



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Karen Perl Fox, Senior Long Range Planner
Jonathan Taylor, Economic Development Manager
Steve Koper, Planning Manager
Aquilla Hurd-Ravich, Community Development Director

DATE: October 28, 2019

SUBJECT:
Tualatin 2040 Project Update

EXECUTIVE SUMMARY:

This item is a continuation of the Tualatin 2040 Project Update presentation from September 23, 2019.

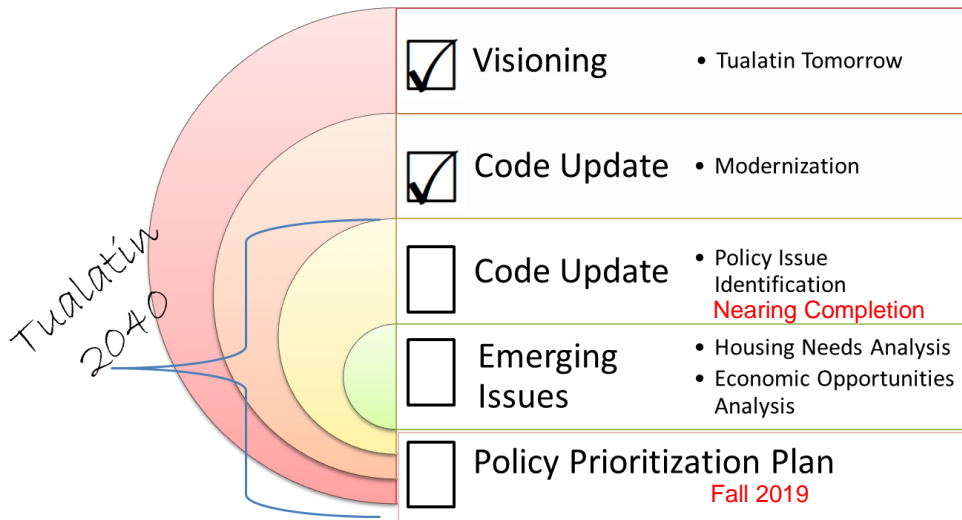
Project Background

In late 2018, the City of Tualatin completed a modernization project to update the Development Code and made it easier to read and use. However, this update did not address outdated policies, many of which are from the original code adopted in the early 1980s. In January 2019, in response to the need to update Development Code policies, and Council and community interest in updating the City's housing and economic policies, the Tualatin 2040 project was launched.

In order to accomplish these goals, the Tualatin 2040 project includes the following parts:

- A Housing Needs Analysis and Housing Strategy
- An Economic Opportunities Analysis and Economic Strategy
- Policy Identification and Prioritization (Housing, Economy, Community, and Livability policies)

To date, final drafts of the Housing Needs Analysis, Housing Strategy, Economic Opportunities Analysis, and Economic Strategy have been completed and are available on the project website, www.tualatin2040.com. From October 14, 2019 to October 28, 2019, a draft of a Policy Prioritization Plan, which includes both the policy identification and a policy prioritization, based on previous community feedback, is available for public comment. These project components are discussed in greater detail below under the heading: *Housing Needs Analysis, Economic Opportunities Analysis, and Policy Prioritization Plan in Brief*.



Where We've Been

One of the key elements of the Tualatin 2040 project has been community engagement. At the outset of the project, a website was developed (www.tualatin2040.com), which has been regularly updated to provide the public with information about the project and important dates, as well as a project library with all related documents. Regular email updates to interested parties and others have also been made. Lastly, in order to help ensure engagement with the entire Tualatin Community, many project documents have been translated in Spanish, and events included an available translator.

Recognizing the importance of housing and economic issues to the Council and community, in January 2019, EcoNorthwest, was hired to conduct a Housing Needs Analysis, Housing Strategy, Economic Opportunity Analysis, and Economic Strategy for Tualatin. Drafts of these documents are included with this report in Attachments B-E. To get community feedback on these documents, a 16-member Community Advisory Committee, representing a broad spectrum of backgrounds and points of view, was formed in March 2019. A companion Technical Advisory Committee was formed in April 2019, made up of representatives from City Departments, as well as partner agencies, organizations, and other experts. The Community Advisory Committee met seven times from March to September of 2019. The Technical Advisory Committee met four times from April to September of 2019.

