
Sweet Home Economic Opportunities Analysis

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Prepared for:
City of Sweet Home

Final REPORT

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Summary

This report presents an economic opportunities analysis (EOA) consistent with the requirements of statewide planning Goal 9 and the Goal 9 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.”

The primary goals of the EOA are to (1) project the amount of land needed to accommodate the future employment growth within the Sweet Home Urban Growth Boundary (UGB) between 2017 and 2037, (2) evaluate the existing employment land supply within the Sweet Home UGB to determine if it is adequate to meet that need, (3) provide a factual base to update Sweet Home’s Economic Development policies in the City’s Comprehensive Plan, and (3) to fulfill state planning requirements for a twenty-year supply of employment land.

How much buildable employment land does Sweet Home currently have?

Exhibit 1 shows unconstrained buildable land by plan designation. The results show that Sweet Home has about 473 unconstrained buildable acres in commercial and industrial plan designations. Of this, 93% (442 acres) is in the Commercial designations¹ and 7% (32 acres) is in Industrial.

Exhibit 1. Unconstrained buildable acres by plan designation, Sweet Home UGB, 2016

Plan Designation	Tax Lots	Total Acres	Acres with No		Total Unconstrained Buildable Acres
			Development Capacity	Constrained Acres	
Commercial	550	1,142	350	351	442
Central Commercial	190	43	36	4	2
Highway Commercial	255	166	130	8	28
Mixed Use Residential	10	71	9	5	57
Recreation Commercial	95	864	175	333	355
Industrial	48	285	149	104	32
General Industry	11	27	22	5	1
Light Industrial	27	76	27	19	30
Heavy Industrial	10	182	101	81	1
Total	598	1,428	500	455	473

Source: Appendix A

The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

¹ The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

How much growth is Sweet Home planning for?

Goal 9 requires that cities provide for an adequate supply of commercial and industrial sites consistent with plan policies. To meet this requirement, Sweet Home needs an estimate of the amount of commercial and industrial land that will be needed over the 2017-2037 planning period. Exhibit 2 presents the forecast of employment growth by land use type in Sweet Home's UGB from 2017 to 2037. Sweet Home's employment base was 2,356 employees in 2017. The forecast shows that by 2037, Sweet Home will have 2,925 employees, an increase of 584 jobs over the planning period.

Exhibit 2. Forecast of employment growth by land use type, Sweet Home UGB, 2017-2037

Land Use Type	2017		2037		Change 2017 to 2037
	Employment	% of Total	Employment	% of Total	
Industrial	454	19%	614	21%	160
Retail Commercial	388	16%	482	16%	94
Office & Commercial Services	967	41%	1,258	43%	291
Government	546	23%	585	20%	39
Total	2,356	100%	2,925	100%	584

Source: ECONorthwest

Note: The shaded percentages denote an assumption about the future change in the share of employment (as a percent of total) by land use type.

How much land will be required for employment?

The forecast of growth of 584 new employees will result in the following demand for vacant (and partially vacant) employment land: 18 gross acres of industrial land, 6 gross acres of retail commercial land, and 18 gross acres of land for office and commercial services.

Does Sweet Home have enough land to accommodate employment growth?

Sweet Home does have enough land to accommodate employment growth. Exhibit 3 shows that Sweet Home has 14 acres of industrial land beyond land needed to accommodate growth over the next 20 years. Sweet Home has a surplus of 18 acres of commercial land,² as well as 355 acres of buildable land in Recreation Commercial designation.

The land in Recreation Commercial provides Sweet Home with an important opportunity for economic development, but current zoning is a barrier to most types of employment uses. The City is considering rezoning that land to allow a wider range of employment uses. This forecast does not include potential growth of large businesses that are attracted to Sweet Home because of development opportunities from Recreation Commercial land.

² This estimate excludes some of the vacant land in the of Mixed Use Residential designation. The reason for this exclusion is that this Designation limits commercial development to 10,000 square feet per acre, resulting in only 13 of the 57 vacant and partially vacant acres of Mixed Use Residential available for commercial development.

Exhibit 3. Comparison of the Capacity of Unconstrained Vacant and Partially Vacant Land with Employment Land Demand by Plan Designation, Sweet Home UGB, 2017–2037

Land Use Type	Land Supply (Suitable Gross Acres)	Demand (Gross Acres)	Land Sufficiency (Deficit)
Industrial	32	18	14
Commercial*	42	24	18
Retail Commercial		6	
Office & Commercial Services		18	
Recreation Commercial	355	NA	NA

Source: ECONorthwest

* Commercial land excludes Recreation Commercial

* The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

What types of business does Sweet Home want to attract?

The characteristics of Sweet Home will affect the types of businesses most likely to locate in the city. Sweet Home’s attributes that may attract firms are: Sweet Home’s location along Highway 20 and distance from I-5; availability of land (especially the Recreational Commercial area³); the existing employment base; water and wastewater capacity; surrounding forest areas; access to workers from across the mid-Willamette Valley; high quality of life; and relatively affordable housing.

The target industries identified as having potential for growth in Sweet Home are:

- **Manufacturing.** Sweet Home’s attributes, especially its location along Highway 20, access to the rail, and potential availability of land currently zoned for Recreation Commercial, may attract manufacturing firms. Examples of manufacturing industries that may grow or locate in Sweet Home include:
 - Primary and secondary wood product manufacturing, such as engineered wood products, furniture manufacturing, prefabricated wood buildings, or other products
 - Specialty food and beverage manufacturing, such as wineries, beer brewing, fruit or vegetable products, or other products
 - Forest products
 - Renewable and alternative energy products, such as biomass
- **Small-scale warehouse, distribution, and wholesale.** Sweet Home’s access to Highway 20 may make the city attractive to small distribution for locally produced products, such as food or beverages. These businesses may locate in an existing building or may locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography.

³ This analysis assumes that the City will consider re-zoning the Recreational Commercial land to allow a wider range of uses on it, including industrial and other commercial uses.

- **Professional and business services.** Sweet Home’s high quality of life, relatively affordable housing, existing population and business base, may attract professional and business services that prefer to locate in a smaller city like Sweet Home, such as software development or other technical services, medical services, or other services. Sweet Home may be attractive as a place for new medical services, such as medical services for seniors, physical rehabilitation center, urgent care facility or a small hospital, or drug rehabilitation services.
- **Services for seniors.** Sweet Home’s (and the Willamette Valley’s) growing population of those near or in retirement may attract or create demand for services for seniors, such as health services that cater to the elderly, like age-restricted housing, assisted living facilities, retirement centers, and medical services. Sweet Home’s small-town atmosphere and the surrounding beauty of the area make the city attractive for senior housing. However, the city’s medical services will need to grow to provide the care that seniors look for when they choose a community to live in.
- **Services for visitors:** Growth in tourism will drive demand for services for visitors such as restaurants, a hotel, or a high-quality RV park.
- **Services for residents.** Population growth will drive development of retail (e.g., a hardware store or a musical equipment store), medical services, restaurants and government services, especially primary education in Sweet Home.

What are the recommendations to support economic development in Sweet Home?

The following are ECONorthwest’s recommendations to support economic development in Sweet Home based on the economic opportunities analysis:

- **Update the Economy Element of the Comprehensive Plan.** The Economy Element has not been updated in more than a decade. We recommend that the Planning Commission and City Council review the revised policies in the Sweet Home Economic Development Strategy and, after making additional necessary revisions to the policies, adopt the revised goals, objectives, and implementation strategies into the Economy Element.

In addition, the Economy Element is currently based on analysis from 2001 based on 1990’s data. We recommend updating the factual basis of the Economy Element to reflect the current information in this EOA. We generally suggest that cities adopt the economic opportunities analysis as an appendix to their Comprehensive Plan so that when the analysis is next updated, it is easier to replace the outdated economic opportunities analysis with the newer one.
- **Align the City’s goals for economic development with planning for infrastructure development.** Aside from ensuring that there is sufficient land to support employment growth, one of the most important ways that the City can support economic development is through planning for and developing infrastructure (e.g., roads, water, sanitary sewer, and storm water systems). We recommend that the City align its goals

for economic development with infrastructure development through updates to the City's Capital Improvements Plan.

- **Identify opportunities to support existing businesses in Sweet Home.** Retention and expansion of existing businesses is one of Sweet Home's key opportunities for economic growth. The City can support businesses by continuing to provide staff to help businesses through the development process and through revising policies (where possible) that make business growth more difficult in Sweet Home.
- **Support development and redevelopment of the Recreation Commercial area.** The uses allowed in this zone are generally related to tourism, with some limited other commercial and residential uses. Current zoning is one of the primary barriers to development of the land in this zone. The types of large businesses that might consider locating in Sweet Home on Recreation Commercial sites include: general manufacturers, food processors, wood products manufacturers, heavy industrial manufacturers, or regionally scaled clean tech manufacturers. The area that may best support these employment uses is the relatively flat areas along the rail line.

The City will need to decide how it wants to manage this land to support economic development but balance other community values and concerns. The City could allow a wider range of industrial uses on this land, including heavy industrial businesses. Industrial uses that are loud, have strong odors, operate at irregular hours, or are visually unappealing may limit development of nearby land for recreation and tourism. These uses may conflict with management of endangered species along the River. If the City allows these uses, the City should consider how to mitigate potential negative impacts on nearby residential neighborhoods.

One of the other barriers to development of some land in this zone is access constraints related to the rail crossings. The City should work with land owners, developers, the Railroad, and ODOT Rail to improve access to the area to support development.

- **Develop leaders and champions for economic development in Sweet Home with the City and among stakeholders in the community.** The City Council has identified supporting economic development as an important goal. Achieving the City's economic development vision and goals will require leadership from City officials and champions to support economic development actions from within the community. These leaders and champions should begin by implementing the City's economic development strategy and working with regional partners on other economic development projects.
- **Coordinate on local and regional economic development projects.** The City should coordinate economic development efforts with local and regional economic development organizations, such as the Sweet Home Economic Development Group (SHEDG), the Rural Linn Economic Development, the Sweet Home Chamber of Commerce, Oregon Cascades Council of Governments, Business Oregon, and federal agencies such as the Army Corps of Engineers or U.S. Forest Service Sweet Home District. This coordination may include supporting economic development projects or

efforts that are not city-lead, such as the Rural Linn County Economic Development Proposal.

- **Work with partners to develop a broad economic development strategy for Sweet Home.** The revisions to the Comprehensive Plan presented in the Sweet Home Economic Development Strategy focus on land-based policies and actions. The city also needs a broader strategy for economic development that focuses on issues such as economic development marketing of Sweet Home’s businesses and business opportunities, completing a market readiness analysis for branding and marketing Sweet Home for tourism, building business and other partnerships, and coordinating economic development efforts with local and regional economic development organizations.

The City Council should identify City staff to participate in and play a leadership role in the economic development committee, including in development of the committee: structure, leadership, membership, responsibilities, and other parts of the committee’s charter.

This strategy could be developed by the economic development commission, lead by City officials, with assistance from community champions for economic development. The strategy should identify a focused list of actions that the commission wants to achieve over a limited time period (e.g., 5 years), with specific assignments to partners and identification of funding sources to implement the actions.

1. Introduction

This report presents an Economic Opportunities Analysis (EOA) for the City of Sweet Home. Sweet Home last developed an EOA in 2001. This report presents an updated fact base, including information about changes to the national and regional economy and current information about Sweet Home's economy.

Employment in Sweet Home has decreased by 20% since 1997, the beginning of the employment forecast in the 2001 Sweet Home EOA. Much of that decrease was in manufacturing and in wood products manufacturing. Sweet Home has a number of opportunities for economic development, including development of existing vacant and underutilized land. Sweet Home's key economic development advantages include: substantial vacant or redevelopable land in the Planned Commercial Recreation zone, capacity in the City's water and wastewater systems to support new large manufacturers, access to natural resources, relatively affordable housing, and high quality of life. These factors make Sweet Home attractive to residents and businesses that want a high quality of life where they live and work.

The purpose of an EOA is to develop information as a basis for policies that capitalize on Sweet Home's opportunities and help address the city's challenges. The EOA includes technical analysis to address a range of questions that Sweet Home faces in managing its commercial and industrial land. For example, the EOA includes an employment forecast that describe how much growth Sweet Home should plan for over the 2017 to 2037 period, and forecasts the amount and type of employment land necessary to accommodate growth in Sweet Home over that period. The EOA also includes an inventory of commercial and industrial land within Sweet Home's urban growth boundary (UGB) to provide information about the amount of land available to accommodate employment growth.

This EOA complies with the requirements of statewide planning Goal 9, the Goal 9 administrative rules (OAR 660 Division 9), and the court decisions that have interpreted them. Goal 9 requires cities to state objectives for economic development (OAR 660-009-0020(1)(a)) and to identify the characteristics of sites needed to accommodate industrial and other employment uses (OAR 660-009-0025(1)) over the 20-year planning period. This approach could be characterized as a *site-based* approach that projects land need based on the forecast for employment growth, the City's economic development objectives, and the specific needs of target industries.

Framework for an Economic Opportunities Analysis

The content of this report is designed to meet the requirements of Oregon Statewide Planning Goal 9 and the administrative rule that implements Goal 9 (OAR 660-009). The analysis in this report is designed to conform to the requirements for an Economic Opportunities Analysis in OAR 660-009 as amended.

1. *Economic Opportunities Analysis (OAR 660-009-0015)*. The Economic Opportunities Analysis (EOA) requires communities to identify the major categories of industrial or other employment uses that could reasonably be expected to locate or expand in the planning area based on information about national, state, regional, county, or local trends; identify the number of sites by type reasonably expected to be needed to accommodate projected employment growth based on the site characteristics typical of expected uses; include an inventory of vacant and developed lands within the planning area designated for industrial or other employment use; and estimate the types and amounts of industrial and other employment uses likely to occur in the planning area. Local governments are also encouraged to assess community economic development potential through a visioning or some other public input based process in conjunction with state agencies.
2. *Industrial and commercial development policies (OAR 660-009-0020)*. Cities with a population over 2,500 are required to develop commercial and industrial development policies based on the EOA. Local comprehensive plans must state the overall objectives for economic development in the planning area and identify categories or particular types of industrial and other employment uses desired by the community. Local comprehensive plans must also include policies that commit the city or county to designate an adequate number of employment sites of suitable sizes, types and locations. The plan must also include policies to provide necessary public facilities and transportation facilities for the planning area.
3. *Designation of lands for industrial and commercial uses (OAR 660-009-0025)*. Cities and counties must adopt measures to implement policies adopted pursuant to OAR 660-009-0020. Appropriate implementation measures include amendments to plan and zone map designations, land use regulations, public facility plans, and transportation system plans. More specifically, plans must identify the approximate number, acreage and characteristics of sites needed to accommodate industrial and other employment uses to implement plan policies, and must designate serviceable land suitable to meet identified site needs.

Organization of this Report

This report is organized as follows:

- **Chapter 2. Buildable Lands Inventory** presents a summary of the inventory of employment lands.
- **Chapter 3. Factors Affecting Future Economic Growth** summarizes historic economic trends that affect current and future economic conditions in Sweet Home, as well as Sweet Home's competitive advantages for economic development.
- **Chapter 4. Employment Growth and Site Needs** presents a forecast for employment growth in Sweet Home and describes the City's target industries as well as site needs for potential growth in industries.
- **Chapter 5. Land Sufficiency and Conclusions** compares the supply of and demand for buildable lands and presents key concluding recommendations for Sweet Home.

This report also includes one appendix:

- **Appendix A, Buildable Lands Inventory**

2. Buildable Lands Inventory

This chapter provides a summary of the commercial and industrial buildable lands inventory (BLI) for the Sweet Home UGB. This buildable lands inventory analysis complies with statewide planning Goal 9 policies that govern planning for employment uses. The full buildable lands inventory completed by ECONorthwest is presented in Appendix A.

Methods, Definitions, and Assumptions

Definitions

ECONorthwest developed the buildable lands inventory with a tax lot database from Linn County GIS. The tax lot database is current as of June 2016. The inventory builds from the database to estimate buildable land by plan designation. The following definitions were used to identify buildable land for inclusion in the inventory:

- *Developed land.* Land that is developed at densities consistent with zoning with improvements that make it unlikely to redevelop during the analysis period.
- *Vacant land.* Tax lots that have no structures or have buildings with very little value. For the purpose of this inventory, employment lands with no improvement values are considered vacant. In addition, this category also includes tax lots larger than five acres where less than one half-acre is occupied by permanent buildings or improvements. Consistent with the 2007 BLI methodology, vacant tax lots less than 3,000 square feet in size are considered undevelopable and not included in this category.
- *Partially vacant land.* Partially vacant tax lots are those occupied by a use, but which contain enough land to be further subdivided without need of rezoning. Partially vacant tax lots are those between one and five acres occupied by a use that could still be further developed based on the zoning. This determination was made through review of aerial imagery.
- *Public or exempt land.* Lands in public ownership are considered unavailable for commercial or industrial development. This includes lands in Federal, State, County, or City ownership, properties with conservation easements, or other lands with an appropriate property tax exemption code. This category only includes public lands that are located in commercial plan designations.
- *Undevelopable land.* Vacant tax lots less than 3,000 square feet in size are considered unavailable for development. This threshold is consistent with the 2007 BLI methodology.

Development Constraints

Consistent with state guidance on buildable lands inventories, ECONorthwest deducted the following constraints from the buildable lands inventory and classified those portions of tax lots that fall within the following areas as constrained, unbuildable land.

- *Land within natural resource protection areas.* The City of Sweet Home’s Wetlands Inventory map was used to identify areas within wetlands. A 75-foot buffer was added to the South Santiam River and 50-foot buffers were added to all other riparian corridors, consistent with Sweet Home Zoning Code 17.72.
- *Land with slopes over 15%.* Lands with slopes over 15% are considered unsuitable for commercial and industrial development.
- *Lands within floodplains.* Lands falling within the FEMA Flood Insurance Rate Map floodway and 100-year floodplain were deducted from the buildable lands inventory.

Results of the Buildable Lands Inventory

Land Base

Exhibit 4 shows commercial and industrial land in Sweet Home by classification (development status). The results show that Sweet Home has 1,428 total acres in tax lots with commercial and industrial plan designations. Of the 1,428 acres in the UGB, about 449 acres (31%) are in classifications with no development capacity, and the remaining 978 acres (69%) may have development capacity.

Exhibit 4. Employment acres by classification and plan designation, Sweet Home UGB, 2016

Plan Designation	Development Capacity		No Development Capacity			Total Acres
	Vacant	Partially Vacant	Developed	Public or Exempt	Undevelopable	
Commercial	726	199	167	51	0.4	1,142
Central Commercial	2	-	34	7	0.2	43
Highway Commercial	24	28	96	17	0.2	166
Mixed Use Residential	61	2	1	7	-	71
Recreation Commercial	638	169	36	20	-	863
Industrial	41	12	225	7	-	285
General Industry	1	-	21	6	-	27
Light Industrial	40	10	25	1	-	76
Heavy Industrial	0	2	179	-	-	182
Total	767	211	391	57	0.4	1,428

Source: Appendix A

Vacant Buildable Land

Exhibit 5 shows unconstrained buildable land for vacant or partially vacant land by plan designation, after constrained land has been removed. The results show that Sweet Home has about 473 unconstrained buildable acres in commercial and industrial plan designations. Of this, 93% (442 acres) is in the Commercial designations and 7% (32 acres) is in Industrial.

