial	3	1.46	2	3.26	0	0.00	0	0.00	5	4.72
Total	8	3.69	5	11.31	1	5.55	0	0.00	14	20.55

Source: Cogan Owens Greene, LLC.

Redevelopable/Refill Supply

In light of the importance of redevelopment to West Linn’s ability to grow and diversify its economic base, we evaluated the relative level of redevelopment potential for each developed tax lot in the West Linn USB. While this is not a stated requirement within OAR 660, Division 9, it is considered an important factor in deciding which land use growth scenario to target. The analysis of redevelopment opportunities is based on the ratio of assessed improvement value to land value for each tax lot using Metro RLIS data. The results provided in Exhibit 29 indicate that there is approximately 26.7 acres of redevelopable land on 32 tax lots. Eighteen of these totaling 15.3 acres have high redevelopment potential and 14 totaling 11.37 acres have moderate redevelopment potential. Approximately 18.5 acres are zoned for commercial use, 6.8 acres for industrial and 1.34 acres for mixed uses. Appendix E also includes a map depicting redevelopable employment lands.

Exhibit 29. Analysis of Redevelopment Tax Lots by General Land Use Zone Classification, West Linn USB (Net Acres)

City of West Linn Redevelopable Potential (Improvement to Land Value)*						
	High (< 0.50)		Moderate (0.50 to 1.00)		Total	
	Lots	Acres	Lots	Acres	Lots	Acres
Commercial	14	10.04	8	8.49	22	18.53
Mixed Use	1	0.25	4	1.09	5	1.34
Industrial	3	5.01	2	1.79	5	6.80
Total	18	15.30	14	11.37	32	26.67

Notes: * Improvement to Land Value calculated from Metro RLIS data.

Source: Cogan Owens Greene, LLC

Short-Term Employment Land Inventory

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 service boundary designated for employment uses as short-term supply.” For EOA planning purposes, the “short-term” is defined as a period of less than five years from EOA adoption.

Commercial and industrial properties in the employment land inventory appear to clearly meet the statutory requirements for short-term land supply, as all of the long-term land supply can be classified as short-term as well as long-term supply. Industrial and commercial properties appear to be well served with adequate infrastructure.

Employment on Residential Lands

Assisted Living Facilities

Residential homes or assisted living facilities provide residential care alone or conjunction with treatment for unrelated individuals and are an important job generator. Assisted living facilities are permitted in all of West Linn’s residential zones and are addressed in greater detail in Goal 10 (Housing) of the City’s Comprehensive Plan.

Home Occupations

Home occupations are an important source of jobs in West Linn. One of the City’s existing economic development policies is to “promote home occupations by developing and implementing supportive zoning and building codes and services and other regulations; that are compatible with surrounding neighborhoods.” Business license data for 2014 indicates that 424 or 47% of West Linn’s businesses are home-based. Most of them are located outside the city limits. West Linn’s development code includes provisions to accommodate home occupations in residential zones as a means of providing convenient employment opportunities and decreasing the dependence on the auto. Development standards assure that home occupations will be compatible and consistent with the residential uses, and will not have a detrimental effect on neighboring properties. Home occupations are addressed in greater detail in Goal 10 (Housing) of the City’s Comprehensive Plan.

Long-Term Employment Land Inventory

The following plans and issues may add to the City’s employment land inventory in the next 20 years.

Arch Bridge-Bolton Concept Plan

The City of West Linn recently adopted the Arch Bridge-Bolton Concept Plan, though specific zoning and development standard changes have not been proposed. The Concept Plan reflects multiple interests and suggests a set of directions and implementing actions that could be carried out over the next ten to twenty years. The following policy recommendations pertain to the long term employment land supply in the Arch Bridge-Bolton Area:

Encourage multistory, mixed-use development in the core with higher-density residential.

It is recommended that the core area, flanking Willamette Drive and the Broadway right of way be an appropriate location for buildings that are up to 6 stories in height (up to 75 feet) and contain a mixture of uses. In some cases this would be office over retail and in others residential over retail space. The retail space need not occupy the entire first level, but mainly abut the main street with an interior depth of 20 to 60 feet, depending on location. The intent is to create a lively, active main street, approximately 3-4 blocks in length. Much of this could be accomplished with restaurants and personal services.

The plan suggests that area could accommodate as many as 350 dwellings units, approximately 30,000 square feet of office space and up to 20,000 square feet of retail and restaurants over time. In addition, a hotel of up to 100 rooms could be accommodated. Parking for the hotel and rental housing would be provided by the central, shared parking garage. Condominiums and office development would likely provide their own secured and dedicated parking to satisfy lending practices.

Encourage limited redevelopment in the longer term, including townhouses and small areas of 2-3 story mixed-use development near Highway 43.