In April 2019, Angelo Planning Group, as part of its work on policy identification and overall policy prioritization for the project, helped to get community feedback by working with City staff to hold a series of individual and group stakeholder interviews. Additional community outreach efforts included staff-hosted tables at events and activities on the Commons in July and an online open house. In September a second open house, "Under One Roof", was held at the Marquis Café, which included presentations by the Tualatin 2040 project consultants on housing, economic development, as well as other policy areas affecting community and livability. In addition, a panel of experts from housing-related nonprofits and government discussed and answered questions related to housing and how to help address issues facing the more than 25% of renters in Tualatin that pay more than 30% of their income on housing.

Where We're Going

- **Draft Prioritization Plan available for public review** (October 14-28, 2019)
- **City Council Work Session** (October 28, 2019): Continuation of Tualatin 2040 project update.
- **Planning Commission Meeting** (November 21, 2019): Consideration of a recommendation to Council on the Draft Prioritization Plan.
- **City Council Meeting** (November 25, 2019): Consideration of Planning Commission recommendation; opportunity to give feedback on Draft Prioritization Plan.
- **City Council Meeting** (December 9, 2019): Consider adoption of Final Prioritization Plan.

HOUSING NEEDS ANALYSIS, ECONOMIC OPPORTUNITIES ANALYSIS AND POLICY PRIORITIZATION PLAN IN BRIEF:

Summary of Tualatin's Housing Needs Analysis

Tualatin's Housing Needs Analysis covers the period from 2020 to 2040 and is required to be developed consistent with statewide planning policies that govern planning for housing and residential development, including Goal 10 (Housing) and OAR 660 Division 8. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996). It provides Tualatin with a factual basis to update the City's Comprehensive Plan and Development Code, and to support future planning efforts related to housing and options for addressing unmet housing needs in Tualatin. This analysis will help decision makers understand whether Tualatin has enough land to accommodate growth over the next 20 years. See Attachment B for the full report *Tualatin HNA Report*.

Historical and Recent Development Trends in Tualatin

- **Existing Housing Mix**

Single-family housing accounted for the majority of new housing growth in Tualatin between 2000 and 2017. Sixty percent of new housing built between 2000 and 2017 was single-family housing (detached and attached).

Existing housing stock:

- 53% single-family detached housing
- 41% multifamily
- 6% attached single-family housing such as townhouses, rowhouses, and duplexes.

- **Trends in Density**

Between 2000 and 2017, Tualatin permitted 1,996 new dwelling units. Of the 1,996 new units, 1,207 units were single-family (60%) and 789 units were multifamily (40%). During this time, housing in Tualatin developed at an average net density of 8.7 dwelling units per net acre.

- **Trends in Housing Tenure**

Homeownership in Tualatin is lower than Washington County’s and Oregon’s rate. About 55% of Tualatin’s households own their own home. In comparison, 61% of Washington County households and 60% of Oregon households.

- Homeownership rates in Tualatin stayed about the same between 2000 and 2017;
- 88% of Tualatin homeowners live in single-family detached housing;
- 82% of Tualatin renters live in multifamily housing.

- **Residential Vacancy Rates**

Vacancy rates are a measure of housing that is available to prospective renters and buyers or a measure of unutilized housing stock.

- Tualatin’s vacancy rate was 4.3%, compared to 4.8% in Washington County and 5.5% in the Portland Region.
- The rate declined between 2000 from 6.2% to 4.3% in 2013-2017.

Demographics and Other Factors Affecting Residential Development in Tualatin

Demographic trends are important for a thorough understanding of the dynamics of the Tualatin housing market. Tualatin exists in a regional economy; trends in the region impact the local housing market. See Chapter 4 of the Housing Needs Assessment (Attachment B) which documents demographic, socioeconomic, and other trends relevant to Tualatin at the national, state, and regional levels.