The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

Exhibit 5. Unconstrained buildable acres by plan designation, Sweet Home UGB, 2016

Plan Designation	Unconstrained		Total
	Partially Vacant Acres	Unconstrained Vacant Acres	Unconstrained Buildable Acres
Commercial	10	431	442
Central Commercial	-	2	2
Highway Commercial	5	22	28
Mixed Use Residential	1	56	57
Recreation Commercial	4	351	355
Industrial	3	29	32
General Industry	-	1	1
Light Industrial	2	28	30
Heavy Industrial	1	0	1
Total	13	460	473

Source: Appendix A

Note: The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

Exhibit 6 shows unconstrained buildable land for vacant or partially vacant land by plan designation and lot size, after constrained land has been removed. Sweet Home has five parcels larger than 20 acres, all in Recreation Commercial. Sweet Home has 17 tax lots in the 5 to 20 acre size range, 10 of which are in Recreation Commercial, with the others in Mixed Use Residential and Light Industrial. Sweet Home has nine tax lots between 2 and 5 acres and 129 tax lots smaller than two-acres.

Exhibit 6. Unconstrained buildable acres by plan designation and site size, Sweet Home UGB, 2016

Plan Designation	Unconstrained Vacant and Partially Vacant Acre in Taxlots					Total Unconstrained Buildable Acres
	<1	1-2	2-5	5-20	20+	
Total Acres	38	14	32	192	198	473
Commercial	33	12	20	178	198	442
Central Commercial	2	-	-	-	-	2
Highway Commercial	22	1	4	-	-	28
Mixed Use Residential	1	3	-	53	-	57
Recreation Commercial	9	8	15	125	198	355
Industrial	5	2	12	14	-	32
General Industry	1	-	-	-	-	1
Light Industrial	3	2	12	14	-	30
Heavy Industrial	1	-	-	-	-	1
Total Taxlots	120	9	9	17	5	160
Commercial	107	8	5	15	5	140
Central Commercial	10	-	-	-	-	10
Highway Commercial	62	1	1	-	-	64
Mixed Use Residential	1	2	-	5	-	8
Recreation Commercial	34	5	4	10	5	58
Industrial	13	1	4	2	-	20
General Industry	1	-	-	-	-	1
Light Industrial	9	1	4	2	-	16
Heavy Industrial	3	-	-	-	-	3

Source: Appendix A

Note: The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

Exhibit 7 shows Sweet Home's employment land by classification with development constraints. Exhibit 8 shows vacant employment land by land use designation.

Exhibit 7. Employment land by classification with development constraints, Sweet Home UGB, 2016

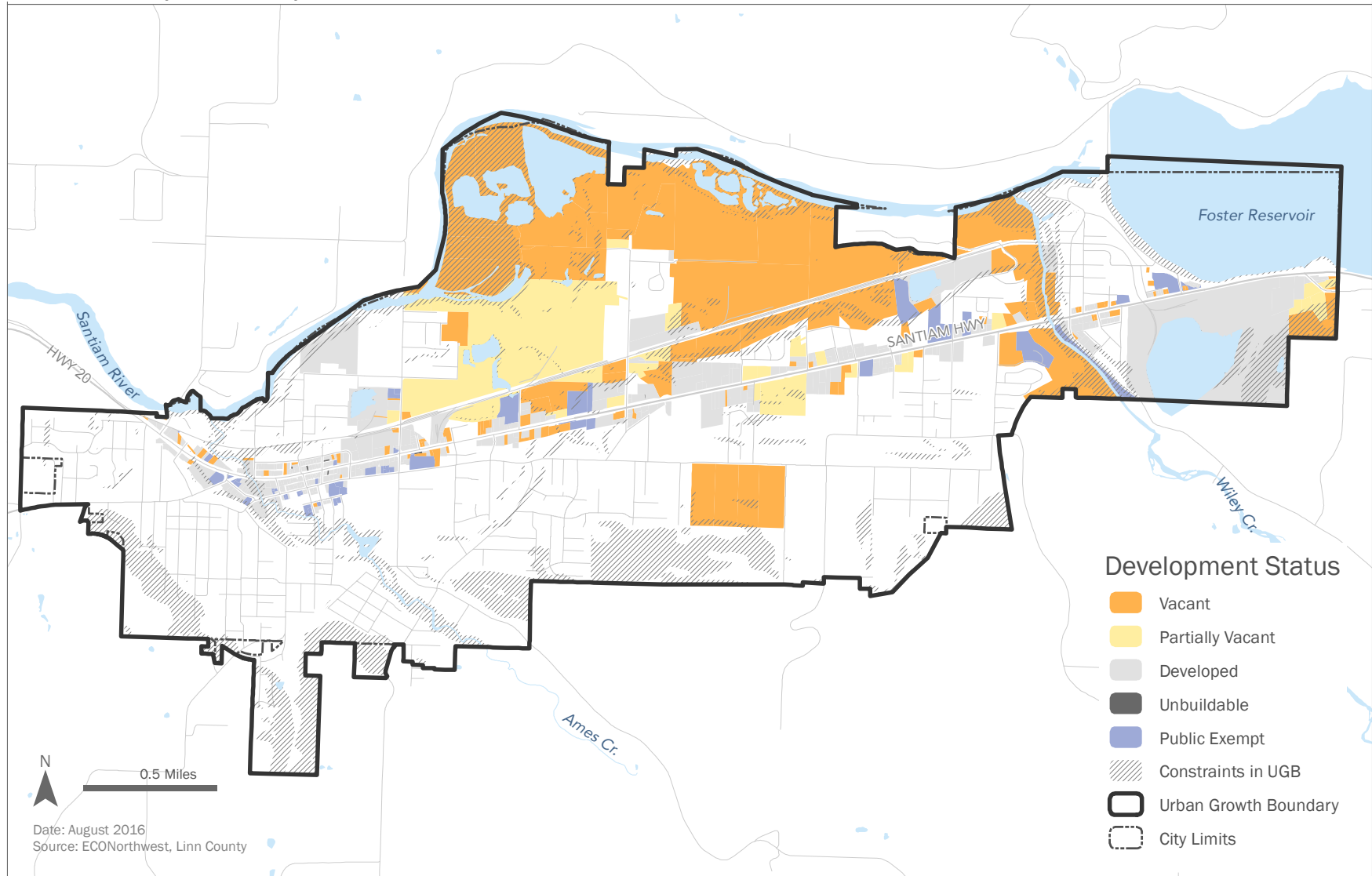
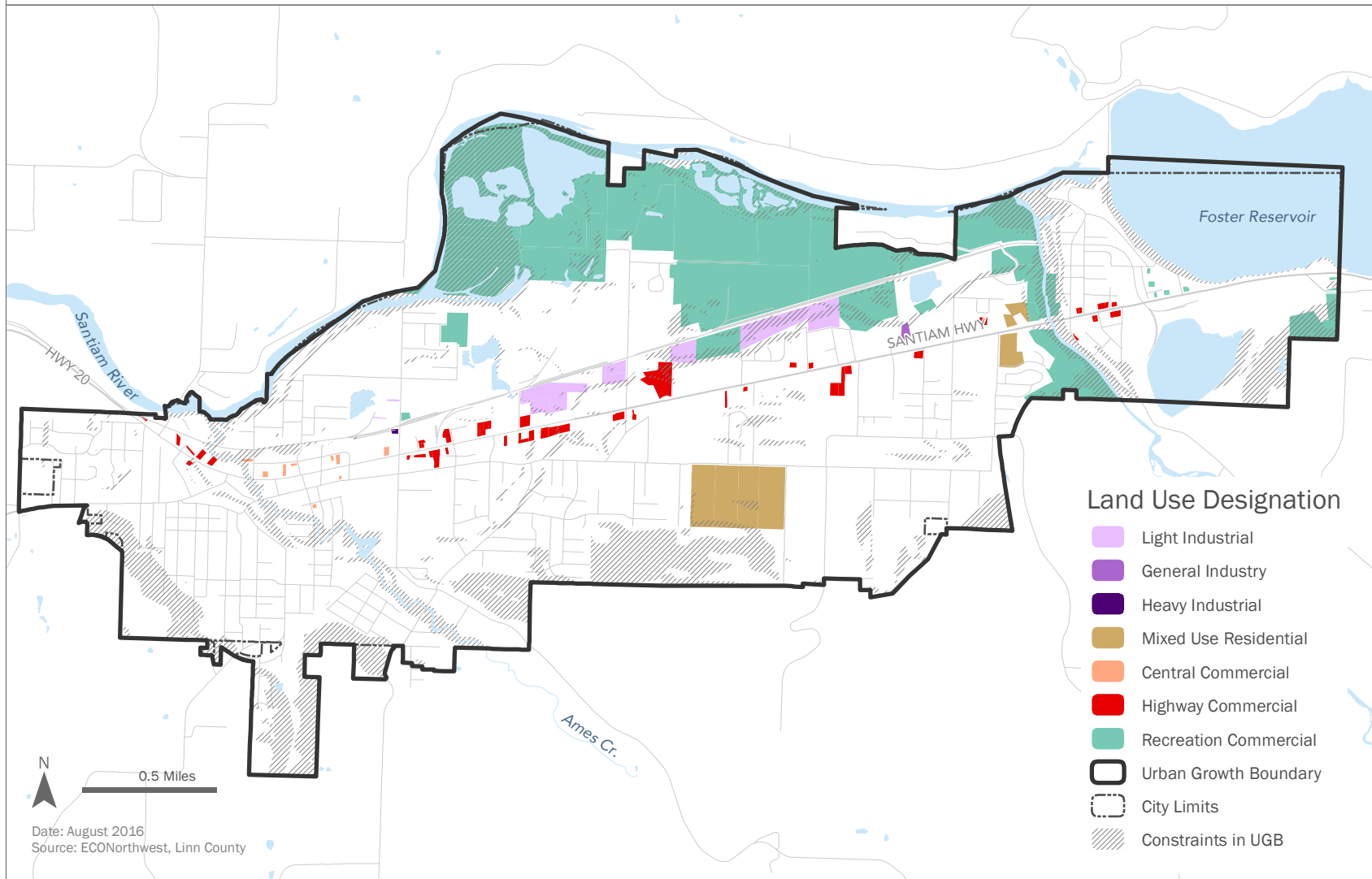


Exhibit 8. Vacant Employment land by Land Use Designation, Sweet Home UGB, 2016



3. Factors Affecting Future Economic Growth

This chapter describes the factors affecting economic growth in Sweet Home, including national and regional economic trends. The analysis will describe Sweet Home’s competitive advantages for growing and attracting businesses, which forms the basis for identifying potential growth industries in Sweet Home.

This chapter will include information to meet requirements of the following tasks in the DLCD grant: Task 2 (Trend Analysis) and parts of Task 5 (Assessment of Potential).

Factors that Affect Economic Development⁴

The fundamental purpose of Goal 9 is to make sure that a local government plans for economic development. The planning literature provides many definitions of economic development, both broad and narrow. Broadly,

“Economic development is the process of improving a community’s well-being through job creation, business growth, and income growth (factors that are typical and reasonable focus of economic development policy), as well as through improvements to the wider social and natural environment that strengthen the economy.”⁵

That definition acknowledges that a community’s wellbeing depends in part on narrower measures of economic wellbeing (e.g., jobs and income) and on other aspects of quality of life (e.g., the social and natural environment). In practice, cities and regions trying to prepare an economic development strategy typically use a narrower definition of economic development: they take it to mean business development, job growth, and job opportunity. The assumptions are that:

- Business and job growth are contributors to and consistent with economic development, increased income, and increased economic welfare. From the municipal point of view, investment and resulting increases in property tax are important outcomes of economic development.
- The evaluation of tradeoffs and balancing of policies to decide whether such growth is likely to lead to overall gains in wellbeing (on average and across all citizens and businesses in a jurisdiction, and all aspects of wellbeing) is something that decision makers do after an economic strategy has been presented to them for consideration.

⁴ The information in this section is based on previous Goal 9 studies conducted by ECONorthwest and the following publication: *An Economic Development Toolbox: Strategies and Methods*, Terry Moore, Stuart Meck, and James Ebenhoh, American Planning Association, Planning Advisory Service Report Number 541, October 2006.

⁵ *An Economic Development Toolbox: Strategies and Methods*, Terry Moore, Stuart Meck, and James Ebenhoh, American Planning Association, Planning Advisory Service Report Number 541, October 2006.

That logic is consistent with the tenet of the Oregon land-use planning program: that all goals matter, no goal dominates, and the challenge is to find a balance of conservation and development that is acceptable to a local government and state. Goal 9 does not dominate, but it legitimizes and requires that a local government focus on the narrower view of economic development: the one that focuses on economic variables.

In that context, a major part of local economic development policy is about local support for business development and job growth; that growth comes from the creation of new firms, the expansion of existing firms, and the relocation or retention of existing firms. Thus, a key question for economic development policy is, *What are the factors that influence business and job growth, and what is the relative importance of each?* This document addresses that question in depth.

What Factors Matter?

Why do firms locate where they do? There is no single answer—different firms choose their locations for different reasons. Key determinates of a location decision are a firm's *factors of production*. For example, a firm that spends a large portion of total costs on unskilled labor will be drawn to locations where labor is relatively inexpensive. A firm with large energy demands will give more weight to locations where energy is relatively inexpensive. In general, firms choose locations they believe will allow them to maximize net revenues: if demand for goods and services are held roughly constant, then revenue maximization is approximated by cost minimization.

The typical categories that economists use to describe a firm's production function are:

- **Labor.** Labor is often the most important factor of production. Other things equal, firms look at productivity—labor output per dollar. Productivity can decrease if certain types of labor are in short supply, which increases the costs by requiring either more pay to acquire the labor that is available, the recruiting of labor from other areas, or the use of the less productive labor that is available locally.
- **Land.** Demand for land depends on the type of firm. Manufacturing firms need more space and tend to prefer suburban locations where land is relatively less expensive and less difficult to develop. Warehousing and distribution firms need to locate close to interstate highways.
- **Local infrastructure.** An important role of government is to increase economic capacity by improving quality and efficiency of infrastructure and facilities, such as roads, bridges, water and sewer systems, airport and cargo facilities, energy systems, and telecommunications.
- **Access to markets.** Though part of infrastructure, transportation merits special attention. Firms need to move their product, either goods or services, to the market, and they rely on access to different modes of transportation to do this.

- **Materials.** Firms producing goods, and even firms producing services, need various materials to develop products that they can sell. Some firms need natural resources (i.e., raw lumber) and others may need intermediate materials (i.e., dimensioned lumber).
- **Entrepreneurship.** This input to production may be thought of as good management, or even more broadly as a spirit of innovation, optimism, and ambition that distinguishes one firm from another even though most of their other factor inputs may be quite similar.

The supply, cost, and quality of any of these factors obviously depend on market factors: on conditions of supply and demand locally, nationally, and even globally. But they also depend on public policy. In general, public policy can affect these factors of production through:

- **Regulation.** Regulations protect the health and safety of a community and help maintain the quality of life. Overly burdensome regulations, however, can be disincentives for businesses to locate in a community. Simplified bureaucracies and straightforward regulations can reduce the burden on businesses and help them react quickly in a competitive marketplace.
- **Taxes.** Firms tend to seek locations where they can optimize their after-tax profits. Tax rates are not a primary location factor—they matter only after businesses have made decisions based on labor, transportation, raw materials, and capital costs. The costs of these production factors are usually similar within a region. Therefore, differences in tax levels across communities within a region are more important in the location decision than are differences in tax levels between regions.
- **Financial incentives.** Governments can offer firms incentives to encourage growth. Most types of financial incentives have had little significant effect on firm location between regions. For manufacturing industries with significant equipment costs, however, property or investment tax credit or abatement incentives can play a significant role in location decisions. Incentives are more effective at redirecting growth within a region than they are at providing a competitive advantage between regions.

This discussion may make it appear that a location decision is based entirely on a straightforward accounting of costs, with the best location being the one with the lowest level of overall costs. Studies of economic development, however, have shown that location decisions depend on a variety of other factors that indirectly affect costs of production. These indirect factors include agglomerative economies (also known as industry clusters), quality of life, and innovative capacity.

- **Industry clusters.** Firms with similar business activities can realize operational savings when they congregate in a single location or region. Clustering can reduce costs by creating economies of scale for suppliers. For this reason, firms tend to locate in areas where there is already a presence of other firms engaged in similar or related activities.
- **Quality of life.** A community that features many quality amenities, such as access to recreational opportunities, culture, low crime, good schools, affordable housing, and a clean environment can attract people simply because it is a nice place to be. A region's quality of life can attract skilled workers, and if the amenities lure enough potential

workers to the region, the excess labor supply pushes their wages down so that firms in the region can find skilled labor for a relatively low cost. The characteristics of local communities can affect the distribution of economic development within a region, with different communities appealing to different types of workers and business owners. Sometimes location decisions by business owners are based on an emotional or historical attachment to a place or set of amenities, without much regard for the cost of other factors of production.

- **Innovative capacity.** Increasing evidence suggests that a culture promoting innovation, creativity, flexibility, and adaptability is essential to keeping U.S. cities economically vital and internationally competitive. Innovation is particularly important in industries that require an educated workforce. High-tech companies need to have access to new ideas typically associated with a university or research institute. Innovation affects both the overall level and type of economic development in a region. Government can be a key part of a community's innovative culture, through the provision of services and regulation of development and business activities that are responsive to the changing needs of business.

How Important Are These Factors?

To understand how changes in public policies affect local job growth, economists have attempted to identify the importance for firms of different locational factors. They have used statistical models, surveys, and case studies to examine detailed data on the key factors that enter the business location decision.

Economic theory says that firms locate where they can reduce the costs of their factors of production (assuming demand for products and any other factors are held constant). Firms locate in regions where they have access to inputs that meet their quality standards, at a relatively low cost. Because firms are different, the relative importance of different factors of production varies both across industries and, even more importantly, across firms.

No empirical analysis can completely quantify firm location factors because numerous methodological problems make any analysis difficult. For example, some would argue simplistically that firms would prefer locating in a region with a low tax rate to reduce tax expenses. However, the real issue is the value provided by the community for the taxes collected. Because taxes fund public infrastructure that firms need, such as roads, water, and sewer systems, regions with low tax rates may end up with poor infrastructure, making it less attractive to firms. When competing jurisdictions have roughly comparable public services (type, cost, and quality) and quality of life, then tax rates (and tax breaks) can make a difference.

Further complicating any analysis is the fact that many researchers have used public expenditures as a proxy for infrastructure quality. But large expenditures on roads do not necessarily equal a quality road system. It is possible that the money has been spent ineffectively and the road system is in poor condition.

An important aspect of this discussion is that the business function at a location matters more than a firm's industry. A single company may have offices spread across cities, with headquarters located in a cosmopolitan metropolitan area, the research and development divisions located near a concentration of universities, the back office in a suburban location, and manufacturing and distribution located in areas with cheap land and good interstate access.

The location decisions of businesses are primarily based on the availability and cost of labor, transportation, raw materials, and capital. The availability and cost of these production factors are usually similar within a region. Most economic development strategies available to local governments, however, only indirectly affect the cost of these primary location factors. Local governments can most easily affect tax rates, public services, and regulatory policies. Economists generally agree that these factors do affect economic development, but the effects on economic development are modest. Thus, most of the strategies available to local governments have only a modest effect on the level and type of economic development in the community.

Local governments in Oregon also play a central role in the provision of buildable land through inclusion of lands in the Urban Growth Boundary, as well as through determination of plan designations and zoning, and through provision of public services. Obviously, businesses need buildable land to locate or expand in a community. Providing buildable land alone is not sufficient to guarantee economic development in a community – market conditions must create demand for this land, and local factors of production must be favorable for business activity. In the context of expected economic growth and the perception of a constrained land supply in Linn County, the provision of buildable land has the potential to strongly influence the level and type of economic development in Sweet Home. The provision of buildable land is one of the most direct ways that the City of Sweet Home can affect the level and type of economic development in the community.