There are several sites in this area that could, over time, be redeveloped into multistory mixed use. One is the site of the current post office. Postal service offices are changing dramatically all over the country. Some are closing, others are consolidating, and still others are compacting down to small service counters. Changes in the form and processing of mail means post offices no longer occupy the same building types that they used to; many post offices can do well in small retail spaces.

Two other sites that could transform over time are the gas stations that flank both sides of Willamette Drive. These are older stations, although they continue to serve a function. However, gas stations are also closing, often due to environmental regulations. It is entirely possible that one or both of these sites might be available for redevelopment over the next 10 to 15 years. Whether they are most appropriate for housing or commercial use will be determined by changes in the marketplace.

Finally, there are a small number of locations with outdated commercial zoning that may be better used for other types of development, such as mixed use.

Floodplain Properties

The West Linn employment land inventory includes approximately 116 acres that lie within the Willamette River floodplain, a portion of which may otherwise be feasible for employment uses. Specifically, the City is interested in pursuing long-term plans to develop recreational facilities on floodplain-constrained sites, such as a sports complex or center for water-based activities. Certain types of institutional uses, such as public education centers, may also be appropriate in these areas.

ODOT I-205 Maintenance Parcel

The Oregon Department of Transportation (ODOT) owns approximately 47 acres as part of the I-205 right-of-way along West Linn's southern border that it uses for maintenance equipment storage. In recent discussions, ODOT officials have indicated a desire to retain the parcel indefinitely. The City of West Linn intends to continue discussions with ODOT to realize the full potential of the I-205 land.

Assessment of Potential (Reconciliation of Demand and Supply)

Industrial and Institutional Land and Need and Parcel Requirements

As indicated in Exhibit 27, the City's preferred Scenario B estimates a demand of three (3) acres of net new industrial vacant land and 10 acres of institutional land for a total of 13 acres of demand. With a vacant industrial and institutional land supply of 4.7, the City has a deficit of 8.3 acres. However, this need may be addressed, at least in part, by the 6.8 acres of redevelopable industrial and institutional land.

Commercial and Mixed Use Land Need and Parcel Requirements

As indicated in Exhibit 27, the City's preferred Scenario B estimates a demand for 27 acres of net new commercial vacant land and five (5) acres of vacant mixed use land, for a total demand of 32 acres. With a vacant commercial and mixed use land supply of 15.8 acres, the City has a deficit of 16.2 acres to meet the expected level of commercial job growth for West Linn. However, this need may be addressed by the surplus of more than 19 acres of redevelopable commercial and mixed use land.

Goals and Implementation Policies

The following goals and implementation policies were developed in coordination with the West Linn Economic Development Committee:

Goal 1. Encourage the recruitment, retention, expansion and economic viability of West Linn business and industry.

- Policy 1. Recruit and encourage businesses, particularly those that provide family-wage jobs to locate in West Linn.
- Policy 2. Encourage the economic vitality of the City's existing commercial areas.
- Policy 3. Promote home occupations by developing and implementing supportive zoning and building codes and services and other regulations.
- Policy 4. Encourage West Linn employers, including the City, to offer the option to telecommute (i.e., work from home).
- Policy 5. Adopt City regulations that are predictable, easy to understand and contain standards that can be uniformly applied.

- Policy 6. Encourage economic development through streamlined permitting processes and development fees.
- Policy 7. Work with the Chamber of Commerce, business community, and other agencies and organizations, to meet the economic needs of West Linn.
- Policy 8. Coordinate with Tri-Met, Metro, Oregon Department of Economic Development, and other organizations in economic development planning and implementation efforts.
- Policy 9. Pursue Comprehensive Plan and Community Development Code changes to implement the objectives and principles of the *Arch Bridge/Bolton Concept Plan*.
- Policy 10. Consider incentives such as reduced system development charges (SDCs) and shared parking districts to encourage commercial and mixed-use development.

Goal 2. Support retail businesses that enhance the community and provide wanted goods and services.

- Policy 1. Support efforts and programs that promote tourism in the City.
- Policy 2. Enhance recreation based tourism in the City focused on parcels constrained by the Willamette River floodplain or other environmental constraints.
- Policy 3. Work with interested property owners to accommodate and to attract new hotel.

Goal 3. Promote the efficient use of commercial and industrial land adequate to serve a range of employment opportunities in the City.

- Policy 1. Preserve employment (commercial and industrial) land to ensure an appropriate mix of uses and jobs-housing balance.
- Policy 2. Inventory and maintain a list of vacant and redevelopable sites for new or expanding businesses.
- Policy 3. Ensure the City has adequate public facilities and infrastructure to support economic activities. Maximize the use of regional, state, and federal funding for infrastructure planning and development. Work with ODOT to realize the full potential of the I-205 maintenance parcel.