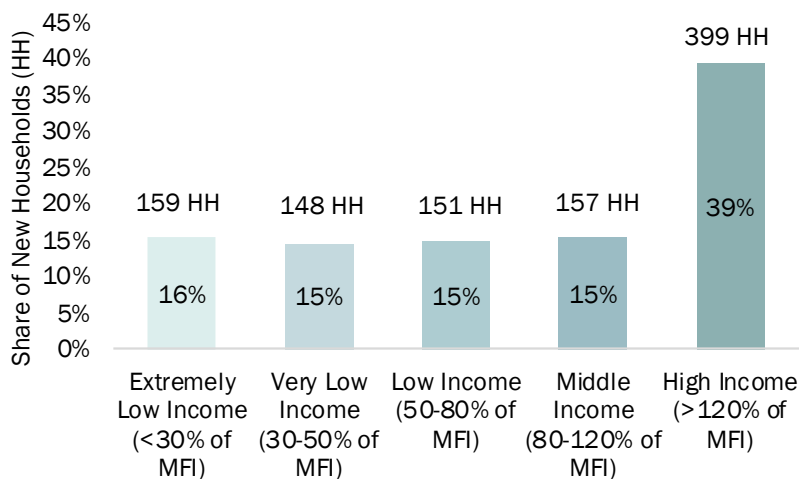
Housing Need in Tualatin

- **Needed Housing by Income Level**

The HNA develops an estimate of needed housing by income type. The exhibit listed below is an excerpt from page 85 of the HNA. It shows a breakdown of household by Median Family Income. About 46% of households in Tualatin are considered low income while 15% are considered middle income and 39% considered high income.

Exhibit 1. Future (New) Households, by Median Family Income (MFI) for Washington County (\$69,600), Tualatin Planning Area, 2018

Source: U.S. Department of Housing and Urban Development, Washington County, 2018. U.S. Census Bureau, 2013-2017 ACS Table 19001.



Metro's Forecast for Growth of New Dwelling Units

The forecast for housing growth is the foundation for estimating needed new dwelling units. ECONorthwest based Tualatin's 20 year growth potential on Metro's 2040 Household distributed forecast and the Metro's 2040 TAZ (Transportation Analysis Zone) forecast for households.

- Tualatin is forecast to grow from 10,994 households to 12,008 or an increase of 1,014 dwelling units over the 20-year period.

Residential Buildable Land Inventory

The buildable land inventory is based on land inside the City limits and Basalt Creek which total 322 total buildable acres. Any buildable land parcels smaller than 4,000 square feet were not included in the total, which is about 0.58 acres. The break down by zone follows:

- 162 acres Low Density
- 142 acres Medium-Low Density
- 1-acre Medium High Density
- 17 acres of High Density
- 0 acres of High Density/High Rise

Residential Land Sufficiency

Housing Capacity

The HNA shows that Tualatin city limits and Basalt Creek's buildable land has capacity to accommodate approximately 1,915 dwelling units which is more than the forecasted amount of dwelling units at 1,014.

Land Sufficiency

The HNA shows a **deficit** of land in Medium High Density, 7 acres, and High Density/High Rise, 4 acres. It also shows a **surplus** of land in Low Density, 16 acres, and Medium Low Density, 85 acres.

Draft Conclusions of the Housing Needs Analysis

Growth in housing will be driven by growth in households. Households in Tualatin's city limits is forecast to grow from 10,791 households to 11,362 households, an increase of 571 households between 2020 and 2040. In that same time, households in Basalt Creek are forecast to grow from 203 households to 646 households, an increase of 443 households.

To accommodate households in Tualatin city limits and Basalt Creek, Tualatin is planning for 1,014 new dwelling units. To accommodate the 1,014 dwelling units over the 20-year planning period, Tualatin will average 51 new dwelling units annually.

Tualatin will plan for more single-family attached dwelling units in the future to meet the City's housing needs. Historically, about 53% of Tualatin's housing was single-family detached. New housing in Tualatin is forecast to be 40% single-family detached, 15% single-family attached, and 45% multifamily.

Summary of Tualatin’s Economic Opportunities Analysis

This report presents an Economic Opportunities Analysis consistent with the requirements of statewide planning Goal 9 and the associated administrative rule (OAR 660-009). Goal 9 describes the EOA as “an analysis of the community's economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends” and states that “a principal determinant in planning for major industrial and commercial developments should be the competitive advantage of the region within which the developments would be located.” See Attachment C for the full report *Tualatin EOA Report*.

Employment Growth and Site Needs

Cities are required to prepare an estimate of the amount of commercial and industrial land that will be needed over a 20-year planning period. The estimate of employment land need and site characteristics for Tualatin is based on expected employment and growth and the types of firms that are likely to locate in Tualatin.

Projecting demand for employment land has four major steps:

1. Establish base employment for the projection
2. Project total employment
3. Allocate employment
4. Estimate land demand

1. 2017 Employment Base

- Tualatin had an estimated 38,838 total employees in 2017

2. 2020-2040 Employment Projection

- This analysis assumes that the City will grow at Metro’s growth forecast rate of 1.4% average annual growth rate. Between the years 2000-2017 Tualatin grew at a substantially faster rate of 2.9% per year. However, for this analysis we chose Metro’s more conservative rate.
- In 2040 Tualatin is estimated to have 53,332 employees, a 32% increase of 12,850 employees.