Summary of the Effects of National, State, and Regional Trends on Economic Development in Sweet Home

This section presents the implications of national, state, and regional economic trends on economic growth in Sweet Home. The details of these trends are presented in the rest of Chapter 3.

National, State, and Regional Economic Trends	Implications for Economic Growth in Sweet Home
<p>Moderate growth rates and recovery from the national recession</p> <p>The national economy is continuing to recover slowly from the 2007-2009 recession. It is expected to continue growing at about 2% per year through 2020.⁶</p> <p>Unemployment at the national level has gradually declined since the height of the recession. Unemployment is expected to remain below 5% through 2020.⁷</p> <p>Unemployment rates in Oregon are typically higher than those of the nation as a whole.</p> <p>The federal government’s economic forecast predicts a moderate pace of economic growth, with gradual increases in employment and real GDP (roughly 2% through the end of 2020).</p> <p>IHS Economic projects that Oregon’s economy will be the fifth-fastest growing among all state’s in the US, averaging annual growth of about 3.5% through 2020. Though the Oregon Office of Economic Analysis expects a slightly slower rate, it still expects the Oregon to exceed the national average.⁸</p>	<p>Economic growth in Linn County—in measures such as employment growth, unemployment rates, and wage growth—will be markedly improved from previous years (i.e. since 2007).</p> <p>Employment in Linn County grew at about 0.5% annually over the 2000 to 2015 period, while population grew at about 1.1% over the same period. However, employment in Sweet Home decreased over the 1997 to 2014 period by nearly 550 jobs, at a -1.5% average annual growth rate.</p> <p>The rate of employment growth in Sweet Home will depend, in part, on the rate of employment growth in Oregon and the nation. The Oregon Office of Economic Analysis forecasts that employment in the Linn and Benton will grow by about 8% between 2014 and 2024, at an average annual growth rate of 0.7%. Health Services, Trade, Transportation, and Utilities, Government, and Leisure and Hospitality will make up the majority of the Region’s growth.</p>

⁶ Congressional Budget Office. An Update to the Budget and Economic Outlook: 2016-202. August 2016. <https://www.cbo.gov/publication/51908>

⁷ “Congressional Budget Office. An Update to the Budget and Economic Outlook: 2016-202. August 2016. <https://www.cbo.gov/publication/51908>

⁸ IHS Economics in “Oregon Economic and Revenue Forecast,” Oregon Office of Economic Analysis, Dec 2015. <http://www.oregon.gov/DAS/OEA/docs/economic/forecast1215.pdf>

National, State, and Regional Economic Trends	Implications for Economic Growth in Sweet Home
<p>Growth of service-oriented sectors</p> <p>Increased worker productivity and the international outsourcing of routine tasks led to declines in employment in the major goods-producing industries. Projections from the Bureau of Labor Statistics indicate that U.S. employment growth will continue to be strongest in healthcare and social assistance, professional and business services, and other service industries. Construction employment will grow with the economy, but manufacturing employment will decline. These trends are also expected to affect the composition of Oregon's economy, although manufacturing in Oregon will grow.</p>	<p>The changes in employment in Linn County have followed similar trends as changes in national and state employment. The sectors with the greatest change in share of employment since 1980 were in Services.</p> <p>The Oregon Employment Department forecasts that the sectors likely to have the most employment growth in Linn and Benton Counties over the 2014 to 2024 period are: Health Services, Trade, Transportation, and Utilities, Government, and Leisure and Hospitality. These sectors represent employment opportunities for Sweet Home.</p>
<p>Lack of diversity in Oregon's economy</p> <p>Oregon's economy has diversified since the 1960's, but Oregon continues to rank low in economic diversity among states.</p> <p>These rankings suggest that Oregon is still heavily dependent on a limited number of industries. Relatively low economic diversity increases the risk of economic volatility as measured by changes in output or employment.</p>	<p>Data from the Oregon Employment Department shows that employment in Sweet Home is currently concentrated in a few sectors: Government (primarily local government), Retail Trade, Accommodations and Food Services, Manufacturing, and Health Care and Social Assistance.</p> <p>Employment in the Government and Manufacturing sectors pay above Sweet Home's average wage of \$29,800. Employment in Retail Trade and Accommodations and Food Services pays below Sweet Home's average wage and employment may be volatile.</p> <p>Between 1997 and 2014, manufacturing employment decreased in Sweet Home by about 420 jobs. Most of this decrease can be attributed to changes in the wood products industry, with consolidation of mills and other wood products manufacturing. This decline in manufacturing, however, does not mean that Sweet Home will continue to see decreases in employment in manufacturing. As manufacturing continues to change, the City may have increases from manufacturers that prefer a more rural location, with a high quality of life.</p> <p>Sweet Home's employment in traded-sectors is primarily in manufacturing. Sweet Home's manufacturing employment is concentrated in Wood Product Manufacturing and Fabricated Metal Product Manufacturing.</p> <p>Opportunities for growth of traded-sector employment include manufacturing of: primary and secondary wood product manufacturing, specialty food and beverage manufacturing, forest products, and renewable and alternative energy products.</p>

National, State, and Regional Economic Trends	Implications for Economic Growth in Sweet Home
<p>Importance of small businesses in Oregon's economy</p> <p>Small business, with 100 or fewer employees, account for 41% of private-sector employment in Oregon. Workers of small businesses typically have had lower wages than the state average.</p>	<p>The average size for a private business in Sweet Home is 5.9 employees per business, compared to the State average of 11 employees per private business.</p> <p>Businesses with 100 or fewer employees account for roughly 91% of private employment in Sweet Home (businesses with 10 or fewer employees account for 39% of private employment).</p> <p>Growth of small businesses presents significant opportunities for economic growth in Sweet Home. The community's location, small town atmosphere, and natural beauty make it attractive to entrepreneurs who want to locate and grow their business in a city like Sweet Home.</p>
<p>Availability of trained and skilled labor</p> <p>Businesses in Oregon are generally able to fill jobs, either from available workers living within the State or by attracting skilled workers from outside of the State.</p> <p>Availability of labor depends, in part, on population growth and in-migration. Oregon added more than 1,120,000 new residents and about 465,000 new jobs between 1990 and 2014. The population-employment ratio for the State was about 2.2 residents per job over the 24-year period.</p> <p>Availability of labor also depends on workers' willingness to commute. Workers in Oregon typically have a commute that is 30 minutes or shorter. More than half of people who work at businesses located in cities in the Willamette Valley commute into the city for work, from a residence outside of the city (e.g., 58% of workers commuted into Portland for work in 2011, from their place of residence outside of Portland).</p> <p>Availability of skilled workers depends, in part, on educational attainment. About 30% of Oregon's workers have a Bachelor's degree or higher.</p>	<p>About 76% of workers at businesses located in Sweet Home lived in Linn County, and 39% lived within Sweet Home city limits. Firms in Sweet Home attracted workers from the Willamette Valley. Over 61% of workers in Sweet Home commuted into the City from elsewhere, including from Lebanon (5% of Sweet Home workers), Albany (3%), and Corvallis (2%). These commuting patterns are similar to commuting in other cities in the Willamette Valley.</p> <p>Sweet Home's labor force participation rate was 52% in 2010-2014, compared to the State average of 62%.</p> <p>Sweet Home's labor force participation rate decreased from 55% in 2000 to 46% in 2005-2009. It increased, with recovery from the 2007-2009 recession, to 52%.</p> <p>That means that nearly half of the residents of Sweet Home were not in the labor force. This can be explained in part because Sweet Home has a larger share of population less likely to be in the labor force, including those older than 65 and younger than 20 years old. It may also be that some people living in Sweet Home who are in their prime working years are not counted in the labor force, either because they have non-traditional employment or because they do not work (either from necessity or choice).</p> <p>Sweet Home's residents were more likely to have completed some college or earned an Associate's degree (37%) than the State average (35%).</p> <p>Businesses in Sweet Home may have difficulties finding qualified workers, especially workers living in Sweet Home. Businesses at cities across the Willamette Valley have similar concerns about labor force availability.</p>

National, State, and Regional Economic Trends	Implications for Economic Growth in Sweet Home
<p>Aging of the population</p> <p>The number of Oregonians aged 65 and older will nearly double between 2015 and 2050, while the number of people under age 65 will grow by only about 29%. The economic effects of this demographic change include a slowing of the growth of the labor force, an increase in the demand for healthcare services, and an increase in the percent of the federal budget dedicated to Social Security and Medicare.</p> <p>Furthermore, people are retiring later than previous generations and continuing to work past 65 years old. This trend is seen both at the national and State levels. Even given this trend, the need for workers to replace retiring Baby Boomers will outpace job growth. Management occupations and teachers will have the greatest need for replacement workers because these occupations have older-than-average workforces</p>	<p>The changes in the Linn County and Sweet Home age structure are similar to that of the State, with the most growth observed in people 60 years and older.</p> <p>The State projects that the share of the population over the age of 60 in the Linn County will increase from 24% to 27% from 2015 to 2035.</p> <p>Firms in Sweet Home will need to replace workers as they retire. Demand for replacement workers is likely to outpace job growth in Sweet Home, consistent with State trends. Given the CBO's forecast of relatively low unemployment rates (about 4.9% through 2026), businesses in Sweet Home (and throughout the State) may have difficulties finding replacement workers.</p>
<p>Increases in energy prices</p> <p>Although energy prices are currently low by historical standards, over the long-term, energy prices are forecast to return to relatively high levels, as the economy and the population grow.</p> <p>As energy prices increase over the planning period, energy consumption for transportation may decrease. Increasing energy prices may decrease willingness to commute long distances. However the impact on transportation costs from energy prices may be partly offset by increased energy efficiency of vehicles and stricter emissions standards.</p>	<p>In 2016, low energy prices continued to keep the costs of commuting relative low. Over the long-term, if energy prices increase, these higher prices will likely affect the mode of commuting before affecting workers' willingness to commute. For example, commuters may choose to purchase a more energy-efficient car, use the bus, or carpool.</p> <p>Very large increases in energy prices may affect workers' willingness to commute, especially workers living the furthest from Sweet Home or workers with lower paying jobs.</p> <p>In addition, very large increases in energy prices may make shipping freight long distances less economically feasible, resulting in a slow-down or reversal of off-shore manufacturing, especially of large, bulky goods.</p>

National, State, and Regional Economic Trends	Implications for Economic Growth in Sweet Home
<p>Comparatively low wages</p> <p>The income of a region affects the workforce and the types of businesses attracted to the region. Average income affects workers and businesses in different ways. Workers may be attracted to a region with higher average wage or high wage jobs. Businesses, however, may prefer to locate in regions with lower wages where the cost of doing business may be lower.</p> <p>Since the early 1980's, Oregon's per capita personal income has been consistently lower than the U.S. average. In 2014, Oregon's per capita wage was 91% of the national average. From 2000 to 2014 nominal wages in the nation grew by 46% from \$35,300 to \$51,400, while wages in Oregon increased by only 42% from \$32,800 to \$46,500.</p>	<p>Income in Oregon has historically been below national averages. Linn County's per capita personal income has remained beneath that of the State and the nation. While the County's average wages followed a similar trend as personal income, they remained below the State in both 2000 and 2014. In 2014, Linn County's average wage of about \$38,313 compared to the State (\$46,515).</p> <p>There are three basic reasons that wages are lower in Oregon and Linn County than in the U.S. (1) wages for similar jobs are lower; (2) the occupational mix of employment is weighted towards lower paying occupations; (3) a large proportion of Linn County's population is retired.</p> <p>In addition, wages in Linn County and Oregon tend to be more volatile than the national average. The major reasons for this volatility is the relative lack of diversity in the State and County economy.</p>
<p>Education as a determinant of wages</p> <p>The majority of the fastest growing occupations will require an academic degree, and on average they will yield higher incomes than occupations that do not require an academic degree.</p> <p>The fastest growing occupations requiring an academic degree will be: industrial-organizational psychologists, interpreters and translators, diagnostic medical sonographers, occupational therapy assistants, genetic counselors, physical therapist assistants, and physician assistants. Occupations that do not require an academic degree (e.g., retail sales person, food preparation workers, and home care aides) will grow, accounting for almost two-thirds of all new jobs by 2022. These occupations typically have lower pay than occupations requiring an academic degree.</p> <p>The national median income for people over the age of 25 in 2014 was about \$43,628. Workers without a high school diploma earned \$18,252 less than the median income, and workers with a high school diploma earned \$8,892 less than median income. Workers with some college earned \$5,096 less than median income, and workers with a bachelor's degree earned \$13,624 more than median. Workers in Oregon experience the same patterns as the nation, but pay is generally lower in Oregon than the national average.</p>	<p>Sweet Home's residents were more likely to have completed some college or received an Associate's Degree, compared to Oregon residents as a whole (37% versus 35%), though Sweet Home's residents were less likely to hold a Bachelor's, graduate, or professional degree (12% versus 30%).</p> <p>Average wages in Sweet Home are relatively low. For example, the median household income in Sweet Home in the 2010-14 period was about \$36,387, compared to \$50,521 in the State. This difference may be due to the shifting employment trend toward a more service-based labor force. On average, wages for service-based jobs are lower in comparison to more technical jobs such as manufacturing.</p> <p>Businesses that locate in Sweet Home and need unskilled or semi-skilled labor may find local labor available. However, businesses that need highly educated workers will need to draw from the labor pool of the Willamette Valley region.</p>

National, State, and Regional Economic Trends	Implications for Economic Growth in Sweet Home
<p>Importance of high quality natural resources</p> <p>The relationship between natural resources and local economies has changed as the economy has shifted away from resource extraction. Increases in the population and in households' incomes, plus changes in tastes and preferences, have dramatically increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities. Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.</p>	<p>The region's high quality natural resources present economic growth opportunities for Sweet Home, ranging from specialty forest products to amenities that attract visitors and contribute to the region's high quality of life.</p> <p>Sweet Home's access to areas with a range of high-quality recreational options provide opportunities for development of tourism related businesses.</p>

National Trends

Economic development in Sweet Home over the next 20 years will occur in the context of long-run national trends. The most important of these trends include:

- **Economic growth will continue at a moderate pace.** Analysis from the Congressional Budget Office (CBO) predicts moderate growth: 2.4% in 2017, and 2.0% in 2018-2019. Increases in consumer spending, business investment, and residential investment are expected to drive this growth.

The unemployment rate is expected to decrease to 4.5% by the fourth quarter of 2017, and remain relatively steady at 4.9% in later years. Growth in hourly compensation will increase labor force participation, slowing its longer-term decline.

Beyond 2019, CBO projects that output will increase by 2.0% per year, higher than 2008-2014 growth, but lower than the growth in the 1980's, 1990's, and early 2000's, mainly due to slower labor force growth. Unemployment is expected to be 4.9% from 2021-2026.⁹

The aging of the baby boomer generation, accompanied by increases in life expectancy. As the baby boomer generation continues to retire, the number of Social Security recipients is expected to increase from 60 million in 2016 to nearly 100 million in 2040, a 67% increase. However, due to lower-birth rate replacement generations, the number of people aged 20 to 64 is only expected to increase 10% over the same time period. Thus, the number of workers per Social Security beneficiary will decline. The ratio of covered workers per beneficiary is expected to decline from 3 to 1 in 2015, to 2 to 1 in 2040. This will increase the percent of the federal budget dedicated to Social Security and Medicare or require changes to program eligibility.¹⁰

Baby boomers are expecting to work longer than previous generations. An increasing proportion of people in their early to mid-50s expect to work full-time after age 65. In 2004, about 40% of these workers expect to work full-time after age 65, compared with about 30% in 1992.¹¹ This trend can be seen in Oregon, where the share of workers 65 years and older grew from 2.9% of the workforce in 2000 to 4.1% of the workforce in 2010, an increase of 41%. Over the same ten-year period, workers 45 to 64 years increased by 15%.¹²

- **Need for replacement workers.** The need for workers to replace retiring baby boomers will outpace job growth. According to the Bureau of Labor Statistics, there will be 46.5

⁹ Congressional Budget Office. An Update to the Budget and Economic Outlook: 2016-2026. August 2016. <https://www.cbo.gov/publication/51908>

¹⁰ Congressional Budget Office. Social Security Policy Option, 2015. December 2015. <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51011-SocSecOptions-2.pdf>

¹¹ "The Health and Retirement Study," 2007, National Institute of Aging, National Institutes of Health, U.S. Department of Health and Human Services.

¹² Analysis of 2000 Decennial Census data and 2010 U.S. Census American Community Survey, 1-Year Estimates for the table Sex by Age by Employment Status for the Population 16 Years and Over

million total job openings over the 2014-2024 period, more than three-quarters of which are from replacement needs. Almost two thirds of job openings are in occupations that do not require postsecondary education.¹³

- **The importance of education as a determinant of wages and household income.** According to the Bureau of Labor Statistics, a majority of the fastest growing occupations will require an academic degree, and on average, they will yield higher incomes than occupations that do not require an academic degree. The fastest growing occupations requiring an academic degree will be: industrial-organizational psychologists, interpreters and translators, diagnostic medical sonographers, occupational therapy assistants, genetic counselors, physical therapists, nurse practitioners, statisticians, and physician assistants. Occupations that do not require an academic degree (e.g., retail sales person, food preparation workers, and home care aides) will grow, accounting for slightly more than two-thirds of all new jobs by 2024. These occupations typically have lower pay than occupations requiring an academic degree.¹⁴

The national median income for people over the age of 25 in 2014 was about \$43,628. Workers without a high school diploma earned \$18,252 less than the median income, and workers with a high school diploma earned \$8,892 less than median income. Workers with some college earned \$5,096 less than median income, and workers with a bachelor's degree earned \$13,624 more than median. Workers in Oregon experience the same patterns as the nation, but pay is generally lower in Oregon than the national average.¹⁵

- **Increases in labor productivity.** Productivity, as measured by output per hour of labor input, increased in most sectors over between 2000 and 2010, peaking in 2000 and 2007. However, productivity increases were interrupted by the recession. After productivity decreases from 2009 to 2009, many industries saw large productivity increases from 2009 to 2010. Industries with the fastest productivity growth were Information Technology-related industries. These include wireless telecommunications carriers, computer and peripheral equipment manufacturing, electronics and appliance stores, and commercial equipment manufacturing wholesalers.¹⁶
- **The importance of high-quality natural resources.** The relationship between natural resources and local economies has changed as the economy has shifted away from resource extraction. High-quality natural resources continue to be important in some states, especially in the Western U.S. Increases in the population and in household incomes, plus changes in tastes and preferences, have dramatically increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities.

¹³ "Occupational Employment Projections to 2014-2024," Bureau of Labor Statistics, December 2015.

¹⁴ "Occupational Employment Projections to 2014-2024," Bureau of Labor Statistics, December 2015.

¹⁵ Bureau of Labor Statistics, Employment Projections, April 2015. http://www.bls.gov/emp/ep_chart_001.htm

¹⁶ Brill, Michael R. and Samuel T. Rowe, "Industry Labor Productivity Trends from 2000 to 2010." Bureau of Labor Statistics, *Spotlight on Statistics*, March 2013.

Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.¹⁷

- **Continued increase in demand for energy.** Energy prices are forecasted to increase over the planning period. While energy use per capita is expected to decrease to 2040, total energy consumption will increase with rising population. Energy consumption is expected to grow primarily from industrial and (to a lesser extent) commercial users, and slightly decrease in the residential sector. Energy consumption for transportation is expected to decrease, due to increased federal standards and increased technology for energy efficiency in vehicles.