3. Allocate Employment Land

- Firms in Tualatin were grouped into four broad categories of land use: industrial, retail commercial, office and commercial services, and government. For each land use type an assumption was made that the share of total employment would stay the same.

Exhibit 2. Forecast of employment growth by land use type, Tualatin Planning Area, 2020–2040

Source: ECONorthwest. Note: The shaded percentages denote an assumption about the future share of employment (as a percent of total) by land use type. It assumes that the share of employment by land use type will remain the same.

Land Use Type	2020		2040		Change 2020 to 2040
	Employment	% of Total	Employment	% of Total	
Industrial	18,218	45%	24,004	45%	5,786
Retail Commercial	3,050	8%	4,018	8%	968
Office & Commercial Services	18,382	45%	24,219	45%	5,837
Government	829	2%	1,092	2%	263
Total	40,478	100%	53,332	100%	12,854

4. Estimate Land Demand

- Converting employment growth to land demand requires some assumptions about future employment density. Existing sites and employment counts in Tualatin were used to inform this analysis.
- New employees will result in a demand for 424 acres of industrial land, 53 acres of retail commercial and 200 acres of office and commercial services. Government employees were assumed in the Institutional zone.

Employment Buildable Land Inventory

The buildable land inventory is based on land inside the City limits and Basalt Creek which total 385 total buildable acres. About 28% or 105 buildable acres are located in Basalt Creek. Buildable employment acres have the following breakdown:

- Industrial - 374 buildable acres
- Commercial - 11 buildable acres

Land Sufficiency

A deficit in both industrial and commercial land, including retail and office, were identified based on comparing the estimated land demand for 2040 and the buildable land inventory as of June 2019.

- Industrial – 74 acres (deficit)
- Commercial – 175 acres (deficit)

Exhibit 3. Comparison of the Capacity of Unconstrained Vacant and Potentially Redevelopable Land with Employment Land Demand by Land Use Type, Tualatin Planning Area, 2020–2040

Source: ECONorthwest. Note: Employment demand requires an additional 42 gross acres on land in residential plan designations and one gross acre on land in an institutional (public) plan designation.

General Plan Designation	Land Supply (Suitable Gross Acres)	Land Demand (Gross Acres)	Land Sufficiency (Deficit)
Industrial	374	448	(74)
Commercial (incl Retail and Office)	11	186	(175)

Conclusions of the Economic Opportunity Analysis:

- **Tualatin is forecast to grow by about 12,850 new employees over the 2020 to 2040** period, with about 5,800 new industrial employees, about 6,800 new employees in retail, office, and commercial services, with the remaining employees in government.
- **Tualatin has a deficit of land to accommodate new employment growth.** Tualatin has a deficit of about 74 acres of land in industrial plan designations and 175 acres of employment in commercial plan designations to accommodate employment. Tualatin will need to consider policies to increase the efficiency of employment land use within the City, such as policies to encourage denser employment development and redevelopment that results in higher density development.
- **Tualatin's comparative advantages for economic development are its location along the I-5 corridor** and proximity to urban and cultural amenities/services in the Portland Region making Tualatin an attractive place for businesses to locate. Tualatin is also

advantaged by its access to the regional labor market and the region's growing labor force comprising diverse skill sets.

- Tualatin will need to **address transportation capacity issues** to accommodate growth.

What we heard

Excerpts from Tualatin's Housing Strategy

The broad goal of the Tualatin housing strategy is to help the City manage the land within the Tualatin planning area to meet current and future housing needs while maintaining the character and quality of life in Tualatin and protecting public interests such as housing affordability, health, safety, and municipal revenues. See Attachment D for the full report *Tualatin Housing Strategy*.

Key Findings

The recommendations from the Community Advisory Committee and Technical Advisory Committee in this strategy consider key findings from the HNA, such as the following examples.

- The City has a long-term deficit of residential land.
- The housing market is not building enough housing that is affordable to households with annual incomes less than \$35,000 based on U.S. Census American Community Survey data.
- The housing market in Tualatin also has a deficit of housing affordable to households earning more than \$150,000.¹
- The composition of Tualatin's population is becoming older and more diverse.