Energy consumption by type of fuel is expected to change over the planning period. By 2040, the U.S. will consume a little less oil and coal and more natural gas and renewables. Despite increases in energy efficiency and decreases in demand for energy by some industries, demand for energy is expected to increase over the 2013 to 2040 period because of increases in population and economic activity.¹⁸

- **Impact of rising energy prices on commuting patterns.** As energy prices increase over the planning period, transportation energy consumption will decrease. Increasing energy prices may decrease willingness to commute long distances.¹⁹ The increases in energy prices, may impact willingness to commute long distances, but may be partly offset by increased energy efficiency of vehicles and stricter emissions standards. Vehicle miles traveled (VMT) are expected to increase through 2040.
- **Possible effect of rising transportation and fuel prices on globalization.** Increases in globalization are related to the cost of transportation: When transportation is less expensive, companies move production to areas with lower labor costs. Oregon has benefited from this trend, with domestic outsourcing of call centers and other back office functions. In other cases, businesses in Oregon (and the nation) have “off-shored” employment to other countries, most frequently manufacturing jobs.

Increases in either transportation or labor costs may impact globalization. When the wage gap between two areas is larger than the additional costs of transporting goods, companies are likely to shift operations to an area with lower labor costs. Conversely, when transportation costs increase, companies may have incentive to relocate to be closer to suppliers or consumers.

This effect occurs incrementally over time, and it is difficult to measure the impact in the short-term. If fuel prices and transportation costs decrease over the planning

¹⁷ For a more thorough discussion of relevant research, see, for example, Power, T.M. and R.N. Barrett. 2001. *Post-Cowboy Economics: Pay and Prosperity in the New American West*. Island Press, and Kim, K.-K., D.W. Marcouiller, and S.C. Deller. 2005. “Natural Amenities and Rural Development: Understanding Spatial and Distributional Attributes.” *Growth and Change* 36 (2): 273-297.

¹⁸ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040*, U.S. Department of Energy, April 2015.

¹⁹ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040 Early Release Overview*, U.S. Department of Energy, April 2015.

period, businesses may not make the decision to relocate (based on transportation costs) because the benefits of being closer to suppliers and markets may not exceed the costs of relocation.

- **Potential impacts of global climate change.** There is a consensus among the scientific community that global climate change is occurring and will have important ecological, social, and economic consequences over the coming decades and beyond.²⁰ Extensive research shows that Oregon and other western states already have experienced noticeable changes in climate and predicts that more change will occur in the future.²¹

In the Pacific Northwest, climate change is likely to (1) increase average annual temperatures, (2) increase the number and duration of heat waves, (3) increase the amount of precipitation falling as rain during the year, (4) increase the intensity of rainfall events, and (5) increase sea level. These changes are also likely to reduce winter snowpack and shift the timing of spring runoff earlier in the year.²²

These anticipated changes point toward some of the ways that climate change is likely to impact ecological systems and the goods and services they provide. There is considerable uncertainty about how long it would take for some of the impacts to materialize and the magnitude of the associated economic consequences. As the process of climate change continues, changes in the climate will affect businesses across the Pacific Northwest and the world.

Short-term national trends will also affect economic growth in the region, but these trends are difficult to predict. At times, these trends may run counter to the long-term trends described above. A recent example is the downturn in economic activity in 2008 and 2009 following declines in the housing market and the mortgage banking crisis. The result of the economic downturn was a decrease in employment related to the housing market, such as construction and real estate. As these industries recover, they will continue to play a significant role in the national, state, and local economy over the long run. This report takes a long-run perspective on

²⁰ Karl, T.R., J.M. Melillo, and T.C. Peterson, eds. 2009. *Global Climate Change Impacts in the United States*. U.S. Global Change Research Program. June. Retrieved June 16, 2009, from www.globalchange.gov/usimpacts; and Pachauri, R.K. and A. Reisinger, eds. 2007. *Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II, and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*.

²¹ Doppelt, B., R. Hamilton, C. Deacon Williams, et al. 2009. *Preparing for Climate Change in the Upper Willamette River Basin of Western Oregon*. Climate Leadership Initiative, Institute for a Sustainable Environment, University of Oregon. March. and Doppelt, B., R. Hamilton, C. Deacon Williams, et al. 2009. *Preparing for Climate Change in the Rogue River Basin of Southwest Oregon*. Climate Leadership Initiative, Institute for a Sustainable Environment, University of Oregon. March.

²² Mote, P., E. Salathe, V. Duliere, and E. Jump. 2008. *Scenarios of Future Climate for the Pacific Northwest*. Climate Impacts Group, University of Washington. March.; Littell, J.S., M. McGuire Elsner, L.C. Whitely Binder, and A.K. Snover (eds). 2009. "The Washington Climate Change Impacts Assessment: Evaluating Washington's Future in a Changing Climate - Executive Summary." *In The Washington Climate Change Impacts Assessment: Evaluating Washington's Future in a Changing Climate*, Climate Impacts Group, University of Washington.; Madsen, T. and E. Figdor. 2007. *When it Rains, it Pours: Global Warming and the Rising Frequency of Extreme Precipitation in the United States*. Environment America Research & Policy Center and Frontier Group.; and Mote, P.W. 2006. "Climate-driven variability and trends in mountain snowpack in western North America." *Journal of Climate* 19(23): 6209-6220.

economic conditions (as the Goal 9 requirements intend) and does not attempt to predict the impacts of short-run national business cycles on employment or economic activity.

State, Regional, and Local Trends

Short-Term Trends

Oregon is on its way to recovery from the recent recession, although according to the Oregon Office of Economic Analysis (OEA), the “full throttle growth” seen in 2013-2014 has begun to decelerate. Average wages are increasing at 3-4% per year, outpacing inflation, although wages are still lower than in many other state. Over the past year, Oregon added more than 50,000 jobs, a 2.8% growth rate. The professional and business services, health services, and leisure and hospitality industries have accounted for more than half of total growth in the State. Oregon continues to have an advantage in jobs compared to other states, due to its industrial sector and in-migration flows. However, Oregon has not completely healed from the recession, highlighted by the fact that a majority of Oregon households have lower income today (adjusted for inflation) than before the Great Recession. Although the State is at or near full employment, the labor force participation rate remains lower than expected.²³ Economic growth in Oregon is continue at healthy rates, but to continue to slow as the baby boomers retire.²⁴

The housing market is continuing to recover. Oregon is seeing high household formation rates, which is good for the housing market. However, supply (both rental and ownership) of housing has not kept pace with housing demand, causing home prices and rents to rise. If construction cannot keep pace with household growth, housing affordability will become a greater issue. The OEA expects construction to increase over the next three years, relieving some of this pressure.²⁵

The Oregon Index of Leading Indicators show “no real sustained movement in either direction.” The leading indicators showing improvement are: housing permits, historically low initial claims for unemployment, withholdings out of wages and salaries, and various manufacturing indicators. However, negative indicators include falling consumer sentiment, lower numbers of help wanted ads, falling rates of Oregon incorporations, and low capital goods orders.²⁶

Oregon’s economic health is dependent on the export market. The value of Oregon exports in 2015 was \$20 billion. The countries that Oregon has the most exports to are China (24% of total Oregon exports), Canada (13%), Malaysia (12%), Japan (7%), South Korea (5%), and Taiwan (4%).²⁷ With the stabilization of Oregon’s dollar, Oregon’s exports have rebounded.²⁸ The

²³ Office of Economic Analysis. Oregon Economic and Revenue Forecast, November 2016. Vol. XXXVI, No. 4., page 4 <http://www.oregon.gov/DAS/OEA/docs/economic/forecast0915.pdf>

²⁴ Office of Economic Analysis. Oregon Economic and Revenue Forecast, November 2016. Vol. XXXVI, No. 4, page 13.

²⁵ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 18.

²⁶ Office of Economic Analysis. Oregon Economic and Revenue Forecast, November 2016. Vol. XXXVI, No. 4, page 10.

²⁷ United States Census. State Exports from Oregon, 2012-2015.

<https://www.census.gov/foreign-trade/statistics/state/data/or.html>

²⁸ Office of Economic Analysis. Oregon Economic and Revenue Forecast, December 2016. Vol. XXXVI, No. 4, page 3

economic slowdown across many parts of Asia will continue to affect the Oregon economy. However, the Trans-Pacific Partnership, a bill that would reduce trade barriers if approved, is expected to increase Oregon exports to participating countries (such as Malaysia, Japan, and Canada).

Long-Term Trends

State trends will also affect economic development in Sweet Home over the next 20 years. The most important of these trends include: continued in-migration from other states change in the types of industries in Oregon, and the importance of small businesses to economic growth in Oregon.

- **Continued in-migration from other states.** Oregon will continue to experience in-migration (more people moving *to* Oregon than *from* Oregon) from other states, especially California and Washington. From 1990 to 2015, Oregon's population increased by almost 1.2 million, 65% of which was from people moving into Oregon (net migration). The average annual increase in population from net migration over the same time period was just over 29,000. During the early- to mid-1990s, Oregon's net migration was highest, reaching over 60,000 in 1991, with another smaller peak in the mid 2000s. Net migration has increased dramatically since the Great Recession; in 2015, more than 40,000 migrated to Oregon. Oregon hasn't seen negative net migration since a period of negative net migration in the early- to mid-1980s.²⁹
- **Forecast of job growth.** Total nonfarm employment is expected to increase from 1.8 million in 2015 to just under 2 million in 2020, an increase of 182,000 jobs. The industries with the largest growth will be Professional and Business Services, Leisure and Hospitality, Health Services, and Retail Trade, accounting for 61% of the forecasted growth.³⁰
- **Continued importance of manufacturing to Oregon's economy.** Oregon's exports totaled \$19.4 billion in 2008, nearly doubling since 2000, and reached \$21 billion in 2014. In 2015, exports are on track to meet 2014's exports. The majority of Oregon exports go to countries along the Pacific Rim, with Canada, China, Japan, Korea, and Malaysia as top destinations. Oregon's largest exports are tied to high-tech and mining, as well as agricultural products.³¹
- **Shift in manufacturing from natural resource-based to high-tech and other manufacturing industries.** Since 1970, Oregon started to transition away from reliance on traditional resource-extraction industries. A significant indicator of this transition is the shift within Oregon's manufacturing sector, with a decline in the level of employment in the Lumber & Wood Products industry and concurrent growth of

²⁹ Portland State University Population Research Center. 2015 Annual Population Report. April 2016. <https://www.pdx.edu/prc/population-reports-estimates>

³⁰ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 48.

³¹ Oregon Office of Economic Analysis. Oregon Exports 2015: Destination Countries. August 2015. <http://oregoneconomicanalysis.com/2015/08/13/oregon-exports-2015-destination-countries/>

employment in other manufacturing industries, such as high-technology manufacturing (Industrial Machinery, Electronic Equipment, and Instruments), Transportation Equipment manufacturing, and Printing and Publishing.³²

- **Income.** Oregon's income and wages are below that of a typical state. In 2014, Oregon per capita personal income was 90% of U.S. personal income, up from 88% in 2011-2012. In 2014, average annual wage was \$46,515, and median household income was \$51,075.³³ Total personal income (all classes of income, minus Social Security contributions, adjusted for inflation) in Oregon is expected to increase by 75%, from \$165 billion in 2014 to be \$289 billion in 2025. Per capita income is expected to increase by 47% over the same time period, from \$41,700 in 2014 to \$63,400 in 2025 (in nominal dollars).³⁴
- **Small businesses continue to account for a large share of employment in Oregon.** While small firms played a large part in Oregon's expansion between 2003 and 2007, they also suffered disproportionately in the recession and its aftermath (64% of the net jobs lost between 2008 and 2010 were from small businesses).

In 2014, small businesses (those with 100 or fewer employees) accounted for 95% of all businesses and 41% of all private-sector employment in Oregon. Said differently, most businesses in Oregon are small (in fact, 76% of all businesses have fewer than 10 employees), but the largest share of Oregon's workers work for large businesses.

The average annualized payroll per employee at small businesses was \$35,750 in 2014, which is considerably less than that at large businesses (\$45,140) and the statewide average for all businesses (\$45,507).³⁵

³² Although Oregon's economy has diversified since the 1970's, natural resource-based manufacturing accounts for nearly 40% of employment in manufacturing in Oregon in 2014, with the most employment in Wood Product and Food manufacturing (QCEW).

³³ Oregon Quarterly Census of Employment and Wages, 2014. <https://www.qualityinfo.org>; US Census American Community Survey 1-Year Estimates, 2014, Table B19013.

³⁴ Office of Economic Analysis. Oregon Economic and Revenue Forecast, November 2016. Vol. XXXVI, No. 4, page 37.

³⁵ U.S. Census Bureau, 2014 Statistics of U.S. Businesses, Annual Data, Enterprise Employment Size, U.S. and States. <http://www.census.gov/data/tables/2014/econ/susb/2014-susb-annual.html>

Availability of Labor

The availability of trained workers in Sweet Home will impact development of its economy over the planning period. A skilled and educated populace can attract well-paying businesses and employers and spur the benefits that follow from a growing economy. Key trends that will affect the workforce in Sweet Home over the next 20 years include growth in its overall population, growth in the senior population, and commuting trends.

Growing Population

Population growth in Oregon follows economic cycles. Historically, Oregon’s economy is more cyclical than the nation’s, growing faster than the national economy during expansions, and contracting more rapidly than the nation during recessions. Oregon grew more rapidly than the U.S. in the 1990s (which was generally an expansionary period). As the nation’s economic growth slowed during 2007, Oregon’s population growth began to slow.

Oregon’s population grew from 2.8 million people in 1990 to 4.0 million people in 2015, an increase of nearly 1,200,000 people at an average annual rate of 1.39%. Oregon’s growth rate slowed to 1.05% annual growth between 2000 and 2015.

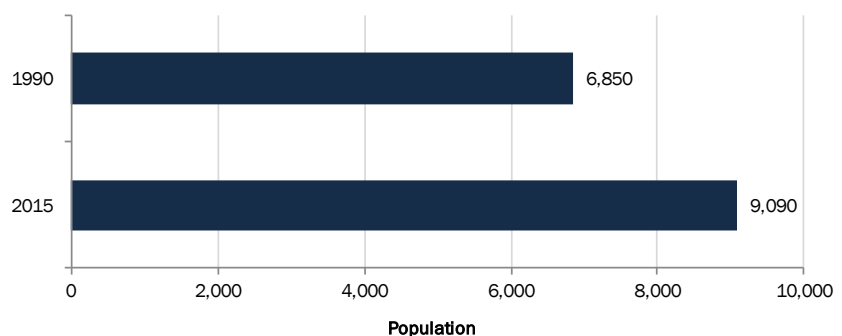
Exhibit 9 shows Sweet Home’s population increased by 32% over the 1990 to 2015 period, from 6,850 people up to 9,060 people. Over this same period of time, Exhibit 10 shows that Sweet Home grew at a similar rate to Linn County, contributing 7.6% of total population growth in Linn County. In addition, Sweet Home’s annual average population growth rate of 1.1% was comparable to Linn County’s but was lower than Oregon’s (1.4%).

Since 1990, Sweet Home’s population has increased by 33%.

From 1990 to 2015, Sweet Home’s population increased by 2,240.

Exhibit 9. Population, Sweet Home, 1990 - 2015

Source: PSU Population Research Center, US Decennial Census



From 1990 to 2015, Sweet Home’s population grew, by 2,240 people, accounting for 7.6% of population growth in Linn County.

Exhibit 10. Population Growth, 1990 - 2015

Source: PSU Population Research Center Certified Population Estimates, 1990 and 2015

33%
Percent change

2,240
Growth in People
Sweet Home

32%
Percent change

29,633
Growth in People
Linn County

41%
Percent change

1,171,524
Growth in People
Oregon

Sweet Home's population grew about as fast as Linn County's, but at a slower rate than the State.

Exhibit 11. Population Growth, 1990 - 2015

Source: PSU Population Research Center Certified Population Estimates, 1990 and 2015

1.1% Sweet Home	1.1% Linn County	1.4% Oregon
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Age Distribution

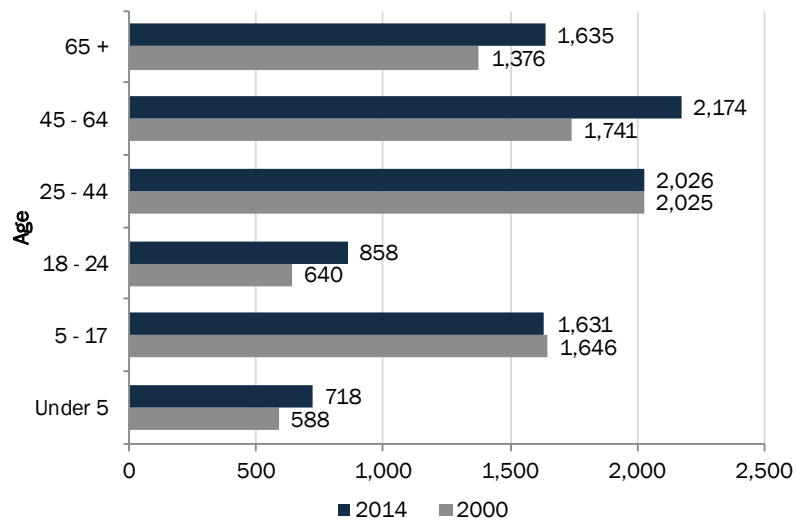
The number of people age 65 and older in the U.S. is expected to double by 2050, while the number of people under age 65 will only grow by 12%. The economic effects of this demographic change include a slowing of the growth of the labor force, need for workers to replace retirees, aging of the workforce for seniors that continue working after age 65, an increase in the demand for healthcare services, and an increase in the percent of the federal budget dedicated to Social Security and Medicare.³⁶

The average age of Sweet Home residents is increasing. Exhibit 12 shows the change in age distribution between 2000 and 2014. All age groups gained population, with the exception of people aged 5 to 17. The age group that experienced the largest growth in population was people aged 45 to 64, gaining 433 people or 25% over the fourteen-year period. This trend is consistent with statewide trends. The age group that experienced the largest growth in percentage terms was people aged 18 to 24, which increased by 34% between 2000 and 2014.

Over 2000 to 2014, Sweet Home's largest population increase was for 45 to 64 year-olds.

Exhibit 12. Sweet Home population change by age, 2000-2014

Source: U.S. Census 2000 Summary File, American Community Survey 2014 5-year estimate Table B01001



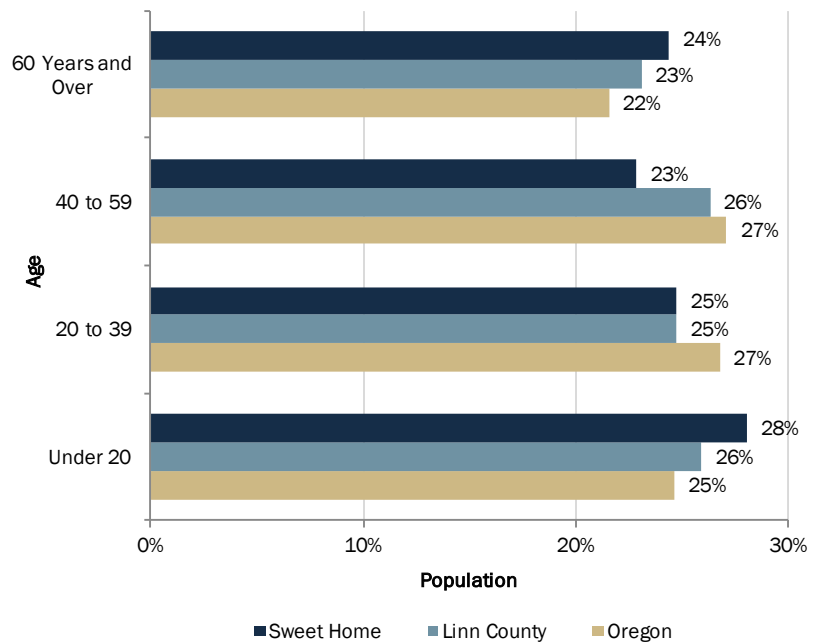
³⁶ The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, 2008, *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, April 10, 2008. *The Budget and Economic Outlook: Fiscal Years 2007 to 2016*, January; and Congressional Budget Office, 2005, *The Long-Term Budget Outlook*, December.

Exhibit 13 shows the age distribution for Oregon, Linn County, and Sweet Home in 2010-2014. Sweet Home has larger shares of residents under the age of 20 and over the age of 60 than Linn County and the State. Sweet Home has a comparatively small population of residents between the ages of 40 to 59 (23%).

In 2014, 48% of Sweet Home's residents were aged between 20 and 59.

Exhibit 13. Population distribution by age, Oregon, Linn County, and Sweet Home, 2010-2014

Source: American Community Survey, 2014 5-year estimate

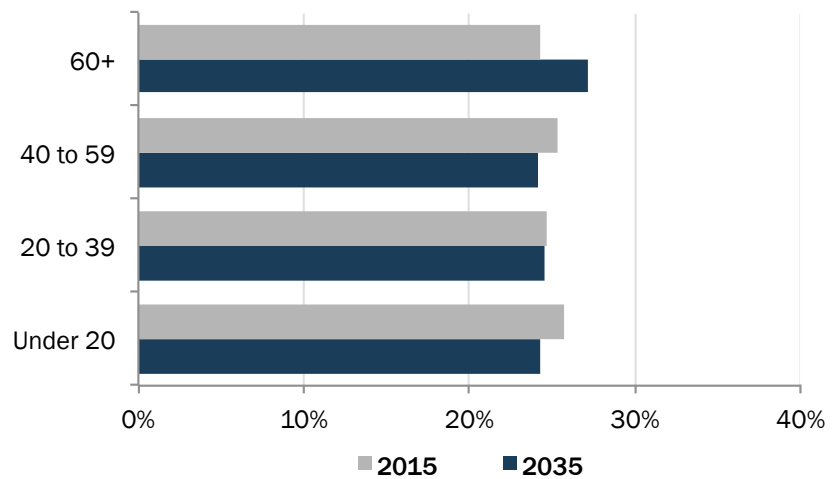


By 2035, residents older than 60 are expected make up a larger share of the population than in 2015.

The share of residents aged 60 years and older will account for 27% of Linn County's population, compared to 24% in 2015.

Exhibit 14. Population Growth by Age Group, Linn County, 2015-2035

Source: Oregon Office of Economic Analysis, Long-term County Forecast, 2013 Release



Income

Income and wages affect business decisions for locating in a city. Areas with higher wages may be less attractive for industries that rely on low-wage workers. Per capita income³⁷ grew most years during the 34-year period, with the exception of a decrease during the recession. In 1980, Oregon's per capita personal income equaled the national average. Since then, it has been consistently lower than the U.S. average. In 2014, Oregon's per capita personal income was 90% of the national average. Oregon's relatively low wages make the state attractive to businesses seeking to locate in areas with lower-than-average wages.

Linn County's per capita income remained consistently below the State average, though it followed similar growth trends as State personal income. In 2014, Linn County's per capita income was 74% of the national average, down from 83% of the national average in 1980. Between 2000 and 2014, per capita personal income increased in the nation by 10% but remained relatively flat in Oregon (4% increase) with Linn County's growth falling in between (8%).

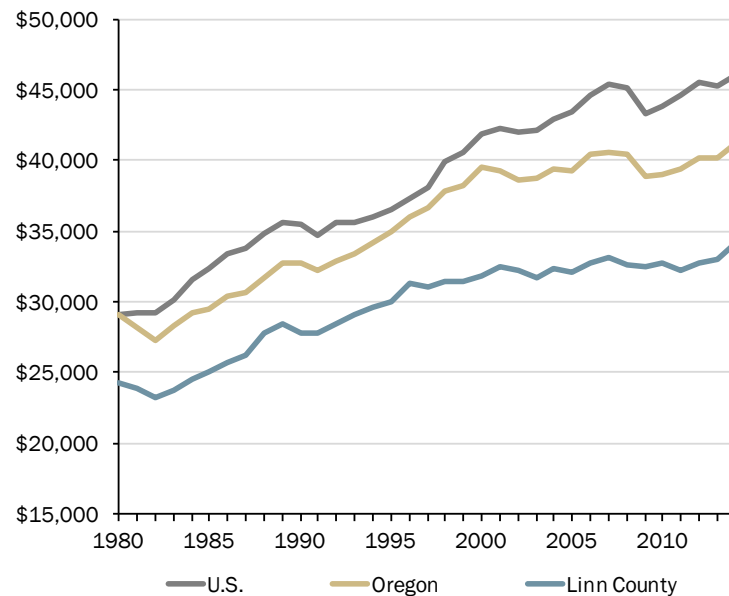
These differences show that Linn County's per capital income is growing slower than the national average. The reasons for the slower growth in income are largely related to the composition of jobs in Linn County, with a shift away from higher paying manufacturing jobs to growth of lower paying service jobs.

Per capita income (adjusted for inflation) in the nation, Oregon, and Linn County has grown since 1980.

However, the rate of growth in income slowed since 2000. From 2000 to 2014, per capita personal incomes grew by only 10% in the nation, 4% throughout the State, and 8% in Linn County. In 2014 per capita personal income was about \$46,049 in the nation, \$41,220 in Oregon, and \$34,239 in Linn County.

Exhibit 15. Per Capita Personal Income, US, Oregon, and Linn County, 1980 to 2014, Inflation-adjusted 2014 Dollars

Source: Bureau of Economic Analysis, Per Capita Personal Income, Table CA-1



³⁷ Personal income includes wages, dividends and interest from investments, rent from investments, pension plan payments and transfer payments (e.g., social security payments). Per capita personal income is the personal income of the area divided by the total number of people in the area.

While per capita personal income grew between 2000 and 2014 in Linn County, average wages (adjusted for inflation) decreased by about 2%. Over the same period, average wages increased in Oregon and the U.S. The decrease in average wages in Linn County has many causes but one cause is the change in mix of jobs in Linn County since 2001. Employment in higher wage industries such as manufacturing decreased by approximately 1,500 over the 2001 to 2015 time period, while education and health service jobs increased by 1,600. The average pay for education and health service jobs in Linn County in 2015 was about \$42,800, compared with \$58,000 for manufacturing jobs.

From 2000 to 2014, average annual wages decreased in Linn County, but rose in Oregon and the nation.

In 2014, average annual wages were about \$38,313 in Linn County, \$46,515 in Oregon, and \$51,361 in the nation.

Exhibit 16. Average Annual Wage, Covered Employment, US, Oregon, and Linn County, 2000 to 2014, Inflation-adjusted 2014 Dollars
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

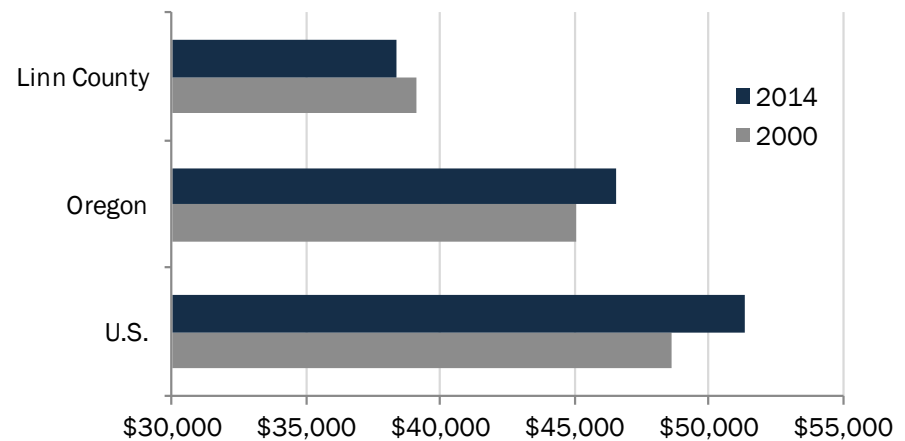


Exhibit 17 shows median household income (income for all people living in a household) and Exhibit 18 shows median family income (income only for families living in the same household). Consistent with state and county data, Sweet Home’s median family income (\$48,000) is above the median household income (\$36,000).

In the 2010-14 period, Sweet Home’s median household income was 81% of the County and 72% of the State.

Exhibit 17. Median Household Income, 2010-14
Source: US Census Bureau, 2014 ACS Table B19013

\$36,387 Sweet Home	\$44,965 Linn County	\$50,521 Oregon
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In the 2010-14 period, Sweet Home’s median family income was 90% of the County and 78% of the State.

Exhibit 18. Median Family Income, 2010-14
Source: US Census Bureau, 2014 ACS Table B19113

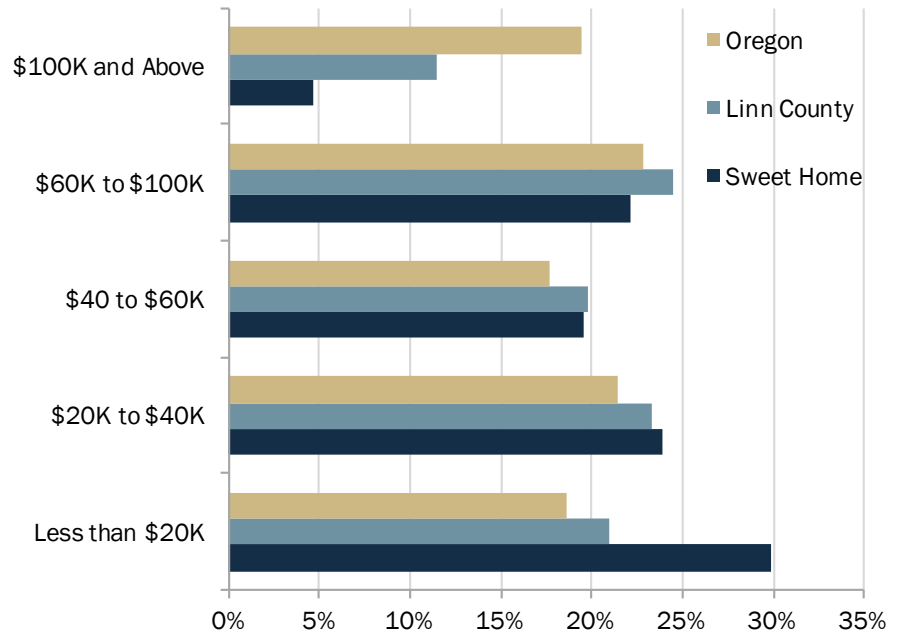
\$48,110 Sweet Home	\$53,651 Linn County	\$61,890 Oregon
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Exhibit 19 shows the distribution of household income in Oregon, Linn County, and Sweet Home in 2014. About 73% of Sweet Home’s households had income of less than \$60,000, compared with 58% of State households.

In the 2010-14 period, 30% of Sweet Home households had less than \$20,000 in income.

Exhibit 19. Household Income by Income Group, Oregon, Linn County, and Sweet Home, 2010-14, Inflation-adjusted 2014 Dollars

Source: US Census Bureau, 2014 ACS Table B19001



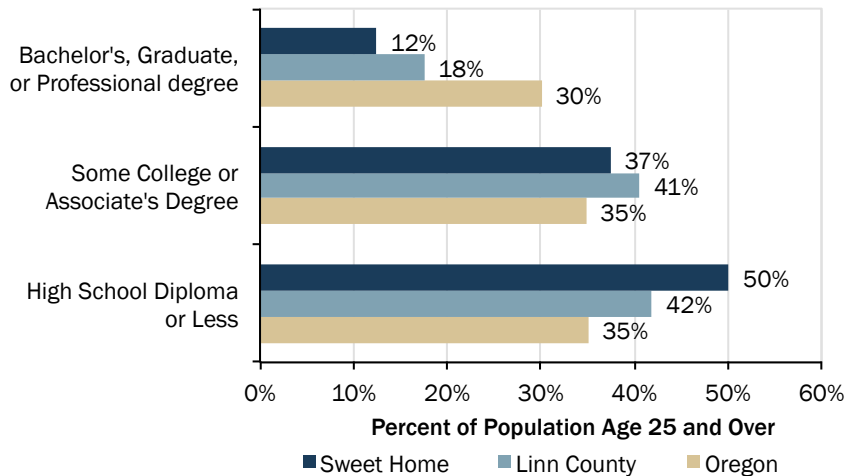
Educational Attainment

The availability of trained, educated workers affects the quality of labor in a community. Educational attainment is an important labor force factor because firms need to be able to find educated workers. Exhibit 20 shows the share of population by education level completed in Oregon, Linn County, and Sweet Home in the 2010-2014 period. Over 2010-14, Sweet Home had a larger share of residents above age 25 with some college or an associate degree (37%) than Oregon residents (35%), but a much smaller share of bachelor or professional degrees (12%) compared to Oregon (30%).

Sweet Home has a larger share of residents with a High School Diploma or less (50%) than Linn County (42%) and Oregon (35%).

Exhibit 20. Educational Attainment for the Population 25 Years and Over, 2010-14

Source: US Census Bureau, 2014 ACS Table B15003



Labor Force Participation and Unemployment

The current labor force participation rate is an important consideration in the availability of labor. The labor force in any market consists of the adult population (16 and over) who are working or actively seeking work. The labor force includes both the employed and unemployed. Children, retirees, students, and people who are not actively seeking work are not considered part of the labor force. According to the 2010-2014 American Community Survey, Sweet Home has more than 3,610 people in its labor force.

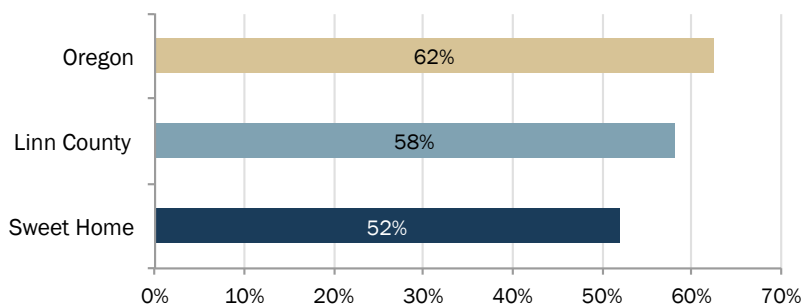
In 2015, the Oregon Office of Economic Analysis observed that about 32% of all job vacancies in the state were attributable to a lack of qualified applicants—people who don't have the education, certification, or experience to fill the job posting. This indicates a mismatch between the types of jobs that employers are demanding and the skills that potential employees can provide.

Sweet Home has a lower labor force participation rate (52%) than Linn County (58%) and Oregon (62%).

The labor force includes both people who are employed and unemployed but actively seeking work.

Exhibit 21. Labor Force Participation, Sweet Home, Linn County, Oregon, 2010-14

Source: US Census Bureau, 2010-14 ACS Table B23001

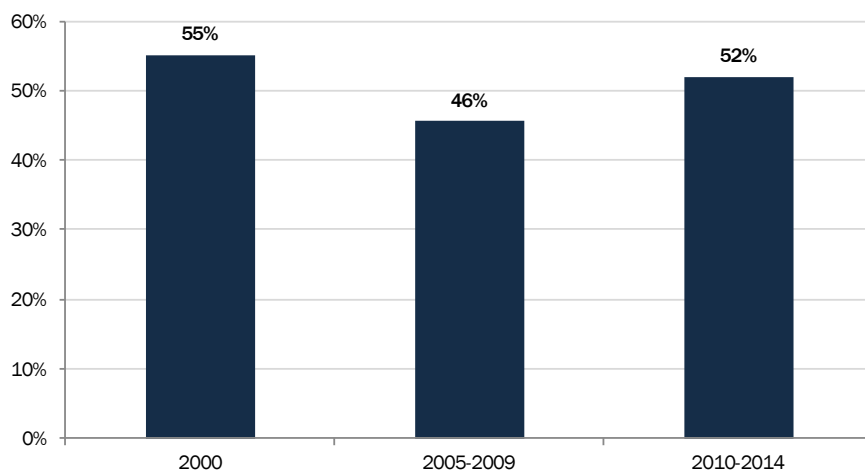


Sweet Home's labor force participation rate varies with the national economy, declining during the 2007-2009 recession.

A lower labor force participation rate indicates a higher share of people who are not in the labor force, either through choice or because they cannot find work.

Exhibit 22. Change in Labor Force Participation, Sweet Home, 2000 to 2010-2014

Source: US Census Bureau, ACS Table B23001 for 2000, 2005-09, 2006-10, 2007-11, 2008-12, 2009-2013, 2010-14

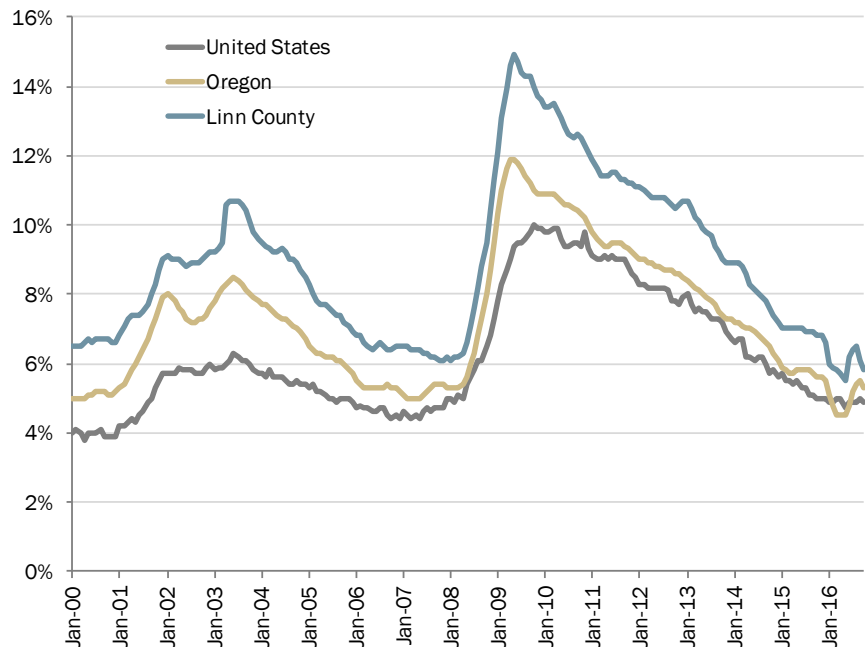


The unemployment rate in Linn County and Oregon has declined since the recession.

Unemployed people are part of the labor force but are actively looking for work.

In 2015, the unemployment rate in Linn County was about 6.9%, higher than both 5.7% in Oregon and 5.3% in the nation, but down from a high of 14% in 2009.