Strategic Actions

Actions to address key findings can be summarized in these broad strategic categories:

1. Ensure an adequate supply of land that is available and serviceable
2. Encourage development of a wider variety of housing types
3. Support development and preservation of housing that is affordable for all households
4. Identify funding tools to support residential development
5. Identify redevelopment opportunities
6. Ensure there are connections between planning for housing and other community planning (such as infrastructure and economic development planning)

The Housing Strategy presents a comprehensive approach to a variety of opportunities to meet the housing needs of Tualatin's residents at all income levels. Many of the actions described in the Tualatin Housing Strategy will require legislative amendments to the City's comprehensive plan and/or development code. After the housing needs analysis is completed, the Planning Commission and City Council will prioritize the actions suggested in this memorandum, along with other actions suggested for Tualatin 2040. Implementation of high priority actions will begin in 2020, based on City Council direction.

¹ This analysis is based on Exhibit 79 in the Tualatin Housing Needs Analysis.

Excerpts from Tualatin's Economic Development Strategy

The broad goal of the Tualatin economic development strategy is to help the City manage the land within the Tualatin planning area to support and manage economic growth while maintaining the character and quality of life in Tualatin and protecting public interests such as health, safety, and municipal revenues. See Attachment E for full report *Tualatin Economic Development Strategy*.

Key Findings

The Community Advisory Committee and Technical Advisory Committee considered key findings from the EOA, such as the following examples.

- The City has a long-term deficit of commercial and industrial land for growth over the 2019 to 2040 period.
- There is a need to develop a comprehensive strategy that provides a variety of policies to support business retention, growth, and attraction in Tualatin.

Strategic Actions

The Economic Development Strategies suggested to address the key findings are:

1. Ensure an adequate supply of land that is available and serviceable
2. Identify redevelopment opportunities
3. Support business retention, growth and attraction
4. Ensure there are connections between planning for economic development and other community planning (such as housing and infrastructure planning)

Many of the actions described in the Tualatin Economic Development Strategy will require legislative amendments to the City's comprehensive plan and/or development code. After the economic opportunities analysis is completed, the Planning Commission and City Council will prioritize the actions suggested in this memorandum, along with other actions suggested for Tualatin 2040. Implementation of high priority actions will begin in 2020, based on City Council direction.

Policy Prioritization Plan

Tualatin Development Code Audit

In conjunction with the 2018 code modernization project, a preliminary audit identifying potential updates to policies within the Community Plan and the Development Code was completed by Angelo Planning Group.

Community Engagement

In order to balance the technical work of the code audit with the need for community feedback on future efforts to update the code, City staff and Angelo Planning group planned a series of stakeholder interviews. Participants did not need to have knowledge of the Development Code, but were given the opportunity to share their thoughts about topics that were of interest to them. In April 2019, a total of 15 people and one large group on May 13, 2019 (Tualatin's Aging Task Force) participated in these interviews that were typically one hour in length. The participants represented a diverse group of stakeholders including residents, home owners, renters, business owners, developers, parents with young children, seniors, and persons with disabilities.

Additionally, last spring staff presented a brief summary of Tualatin 2040 project and held a Q&A with the following organizations:

- Representative from the: Planning Commission, Architectural Review Board, Parks Advisory Committee, Arts Advisory Committee and the Youth Advisory Council
- Six Citizen Involvement Organizations
- Library Advisory Committee
- Diversity Task Force

Participants touched on a variety of topics and issues. Feedback was captured in a stakeholder summary document, and grouped into the following topic areas:

- Housing and Livability
- Transportation and Parking
- Civic Identity and Downtown
- Employment and Industrial Development
- Parks, Open Space and the Environment
- Community Engagement
- Equity, Diversity and Inclusion

While all of the topics were discussed the first two – **Housing and Livability and Transportation and Parking** -- were the top priorities for most of the stakeholders. The draft Policy Prioritization Plan will incorporate this feedback along with the feedback of the Community Advisory Committee members as well as the larger public.

ATTACHMENTS:

- Attachment B: Tualatin HNA Draft Report, August 2019
- Attachment C: Tualatin EOA Draft Report August 2019
- Attachment D: Tualatin Housing Strategy Draft July 31, 2019
- Attachment E: Tualatin Economic Development Strategy, August 14, 2019
- Attachment F: Presentation to Council for October 28, 2019 - Tualatin 2040 Update