Exhibit 23. Unemployment Rate, U.S., Oregon, Linn County, 2000-2015
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics and Labor Force Statistics



Commuting Patterns

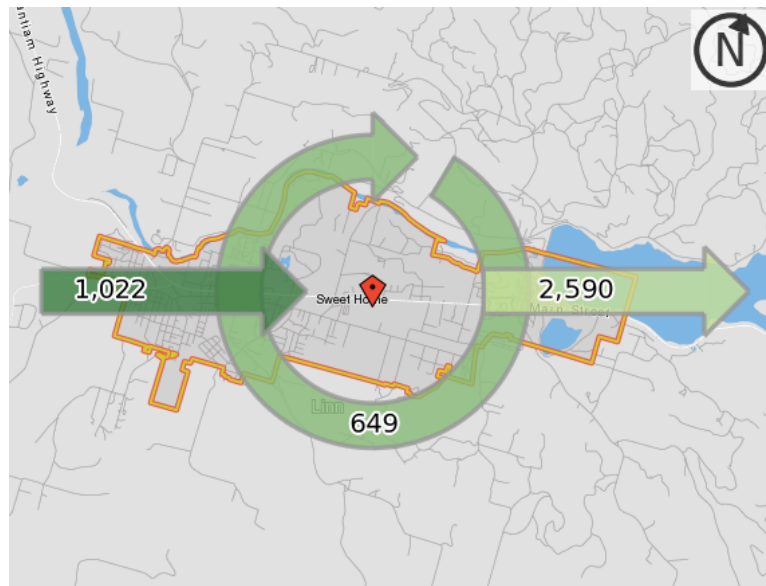
Commuting is common in Sweet Home, as in most other cities in the Willamette Valley. Of the 1,671 people who worked in Sweet Home in 2014, 61% commuted into Sweet Home from other areas, the largest cities being Lebanon, Albany, and Corvallis. In 2014, 2,590 workers commuted out of Sweet Home for work, with many of them traveling to Lebanon, Albany, and Corvallis.

Sweet Home is part of an interconnected regional economy.

Nearly 40% of Sweet Home’s workforce lives in Sweet Home. Businesses in Sweet Home are able to access workers from outside of Sweet Home.

Eighty-percent of working residents of Sweet Home travel out of Sweet Home for work.

Exhibit 24. Commuting Flows, Sweet Home, 2014
Source: US Census Bureau, Census On the Map



Sweet Home residents commute to jobs across the Willamette Valley. Exhibit 26 shows that, of Sweet Home residents who work, 10% commute to Lebanon, 8% to Albany, and 5% to Corvallis. About 20% of Sweet Home residents with jobs also work in Sweet Home.

About 39% of all people who work in Sweet Home also live in Sweet Home.

Exhibit 25. Places Where Sweet Home Workers Lived, 2014

Source: US Census Bureau, Census On the Map



About 20% of Sweet Home residents with jobs also work in Sweet Home.

Ten percent of workers who live in Sweet Home commute to Lebanon.

Exhibit 26. Places Where Sweet Home Residents were Employed, 2014

Source: US Census Bureau, Census On the Map

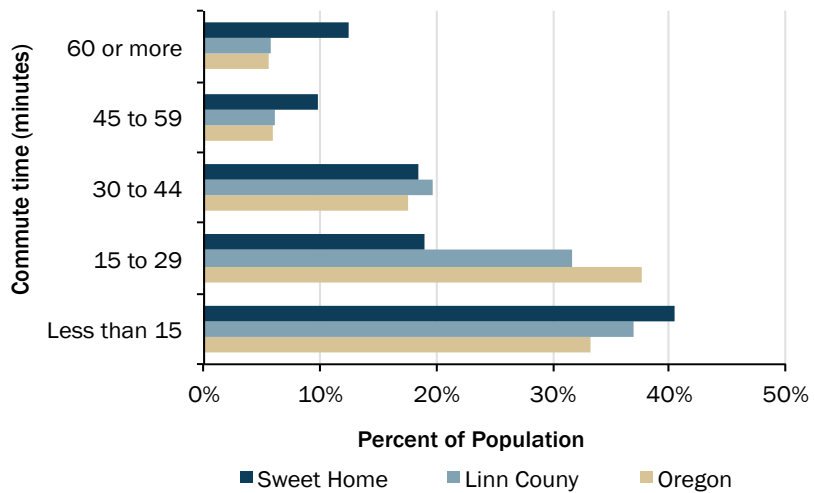


Most Sweet Home residents have a commute time that takes less than 30 minutes.

About 59% of Sweet Home residents have commute times of less than 30 minutes. Twelve-percent of Sweet Home residents commute for longer than one hour.

Exhibit 27. Commute Time by Place of Residence, 2010-14

Source: US Census Bureau, 2010-14 ACS Table B08303



Changes in Employment in Linn County and Sweet Home

The economy of the nation changed substantially between 1980 and 2015. These changes affected the composition of Oregon's economy, including Linn County and Sweet Home's economy. At the national level, the most striking change was the shift from manufacturing employment to service-sector employment. The most important shift in Oregon during this period has been the shift from a timber-based economy to a more diverse economy, with the greatest employment in services.

Employment Trends in Linn County

Over the past few decades, employment in the U.S. has shifted from manufacturing and resource-intensive industries to service-oriented sectors of the economy. Increased worker productivity and the international outsourcing of routine tasks have led to declines in employment in the major goods-producing industries.

In the 1970s, Oregon started to transition away from reliance on traditional resource-extraction industries. An important indicator of this transition is the shift within Oregon's manufacturing sector, with a decline in the level of employment in the Lumber & Wood Products industry³⁸ and concurrent growth of employment in high-technology manufacturing industries (Industrial Machinery, Electronic Equipment, and Instruments).³⁹

As Oregon has transitioned away from natural resource-based industries, the composition of Oregon's employment has shifted from natural resource based manufacturing and other industries to service industries. The share of Oregon's total employment in Service industries increased from its 1970s average of 19% to 30% in 2000, while employment in Manufacturing declined from an average of 18% of total employment in the 1970s to an average of 12% in 2000.

The changes in sectors and industries are shown in two tables: (1) between 1980 and 2000 and (2) between 2001 and 2015. The analysis is divided in this way because of changes in industry and sector classification that made it difficult to compare information about employment collected after 2001 with information collected prior to 2000.

Employment data in this section is summarized by *sector*, each of which includes several individual *industries*. For example, the Retail Trade sector includes General Merchandise Stores, Motor Vehicle and Parts Dealers, Food and Beverage Stores, and other retail industries.

Exhibit 28 shows changes in the Linn County between 1980 and 2000. Over the total period, total employment in Linn County increased by 39% from about 29,700 to 41,200 employees. Between 1980 and 2000, employment in services as a share of total employment rose from 11% to 19%. Over the same period, employment in manufacturing decreased from 38% of total employment to 25%.

³⁸ Lumber and Wood Products manufacturing is in Standard Industrial Classification (SIC) 24

³⁹ SIC 35, 36, 38

Exhibit 28. Covered Employment by SIC Industries, Linn County, 1980-2000

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 1980-2000.

Sector	1980	1990	2000	Change 1980 to 2000		
				Difference	Percent	AAGR
Agriculture, Forestry & Fishing	661	977	1,635	974	147%	4.6%
Mining	0	0	25	25	NA	NA
Construction	1,304	1,289	2,466	1,162	89%	3.2%
Manufacturing	11,194	10,344	10,440	-754	-7%	-0.3%
Trans., Comm., & Utilities	1,141	1,375	2,081	940	82%	3.1%
Wholesale Trade	1,077	1,409	1,839	762	71%	2.7%
Retail Trade	4,589	5,631	7,037	2,448	53%	2.2%
Finance, Insurance, & Real Estate	1,080	977	1,245	165	15%	0.7%
Services	3,229	5,681	7,900	4,671	145%	4.6%
Non Classifiable	NA	NA	26	NA	NA	NA
Government	5,419	5,264	6,538	1,119	21%	0.9%
Total	29,694	32,947	41,232	11,538	39%	1.7%

Note: "ND" stands for "Not disclosed" and indicates that the data has been suppressed by the BLS due to confidentiality constraints. In most years, the non-disclosure is negligible.

Exhibit 29 shows employment in NAICS-categorized industries in Linn County for 2001 and 2015. Employment increased by 2,974 jobs, or 7% during this period. The private sectors with the largest increases in numbers of employees were Education and Health Services, Leisure and Hospitality, Trade, Transportation, and Utilities.

Exhibit 29. Covered Employment by Industry, Linn County, 2001-2015

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2001-2014

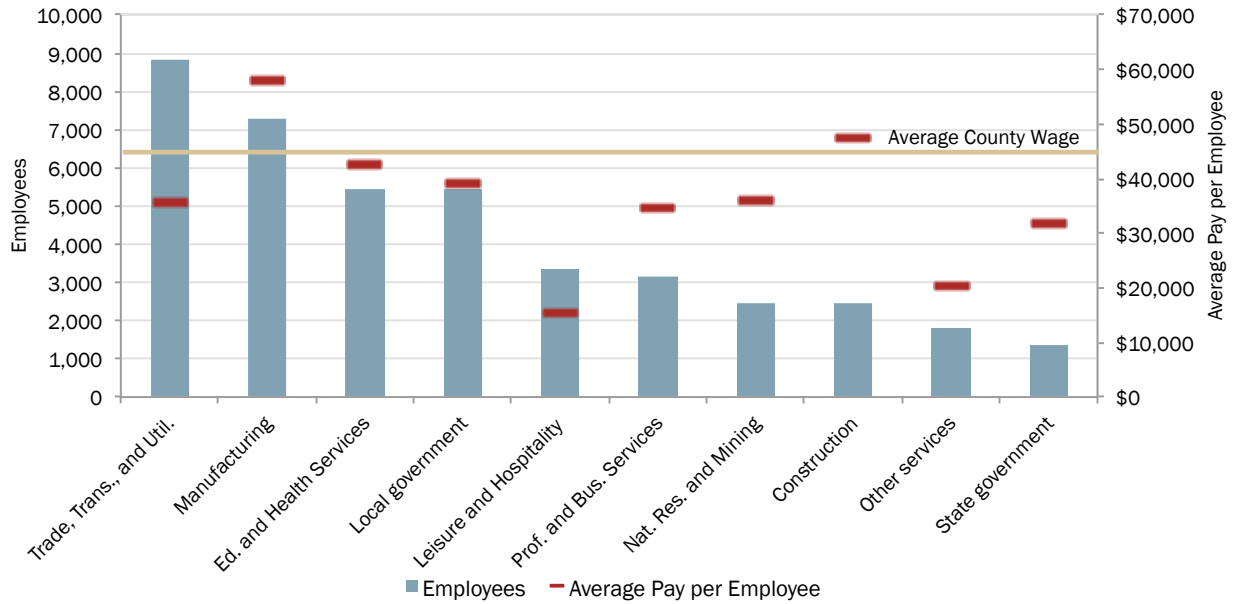
Sector	2001	2015	Change 2001 to 2015		
			Difference	Percent	AAGR
Natural Resources and Mining	2,085	2,466	381	18%	1.2%
Construction	2,142	2,459	317	15%	1.0%
Manufacturing	8,783	7,293	-1,490	-17%	-1.3%
Trade, Transportation, and Utilities	8,137	8,828	691	8%	0.6%
Information	634	349	-285	-45%	-4.2%
Financial Activities	1,333	1,261	-72	-5%	-0.4%
Professional and Business Services	3,213	3,172	-41	-1%	-0.1%
Education and Health Services	3,870	5,462	1,592	41%	2.5%
Leisure and Hospitality	2,591	3,328	737	28%	1.8%
Other Services	1,382	1,801	419	30%	1.9%
Unclassified	12	(c)	NA	NA	NA
Government	6,536	7,093	557	9%	0.6%
Total	40,718	43,512	2,794	7%	0.5%

Note: "ND" stands for "Not Disclosed" and indicates that the data has been suppressed by the BLS due to confidentiality constraints. The total amount of not-disclosed employment is shown in the table.

Exhibit 30 shows covered employment and average wage for the 10 largest industries in Linn County in 2015. Jobs in Trade, Transportation, and Utilities, which account for about 20% of the County’s covered employment, pay about the same as the county average (about \$35,600 compared to \$39,400). Similarly, jobs in Education and Health Services, Local Government, Professional and Business Services, and Natural Resources and Mining all pay about the county average, while those in Leisure and Hospitality and Other Services pay less than the average. Jobs in Manufacturing pay more than the county average.

Exhibit 30. Covered Employment and Average Pay by Industry, 10 Largest Industries Linn County, 2015

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014.



Employment Trends in Sweet Home

Exhibit 31 shows a summary of confidential employment data for the Sweet Home UGB in 2014. The sectors with the greatest number of employees were: Government (28%), Retail Trade (16%), and Accommodations, Food Services, and Entertainment (13%). These sectors accounted for 1,071 jobs or 57% of Sweet Home's employment.

The average size for a private business in Sweet Home is 5.9 employees per business, compared to the State average of 11 employees per private business. Businesses with 20 or fewer employees account for roughly 59% of private employment in Sweet Home. Businesses with 10 or fewer employees account for 39% of private employment and 4 or fewer account for 19% of private employment.

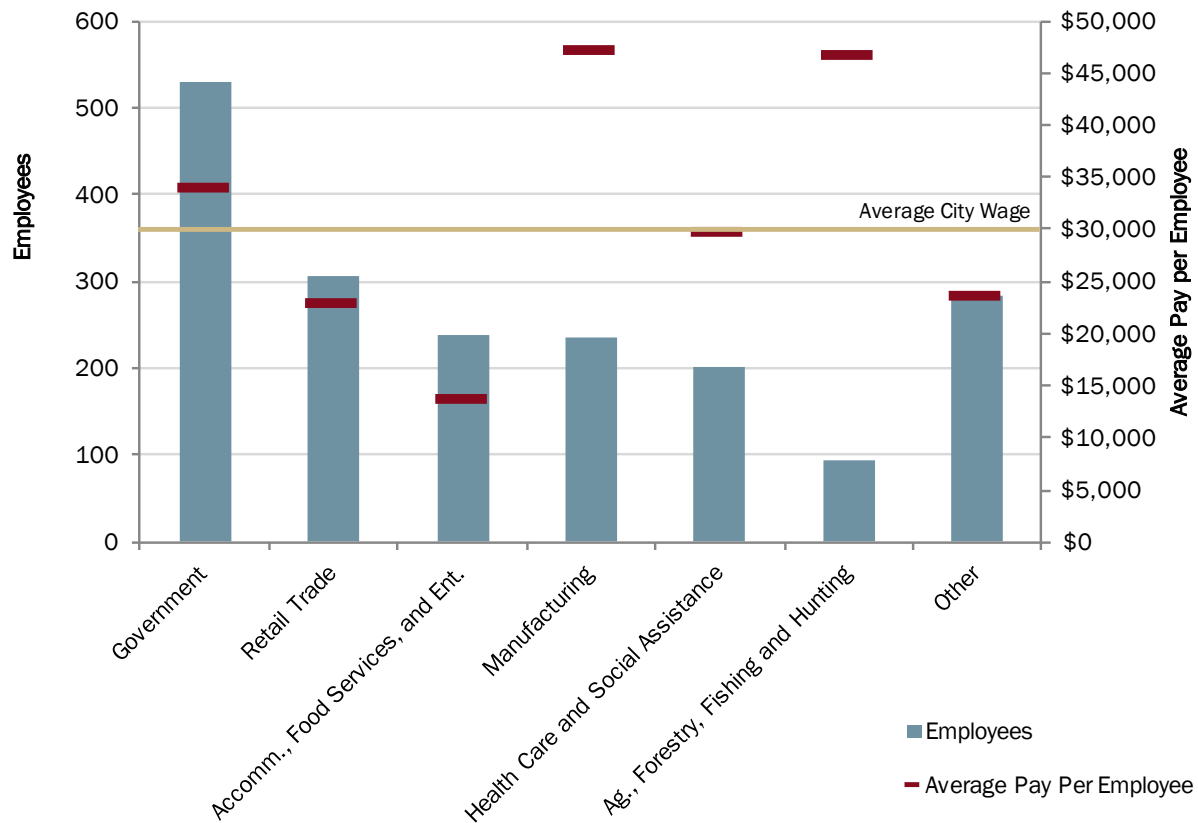
Exhibit 31. Covered Employment and Average Pay by Industry, Sweet Home UGB, 2014

Sector/Industry	Establish-ments	Employees	Payroll	Average Pay / Employee
Agriculture, Forestry, Fishing and Hunting	7	94	\$ 4,373,282	\$ 46,524
Construction	9	17	\$ 394,761	\$ 23,221
Construction of Buildings	4	4	\$ 81,752	\$ 20,438
Specialty Trade Contractors	5	13	\$ 313,009	\$ 24,078
Manufacturing	12	235	\$ 11,042,959	\$ 46,991
Wood Product Manufacturing	5	162	\$ 7,907,415	\$ 48,811
Fabricated Metal Product Manufacturing	4	34	\$ 1,768,511	\$ 52,015
Other Manufacturing	3	39	\$ 1,367,033	\$ 35,052
Wholesale Trade	4	22	\$ 858,643	\$ 39,029
Retail Trade	31	305	\$ 6,955,137	\$ 22,804
Food and Beverage Stores	11	180	\$ 3,708,101	\$ 20,601
Motor Vehicle and Parts Dealers	8	44	\$ 1,201,184	\$ 27,300
Gasoline Stations	3	11	\$ 164,247	\$ 14,932
Other Retail	9	70	\$ 1,881,605	\$ 26,880
Transportation and Utilities	7	23	\$ 730,810	\$ 31,774
Information	4	20	\$ 432,995	\$ 21,650
Finance and Insurance	9	34	\$ 1,184,953	\$ 34,852
Real Estate and Rental and Leasing	16	26	\$ 473,024	\$ 18,193
Professional Services & Mgt of Companies	7	11	\$ 331,157	\$ 30,105
Administrative and Support Services	5	35	\$ 1,016,667	\$ 29,048
Health Care and Social Assistance	19	201	\$ 5,949,200	\$ 29,598
Ambulatory Health Care Services	7	47	\$ 2,609,870	\$ 55,529
Nursing and Residential Care Facilities	4	102	\$ 2,423,203	\$ 23,757
Social Assistance	8	52	\$ 916,127	\$ 17,618
Accomm., Food Services, and Entertainment	32	237	\$ 3,237,825	\$ 13,662
Food Services and Drinking Places	29	218	\$ 2,785,117	\$ 12,776
Other Accommodation and Entertainment	3	19	\$ 452,708	\$ 23,827
Other Services	69	95	\$ 1,259,955	\$ 13,263
Government	20	529	\$ 17,873,390	\$ 33,787
Federal	4	54	\$ 2,778,763	\$ 51,459
State	3	36	\$ 1,604,767	\$ 44,577
Local	13	439	\$ 13,489,860	\$ 30,729
Total	251	1,884	\$ 56,114,758	\$ 29,785

Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2014.

Exhibit 32 shows the employment and average pay per employee for selected industrial sectors in Sweet Home. Average pay for all employees (\$29,803) is shown as a light brown line across the graph and average pay for individual sectors as short red lines. The figure shows that Government and Health Care and Social Assistance have average wages at or near the city average. The lowest wages are in Retail Trade and Accommodations and Food Services.

Exhibit 32. Covered Employment and Average Pay by Industry, Sweet Home UGB, 2014



Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2014.

Sweet Home’s 2001 EOA presented a summary of employment in Sweet Home for 1997. The information from that summary is not directly comparable to the information in Exhibit 31 because of the change from classification of businesses from SIC to NAICS. The following broad comparisons, however, are possible:

- **Employment in Sweet Home decreased between 1997 and 2014.** In 1997, businesses in Sweet Home had 2,432 employees. By 2014, businesses in Sweet Home had 1,884 employees, a decrease of 548 jobs or a 20% decrease in employment.
- **The number of businesses in Sweet Home decreased between 1997 and 2014.** The number of businesses in Sweet Home decreased from 293 businesses in 1997 to 251 businesses in 2014, a decrease of 42 businesses or a 14% decline.
- **Manufacturing had the largest decrease.** Manufacturing employment declined from about 655 employees to 235 employees, a decline of 420 employees or 64%. Most of that

decrease was in wood product manufacturing and related businesses. Retail Trade declined by 33% or 152 employees and Government declined by 13% or 83 employees.

Tourism in Willamette Valley and Sweet Home

Longwoods International provides regional statistics on travel. The following information is from Longwoods International's Oregon 2013 regional visitor report for the Willamette Valley region.⁴⁰ Broadly, travelers to the Willamette Valley account for:

- 5.2 million overnight trips annually; 17% of Oregon travel
- Primary market area for travelers is Oregon, Washington, and California: 59% of Willamette Valley visitors are from Oregon; 14% are from Washington; and 12% are from California
- 71% stayed 2 or fewer nights; 25% stayed 3-6 days; and 4% stayed 7 or more days
- About 94% of visits are by automobile (either owned or rented); 8% travel by RV
- Visitors are affluent, older, and well-educated: 60% have college degrees; 37% between ages 45-64; 21% 65+; 19% between \$50 and \$70k; 15% between \$75 and \$100k; and 22% over \$100k

Tourism is an important source of economic activity in the Willamette Valley. Exhibit 33 shows direct travel spending was \$1,720 million in the Willamette Valley Region in 2014, a 69% increase from 2000.⁴¹ In Linn County, about \$137 million in direct travel spending occurred, a 65% increase since 2000.

Exhibit 33. Direct Travel Spending, Willamette Valley Region and Linn County, 2000-2014

Area	Direct Travel Spending (\$million)		Change 2000 to 2014 (\$million)	
	2000	2014	Number	Percent
Willamette Valley Region	\$1,020	\$1,720	\$700	69%
Linn County	\$82.9	\$136.6	\$53.70	65%

Source: Dean Runyan Associates, Oregon Travel Impacts, 1991-2014.

Lodging tax receipts measure travel activity through cities and regions in the state. Exhibit 34 shows that lodging tax receipts in Sweet Home more than doubled over the 2004 to 2014 period. Lodging tax receipts for Linn County increased by 70% over the same period.

Exhibit 34. Lodging Tax Receipts, Sweet Home and Linn County, 2004-2014

Area	Lodging Tax Receipts (\$thousand)		Change 2004 to 2014 (\$thousand)	
	2004	2014	Number	Percent
Sweet Home	\$14	\$29	\$15	107%
Linn County	\$2,987	\$5,086	\$2,099	70%

Source: Dean Runyan Associates, Oregon Travel Impacts, 1991-2014.

⁴⁰ "Oregon 2013 Regional Visitor Report, The Southern Region," Longwoods International, 2014

⁴¹ "The Economic Impacts of Travel in Oregon," Dean Runyan Associates, 2014

Linn County’s largest visitor spending for purchased commodities are food services.

Exhibit 35. Largest Visitor Spending Categories, Linn County, 2014

Source: Oregon Travel Impacts

\$35.1M	\$20.2M	\$16.7M
Food Services	Retail Sales	Arts, Ent. & Rec.

Linn County’s largest employment generated by travel spending is in the accommodations and food service industry.

Exhibit 36. Largest Industry Employment Generated by Travel Spending, Linn County, 2014

Source: Oregon Travel Impacts

990 jobs	360 jobs	210 jobs
Accommodations & Food Service	Arts, Ent. & Rec.	Retail

The key tourism related events and attractions in Sweet Home are: Oregon Jamboree, recreation in the Willamette National Forest, water recreation, and other attractions such as covered bridges and the East Linn Museum. The Sweet Home Jamboree is a three-day country music festival, which attracts thousands of people. The Jamboree includes two musical stages with more than 20 shows, beer and wine gardens, concessions, and camping. The Willamette National Forest and other nearby natural areas provide opportunities for hiking, backpacking, mountaineering, and camping. Water recreation such as boating, water skiing, paddling, and fishing are attractions for Foster Reservoir, Green Peter Reservoir, and the Santiam River and Calapooia River.

Regional Business Clusters

One way to assess the types of businesses that are likely to have future growth in an area is to examine relative concentration and employment growth of existing businesses. This method of analysis can help determine relationships and linkages within industries, also called industrial clusters. Sectors that are highly concentrated (meaning there are more than the “average” number of businesses in a sector in a given area) and have had high employment growth are likely to be successful industrial clusters. Sectors with either high concentration of businesses or high employment groups may be part of an emerging cluster, with potential for future growth.

The U.S. Cluster Mapper is a database created by the Harvard Business School and the U.S. Economic Development Administration. It provides a snapshot of the business clusters in Linn County. The traded-sector business clusters it identified were:

- **Distribution and Electronic Commerce.** This cluster consists of firms providing wholesale of electronic goods, sporting and recreational goods, and professional equipment supplies, among other services. In Linn County this cluster employed 3,311 people in 2014.

- **Upstream Metal Manufacturing.** This cluster includes firms that smelt or refine metals, manufacture metal alloys, or produce basic metal products from Oregon. In Linn County this cluster employed 1,760 people in 2014.
- **Wood Products.** Production of wood components and products, processing wood, and prefabricated wood building continue to be a significant employment cluster in Oregon. Oregon is the dominant producer of softwood plywood, softwood veneer, engineered wood products, and lumber. Emerging forest products include generation of renewable electric energy and producing transportation bio-fuels from woody biomass. In Linn County, this cluster employed 1,421 people in 2014.
- **Food Processing and Manufacturing.** This cluster consists of firms that process raw materials into food products, including businesses that package fruits and vegetables, farm wholesales, breweries, and wineries. In Linn County, this cluster employed 875 people in 2014.
- **Transportation and Logistics.** This cluster consists of firms providing air transportation, specialties in air transportation, ground transportation support activities, trucking, and bus transportation. In Linn County, this cluster employed 851 people in 2014.
- **Business Services.** This cluster includes businesses such as consulting services, employment placement services, engineers, architects, and others. In Linn County, this cluster employed 838 people in 2014.

One of Linn County's largest business clusters is in distribution and electronic commerce.

Exhibit 37. Business Clusters in Linn County, 2014

Source: US Economic Development Administration, US Cluster Mapper

3,311 jobs
Dist. & E-Comm.

1,760 jobs
Upstream Metal
Manufacturing

1,421 jobs
Wood Products

Outlook for Growth in Linn County

Exhibit 38 shows the Oregon Employment Department's forecast for employment growth by industry for the Mid Valley Region (Linn and Benton Counties) over the 2014 to 2024 period. Exhibit 38 shows that employment in the Mid Valley region is forecasted to grow at an average annual growth rate of 0.7%.

The sectors that will lead employment in the region for the 10-year period are Private Educational and Health Service (adding 1,720 jobs), Trade, Transportation, and Utilities (970), Government (900), Leisure and Hospitality (730), Construction (490), and Natural Resources and Mining (450). In sum, these sectors are expected to add 5,270 new jobs, or about 84% of employment growth in the Mid Valley region.

Exhibit 38. Regional Employment Projections, 2014-2024, Mid Valley Region (Linn and Benton Counties)

Source: Oregon Employment Department. Employment Projections by Industry 2012-2022.

Industry Sector	2014	2024	Change 2014-2024		
			Number	Percent	AAGR
Total private	61,240	66,570	5,330	9%	0.8%
Natural resources and mining	3,600	4,050	450	13%	1.2%
Mining and logging	700	720	20	3%	0.3%
Construction	3,190	3,680	490	15%	1.4%
Manufacturing	10,040	10,140	100	1%	0.1%
Durable goods	7,780	7,800	20	0%	0.0%
Wood product manufacturing	1,840	2,080	240	13%	1.2%
Nondurable goods	2,260	2,340	80	4%	0.3%
Food manufacturing	760	810	50	7%	0.6%
Trade, transportation, and utilities	13,110	14,080	970	7%	0.7%
Wholesale trade	1,940	2,140	200	10%	1.0%
Retail trade	8,120	8,680	560	7%	0.7%
Transportation, warehousing, and utilities	3,050	3,260	210	7%	0.7%
Information	980	930	-50	-5%	-0.5%
Financial activities	2,290	2,540	250	11%	1.0%
Professional and business services	7,090	7,360	270	4%	0.4%
Administrative and support services	3,110	3,000	-110	-4%	-0.4%
Private educational and health services	10,830	12,550	1,720	16%	1.5%
Private educational services	950	1,080	130	14%	1.3%
Health care and social assistance	9,890	11,480	1,590	16%	1.5%
Health care	8,120	9,490	1,370	17%	1.6%
Leisure and hospitality	6,970	7,700	730	10%	1.0%
Accommodation and food services	6,240	6,920	680	11%	1.0%
Accommodation	430	460	30	7%	0.7%
Food services and drinking places	5,810	6,460	650	11%	1.1%
Other services and private households	3,140	3,540	400	13%	1.2%
Government	20,860	21,770	910	4%	0.4%
Federal government	850	820	-30	-4%	-0.4%
State government	12,010	12,780	770	6%	0.6%
State education	10,310	10,900	590	6%	0.6%
Local government	8,000	8,170	170	2%	0.2%
Local education	4,510	4,550	40	1%	0.1%
Total	82,100	88,340	6,240	8%	0.7%

Sweet Home's Competitive Advantages

Economic development opportunities in Sweet Home will be affected by local conditions as well as the national and state economic conditions addressed above. Economic conditions in Sweet Home relative to these conditions in other portions of the Willamette Valley region form Sweet Home's competitive advantage for economic development. Sweet Home's competitive advantages have implications for the types of firms most likely to locate and expand in the city.

There is little that metropolitan area jurisdictions can do to influence national and state conditions that affect economic development, though they can influence local factors that affect economic development. Sweet Home's primary competitive advantages are access to transportation, vacant buildable land, water and wastewater capacity, access to natural resources, relatively affordable housing, and high quality of life. These factors make Sweet Home attractive to residents and businesses that want a high quality of life where they live and work.

The local factors that form Sweet Home's competitive advantage are summarized in the subsections below.

Location

Sweet Home is a city with a population of approximately 9,090 people as of 2015, located in the Willamette Valley to the southeast of Lebanon and Albany. U.S. Route 20 (Santiam Highway) runs through Sweet Home, and State Route 228 (Halsey-Sweet Home Highway) intersects Route 20 in Sweet Home. Route 20 provides access to Lebanon, Albany, and Corvallis to the west, and to the Cascade Mountains and Central Oregon to the east. Sweet Home's location will impact the area's future economic development:

- Sweet Home has access to the State's highway system and other transportation opportunities. Interstate 5 is about a 25-30 minute drive from Sweet Home and is accessible via either exit 228 or exit 216. Route 20 is the primary east-west route through the City, connecting residents and commuters to other Willamette Valley cities and to Central Oregon. Sweet Home is also along Route 228, which connects Sweet Home to Brownsville.
- Sweet Home is located within Linn County, the eighth-most populated county in the State, with 120,860 people in 2015. Sweet Home is about 17 miles southeast of Lebanon, 30 miles of Albany, and 32 miles of Corvallis. Other relatively near cities include Eugene and Salem.
- Residents of Sweet Home have access to cultural activities and amenities such as Oregon Jamboree, the annual Harvest Festival, and the East Linn Museum.
- Located on the South Santiam River in the foothills of the Cascade Mountains, Sweet Home has excellent access to outdoor recreational activities, including boating, fishing, hiking, camping, and hunting. The Best in the West Triathlon Festival is held in Sweet Home each September.

Sweet Home's location, recreation access, and proximity to larger cities in the Willamette Valley are primary competitive advantages for economic development in Sweet Home. However, Sweet Home's distance from I-5 is a disadvantage for attracting businesses that need more direct access to I-5 or a location closer to other cities in the Willamette Valley.

Availability of Transportation

Most businesses are heavily dependent upon surface transportation for efficient movement of goods, customers, and workers. Access to an adequate highway and arterial roadway network is needed for all industries. Close proximity to a highway or arterial roadway is critical for businesses that generate a large volume of truck or auto trips as well as firms that rely on visibility from passing traffic to help generate business.

Sweet Home has access to the state highway system through U.S. Route 20 (Santiam Highway) and State Route 228 (Halsey-Sweet Home Highway). Interstate 5 is about a 25-30 minute drive from Sweet Home. These roads provide automotive and freight access to and from Sweet Home.

Residents and businesses in Sweet Home have access to other modes of transportation in Albany, including intercity bus service and Amtrak rail service. The closest airports with commercial service are Eugene Airport (1 hour away) and Portland International Airport (2 hours away).

Sweet Home is located along the Albany and Eastern Railroad, which is a short line railroad with connections to the BNSF and Union Pacific Railroads. Businesses located along the rail line have the option of moving freight along the Railroad to long-haul rail lines in the Willamette Valley.

Access to Workers

The prior section documented educational attainment, the labor force participation rates, the commuting patterns for Sweet Home. Broadly speaking, businesses in Sweet Home are able to access labor from across Linn County and the mid-Willamette Valley. However, businesses in Sweet Home may have difficulty finding workers. The challenges may extend across a wide range of types of workers. Some businesses have difficulty finding unskilled, qualified workers who can pass drug tests and are dependable. Businesses may also have difficulty attracting trained, highly skilled workers in part because pay is lower at many companies in Sweet Home. As the City and its partners address economic development issues, they will need to consider how to alleviate challenges in finding workers for new and growing businesses.

Access to Natural Resources

Sweet Home is a gateway community to the 1.5 million acre Willamette National Forest. Since about 2012, community stakeholders have worked to establish a stronger connection between Sweet Home and its nearby forestlands. The South Santiam Community Forest Corridor is a proposed 12-mile corridor along the South Santiam River that would connect the City of Sweet Home to the Willamette National Forest. The corridor includes private timber land, a state park,

and federally-owned land. In 2014, more than 30 stakeholder groups, including the City, County, State, U.S. Forest Service, Oregon State University, and private timber companies signed a declaration of cooperation in support of the effort. The lead organization is the Sweet Home All-Lands Collaborative (SHALC), a group of community leaders that aims to promote collaborative land management in Sweet Home. Goals for the forest corridor include:

- An integrated system of recreation, cultural, and historic sites, connected by multi-use trails.
- Improved natural resource health through restoration and conservation.
- Job creation through sustainable forestry management, development of forest products businesses, and promotion of tourism and recreation activities.
- Establishment of a research forest near the corridor in partnership with Oregon State University College of Forestry.

The South Santiam Community Forest Corridor effort has received a number of grants and technical assistance awards, including an AmeriCorps volunteer for 2013-2014, an award from the National Parks Service for trail planning, and an award from the U.S. Forest Service to support development of a visitors' kiosk and river overlook. In addition, in 2013 Sweet Home was one of four communities nationwide selected for technical assistance from the Federal Lands Livability Initiative—a partnership between the Federal Highway Administration, U.S. Fish and Wildlife Service, National Park Service, US Forest Service, Bureau of Land Management, U.S. Army Corps of Engineers, and the Conservation Leadership Network to strengthen the livability of communities near federally managed lands.

The creation of the South Santiam Community Forest Corridor would provide a competitive advantage for Sweet Home by further enhancing recreation and tourism opportunities in the area. In addition, the South Santiam Community Forest Corridor may support efforts to attract emerging wood product businesses such as cross-laminated timber.

Public Facilities and Services

Provision of public facilities and services can impact a firm's decision regarding location within a region, but ECONorthwest's past research has shown that businesses make locational decisions primarily based on factors that are similar within a region. These factors are: the availability and cost of labor, transportation, raw materials, capital, and amenities. The availability and cost of these production factors are usually similar within a region.

Once a business has chosen to locate within a region, they consider the factors that local governments can most directly affect: tax rates, the cost and quality of public services, and regulatory policies. Economists generally agree that these factors do affect economic development, but the effects on economic development are modest. Thus, most of the strategies available to local governments have only a modest effect on the level and type of economic development in the community.

Water

Sweet Home's water master plan was updated in 2016.⁴² The City of Sweet Home has a public-private partnership with CH2M to operate and maintain the city's municipal water and wastewater treatment facilities.⁴³ Sweet Home's water comes from Foster Lake; the water intake is located about 1 mile from the water treatment facility. Sweet Home's water treatment plant was built in 2009 and can process 6 million gallons per day (more than three times current demand of 1.2 million gallons per day). Sweet Home also has an additional 1.5 million gallons per day of water rights that it could request.

Sweet Home's distribution system consists of 54 miles of water main lines and 5 storage reservoirs with approximately 4.61 million gallons of storage capacity. The water distribution system is operated and maintained by the City's Public Works Department. Water rates in Sweet Home are comparable to other cities in the Willamette Valley.⁴⁴

For most types of businesses, water availability is not likely to be a barrier to economic growth. Businesses that require a very large amount of water, such as some types of food processors or timber product manufacturers (e.g., paper), may require expansion of the water system. If that type of business considers locating in Sweet Home, the City may want to evaluate the benefits and costs of expanding its water system.

Wastewater and Stormwater

As with drinking water, Sweet Home's wastewater treatment facility is managed by CH2M. After treatment, Sweet Home's wastewater is dumped into the South Santiam River. Solid sludge is sent to the Wasco County Landfill.⁴⁵

The current wastewater treatment plant can handle about 7 million gallons per day.⁴⁶ This is ample during normal conditions but inadequate during some major rainstorms, during which the untreated overflow bypasses wastewater treatment and goes directly into the South Santiam River. In order to prevent this, Sweet Home invested \$15 million between 2003 and 2012 on sewer improvements that reduce the amount of stormwater that enters the sewer system. The City's improvements have reduced peak flow from 22 million gallons per day to 12-15 million gallons per day.

⁴² *City of Sweet Home Water Management, Conservation, and System Master Plan*. Adopted by City Council October 11, 2016

⁴³ Water treatment and distribution for Sweet Home can be found on the City's website at the following web address: <http://www.ci.sweet-home.or.us/index.aspx?NID=198>

⁴⁴ 2014 Water, Wastewater, and Stormwater Rate Survey. League of Oregon Cities. Retrieved from: <http://www.orcities.org/Portals/17/Library/Water%20Rate%20Survey%203-17-15.pdf>

⁴⁵ CH2M City of Sweet Home Water and Wastewater 2014-2015 Annual Report. Retrieved from: <http://www.sweet-home.or.us/DocumentCenter/View/3280>

⁴⁶ "Consultant: Bringing wastewater plant up to speed will be costly." *The New Era*. July 22, 2016. Retrieved from: <http://sweethomenews.com/consultant-bringing-wastewater-plant-up-to-speed-will-be-costly-p6462-102.htm>

In July 2016, the City of Sweet Home submitted a DRAFT wastewater facility plan to the State Department of Environmental Quality (DEQ). The plan calls for a \$42 million four-phase capital improvement plan to upgrade the existing secondary treatment system and construct a parallel treatment system for wet weather events. Specific improvements include: a third aeration basin to increase secondary treatment capacity, a new influent pump station to increase pump capacity, and improvements to the plant's disinfection systems. The new facility plan is anticipated to be approved by DEQ and adopted in 2017.

Wastewater rates in Sweet Home are comparable to other cities in the Willamette Valley.⁴⁷ Sweet Home also charges a stormwater utility fee.

Wastewater availability in Sweet Home is not likely to be a barrier to economic growth for most types of businesses. Some businesses (like heavy metal producers, paper manufacturers, or food processors) may have special types of effluent that require industrial pre-treatment and/or modifications to the wastewater system. Should Sweet Home attract a business of this type, it would work with DEQ to determine what type of industrial pre-treatment would be required of the business. Currently, no businesses in Sweet Home qualify for their industrial pre-treatment plan.

Enterprise Zone

Sweet Home has established an Enterprise Zone that includes most or all land zoned for employment use within the City limits. The Enterprise Zone provides a break on property taxes on the improvements (e.g., buildings) to qualifying businesses for three to seven years. The purpose of the Enterprise Zone is to attract manufacturing businesses that would pay family wage jobs and diversify the city's property tax base. Other businesses, such as motels, hotels, and resorts could also qualify for property tax reductions within the Enterprise Zone.

Sweet Home has had one business use its Enterprise Zone. This business relocated from another area within Sweet Home to its new location.

The tax incentives offered in rural Enterprise Zone include:

- The facility is not subject to local property taxes until the facility is in service.
- The facility is eligible for a three-year property tax reduction, which could be extended to up to five years by the City Council.
- State corporate excise and income tax liabilities may be reduced, depending on the amount of the payroll, payment of the state minimum tax, and other variables.

The State's criteria for qualifying projects in rural enterprise zones across Oregon include:

- Increase full-time, permanent employment of the firm inside the enterprise zone by at least 10%, not less than one new job;

⁴⁷ 2014 Water, Wastewater, and Stormwater Rate Survey. League of Oregon Cities. Retrieved from: <http://www.orcities.org/Portals/17/Library/Water%20Rate%20Survey%203-17-15.pdf>

- Generally have no concurrent job losses outside the zone boundary inside Oregon;
- Maintain minimum employment level during the exemption period;
- Enter into a first-source agreement with local job training providers; and
- Satisfy any additional local conditions, which vary for each zone.

Availability of Land

The large amount of vacant land currently designated Recreation Commercial provides a unique economic development opportunity for Sweet Home. Sweet Home has 863 acres of land in this designation, of which about 355 acres is unconstrained and vacant. The key barrier to development and redevelopment of this land is the current zoning, which restricts uses to those related to tourism and recreation, as well as limited commercial and residential uses.

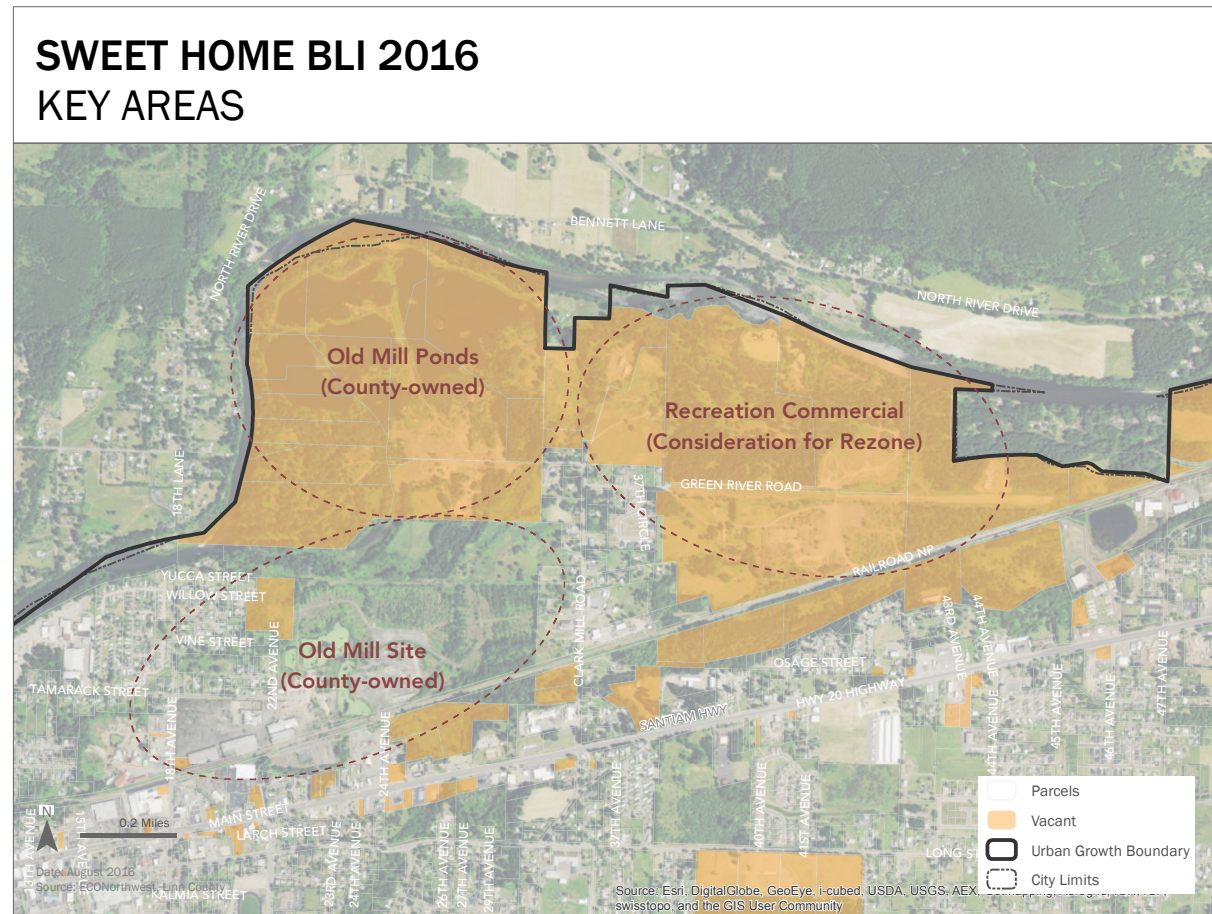
Exhibit 39 shows Recreation Commercial sites in Sweet Home. The key sites are:

- **Recreation Commercial Areas.** This area includes about 355 acres of unconstrained vacant buildable land. This area provides Sweet Home with a key opportunity for economic development. There are several issues that must be addressed before this area is ready for development:
 - The zoning on Recreation Commercial zone permits the following types of uses: hotel, motel, or resort; RV park; museum; community center; restaurants; recreation retail; arts and crafts workshops and retail; recreation services; and residential development under some conditions. The City is considering changing the regulations on this land to allow a wider range of uses, such as broader commercial uses or industrial uses.
 - This area has access to the Albany and Eastern Railroad line. It has access constraints from local roads across the rail line. The land owners and developers will need to work with the Railroad and ODOT Rail to improve access to the area to support development.
 - In the areas near the River, there are endangered species (red legged frogs and western pond turtles), which may limit opportunities for development on these areas.
- **Old Mill (former Willamette Industries – Santiam Lumber /Plywood Mills).** This is the former site of a lumber and plywood mill. It is owned by Linn County. The City and County are working together to identify redevelopment opportunities for the site for use by one or more new businesses. The City may consider changes to the zoning on this site consistent with changes in zoning for other Recreation Commercial land. This site is not designated as brownfield but Linn County is doing clean-up related to the former mill.
- **Old Mill Ponds (former Morse Bros/Knife River Property).** This is an area that was formerly a gravel mine. It is owned by Linn County. This area may not be suitable for new employment development because of constraints from wetlands and the flood plain. The City and County are in discussions about redevelopment of the Old Mill

Ponds for use as open space. The City recently agreed to work with County to receive ownership of this property and are currently in negotiations for such transaction.

Exhibit 39. Recreation Commercial Sites in Sweet Home

Source: Sweet Home Buildable Lands Inventory, ECONorthwest, 2016



Quality of Life

Quality of life is difficult to assess because it is subjective—different people will have different opinions about factors that affect quality of life, desirable characteristics of those factors, and the overall quality of life in any community. Economic factors such as income, job security, and housing cost are often cited as important to quality of life. These economic factors and overall economic conditions are the focus of this report, so this section will focus on non-economic factors that affect quality of life.

Sweet Home’s quality of life is a key comparative advantage for economic development. Key quality of life factors in Sweet Home are:

- **Relatively affordable housing.** Housing prices in Sweet Home are relatively affordable compared to other nearby cities. In 2016, average housing sales prices in Sweet Home ranged from about \$135,000 to \$150,000. In comparison, housing sales prices in Lebanon averaged between \$145,000 to \$155,000 and Albany averaged \$190,000 to \$220,000.

Average housing sales prices in Salem were above \$215,000 and above \$265,000 in Corvallis.⁴⁸

- **Outdoor recreational activities.** There are a number of outdoor recreational opportunities available near Sweet Home, including: hiking, fishing and boating on the Foster Lake and Green Peter Lake, hunting, biking, skiing, and other activities. Sweet Home is sometimes called the “Gateway to the Santiam Playground” due to its location at the edge of the Cascade Mountains and its proximity to outdoor activities.
- **Cultural amenities and events.** Residents of Sweet Home have access to cultural activities and amenities in the City and elsewhere in Linn County. Each year, the Oregon Jamboree attracts about 15,000 country music fans to Sweet Home for the 3-day festival. Other cultural amenities in Sweet Home include the Farmers Market, annual Harvest Festival, and the East Linn Museum.
- **Direct auto access to Interstate 5 and larger cities in the Willamette Valley.** Sweet Home has access to the Interstate 5 via U.S. Route 20 (Santiam Highway) and State Route 228 (Halsey-Sweet Home Highway). Sweet Home is about 30 miles from Albany (51,670 people), 35 miles from Corvallis (57,390 people), 45 miles from Eugene (163,400 people) and 50 miles from Salem (160,690 people). Sweet Home residents and businesses can access the amenities, jobs, and markets in these larger cities.
- **Access to higher education.** Sweet Home residents have access to higher education through Linn-Benton Community College, which has an extension in Sweet Home. Sweet Home is located within an hour’s drive of Oregon’s two premier research universities, Oregon State University and the University of Oregon.

Sweet Home’s quality of life makes the City attractive to in-migrants and businesses that are attracted to Linn County and value outdoor recreation.

⁴⁸ Average single-family housing sales price for the first two quarters of 2016 from Zillow.com.

4. Employment Growth and Site Needs

Goal 9 requires cities 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 Sweet Home is based on expected employment growth and the types of firms that are likely to locate in Sweet Home over the 20-year period. This chapter presents an employment forecast and analysis of target industries that build from recent economic trends.

Forecast of Employment Growth and Commercial and Industrial Land Demand

Demand for industrial and non-retail commercial land will be driven by the expansion and relocation of existing businesses and by the growth of new businesses in Sweet Home. This employment land demand is driven by local growth independent of broader economic opportunities, including growth of target industries.

The employment projections in this section build off of Sweet Home's existing employment base, assuming future growth similar to Linn County's long-term historical employment growth rates. The employment forecast does not take into account a major change in employment that could result from the location (or relocation) of one or more large employers in the community during the planning period. Such a major change in the community's employment would exceed the growth anticipated by the City's employment forecast and its implied land needs (for employment, but also for housing, parks, and other uses). Major economic events, such as the successful recruitment of a very large employer, are difficult to include in a study of this nature. The type of implication, however, is relatively predictable: more demand for land (of all types) and public services.

Projecting demand for industrial and non-retail commercial land has four major steps:

1. **Establish base employment for the projection.** We start with the estimate of covered employment in Sweet Home presented in Exhibit 31. Covered employment does not include all workers, so we adjust covered employment to reflect total employment in Sweet Home.
2. **Project total employment.** The projection of total employment considers forecasts and factors that may affect employment growth in Sweet Home over the 20-year planning period.
3. **Allocate employment.** This step involves allocating types of employment to different land-use types.
4. **Estimate land demand.** This step estimates general employment land demand based on employment growth and assumptions about future employment densities.

The remainder of this section follows this outline to estimate employment growth and commercial and industrial land demand for Sweet Home.

Employment Base for Projection

The purpose of the employment projection is to model future employment land need for general employment growth. The forecast of employment growth in Sweet Home starts with a base of employment growth on which to build the forecast. Exhibit 40 shows ECONorthwest's estimate of total employment in the Sweet Home UGB in 2014.

To develop the figures, ECONorthwest started with estimated covered employment in the Sweet Home UGB from Exhibit 31. Based on this information, Sweet Home had about 1,884 covered employees in 2014, accounting for 4.5% of covered employment in Linn County.

Covered employment, however, does not include all workers in an economy. Most notably, covered employment does not include sole proprietors. Analysis of data shows that *covered* employment reported by the Oregon Employment Department for Linn County is only about 84% of *total* employment reported by the U.S. Department of Commerce.⁴⁹ We evaluated this ratio for each industrial sector for Linn County and used the resulting ratios to determine the number of non-covered employees. This allowed us to determine the total employment in Sweet Home. Exhibit 40 shows that Sweet Home had an estimated 2,281 *total* employees within its UGB in 2014.

⁴⁹ **Covered** employment includes employees covered by unemployment insurance. Examples of workers not included in covered employment are sole proprietors, some types of contractors (often referred to as "1099 employees"), or some railroad workers. Covered employment data is from the Oregon Employment Department.

Total employment includes all workers based on data from the U.S. Department of Commerce. Total employment includes all covered employees, plus sole proprietors and other non-covered workers.

Exhibit 40. Estimated total employment by sector, Sweet Home UGB, 2014

Sector	Covered Employment	Total Employment	Covered % of Total
Agriculture, Forestry, Fishing, & Hunting	94	112	84%
Construction	17	22	76%
Manufacturing	235	253	93%
Wholesale trade	22	25	90%
Retail trade	305	376	81%
Transportation and warehousing and Utilities	23	28	83%
Information	20	25	79%
Finance and insurance	34	49	69%
Real estate and rental and leasing	26	100	26%
Professional services and mgmt. of companies	11	19	58%
Administrative and support services	35	44	80%
Health care and social assistance	201	262	77%
Accomm., food services, arts, ent., and rec.	237	277	86%
Other services, except public administration	95	160	59%
Government	529	529	100%
Total	1,884	2,281	83%

Source: 2014 covered employment from confidential Quarterly Census of Employment and Wage (QCEW) data provided by the Oregon Employment Department.

Employment Forecast

The employment forecast covers the 2017 to 2037 period, requiring an estimate of total employment for Sweet Home in 2017.

The City of Sweet Home does not have an existing employment forecast, and there is no required method for employment forecasting. OAR 660-024-0040(9) sets out some optional “safe harbors” that allow a city to determine employment land need.

Sweet Home is relying on the safe harbor described in OAR 660-024-0040(9)(a)(B), which allows Sweet Home to assume that the current number of jobs in the Sweet Home urban area will grow during the 20-year planning period at a rate equal to “The population growth rate for the urban area in the appropriate 20-year coordinated population forecast determined under Rules in OAR 660, div 32.” The Oregon Office of Economic Development’s forecast for the 2015 to 2050 period shows that population in Linn County will grow at an average annual growth rate of 1.087%.⁵⁰

Exhibit 41 shows employment growth in Sweet Home between 2017 and 2037, based on the assumption that Sweet Home will grow at an average annual growth rate of 1.087%. Sweet Home will have 2,925 employees within the UGB by 2037, an increase of 569 employees (24%) between 2017 and 2037.

⁵⁰ “Forecasts of Oregon's County Populations and Components of Change, 2010 – 2050.” Prepared by Office of Economic Analysis, Department of Administrative Services, State of Oregon. Release date: March 28, 2013

Exhibit 41. Employment growth in Sweet Home UGB, 2017-2037

Year	Total Employment
2017	2,356
2037	2,925
Change 2017 to 2037	
Employees	569
Percent	24%
AAGR	1.1%

Source: ECONorthwest

Allocate Employment to Different Land Use Types

The next step in forecasting employment is to allocate future employment to broad categories of land use. Firms wanting to expand or locate in Sweet Home will look for a variety of site characteristics, depending on the industry and specific circumstances. We grouped employment into four broad categories of land-use based on North American Industrial Classification System (NAICS): industrial, commercial, retail, and government.

Exhibit 42 shows the expected share of employment by land use type in 2017 and the forecast of employment growth by land use type in 2037 in Sweet Home’s UGB. The forecast shows growth in all categories of employment. The forecast assumes that the share of employment in industrial and office & commercial services will increase slightly, as these industries grow faster than retail or government employment. This assumption is consistent with the OED’s forecast for employment growth in Linn and Benton Counties, which shows retail employment growing at the same rate as all employment and government employment growing slower than other types of employment.

Exhibit 42. Forecast of employment growth by land use type, Sweet Home UGB, 2017-2037

Land Use Type	2017		2037		Change 2017 to 2037
	Employment	% of Total	Employment	% of Total	
Industrial	454	19%	614	21%	160
Retail Commercial	388	16%	482	16%	94
Office & Commercial Services	967	41%	1,258	43%	291
Government	546	23%	585	20%	39
Total	2,356	100%	2,925	100%	584

Source: ECONorthwest

Note: The shaded percentages denote an assumption about the future change in the share of employment (as a percent of total) by land use type.

Demand for Industrial and Other Employment Land

Exhibit 47 shows demand for vacant (including partially vacant) land in Sweet Home over the 20-year period. The assumptions used in Exhibit 47 are:

- **Employment density.** Employees per acre is a measure of employment density, based on the ratio of the number of employees per acre of employment land that is developed for employment uses. Exhibit 47 assumes the following number of net employees per acre: Industrial will have an average of 10 employees per acre, and Retail Commercial and Office and Commercial Services will have an average of 20 employees per acre.

These employment densities are consistent with employment densities in Oregon cities of similar size as Sweet Home. Some types of employment will have higher employment densities (e.g., a multistory office building) and some will have lower employment densities (e.g., a convenience store with a large parking lot).

- **Conversion from net-to-gross acres.** The data about employment density is in *net* acres, which does not include land for public right-of-way. Future land need for employment should include land in tax lots needed for employment plus land needed for public right-of-way. One way to estimate the amount of land needed for employment including public right-of-way is to convert from *net* to *gross* acres based on assumptions about the amount of land needed for right-of-way.⁵¹ A net to gross conversion is expressed as a percentage of gross acres that are in public right-of-way.

Based on empirical evaluation of Sweet Home's existing net-to-gross ratios, ECONorthwest uses a net-to-gross conversion factor of 12% for industrial and 19% for commercial and retail.

Using these assumptions, the forecasted growth of 545 new employees will result in the following demand for vacant (and partially vacant) employment land: 18 gross acres of industrial land, 6 gross acres of retail commercial land, and 18 gross acres of land for office and commercial services. Land need for government employment is not included in this forecast, as most government employment is either in schools or will be accommodated in existing government buildings.

⁵¹ OAR 660-024-0010(6) uses the following definition of net buildable acre. "Net Buildable Acre" consists of 43,560 square feet of residentially designated buildable land after excluding future rights-of-way for streets and roads. While the administrative rule does not include a definition of a gross buildable acre, using the definition above, a gross buildable acre will include areas used for rights-of-way for streets and roads. Areas used for rights-of-way are considered unbuildable.

Exhibit 43. Demand for vacant land to accommodate employment growth, Sweet Home UGB, 2017 to 2037

Land Use Type	New Emp. on Vacant Land	Employees per Acre (Net Acres)	Land Demand (Net Acres)	Demand (Gross Acres)
Industrial	160	10	16.0	18.1
Retail Commercial	94	20	4.7	5.8
Office & Commercial Services	291	20	14.6	18.0
Total	545		35.3	41.9

Source: ECONorthwest

Note: Vacant land includes land identified in the buildable lands inventory as vacant or partially vacant.

Target Industries

This section presents Sweet Home’s economic development policies and the City’s target industries.

Sweet Home’s Economic Development Policies

Sweet Home is in the process of updating the Economy Element of the City’s Comprehensive Plan. The updated policies summarize Sweet Home’s vision of economic development related to planning for management of commercial and industrial lands. Those policies are:

Policy 1: Ensure Land Availability. The City will plan for a 20-year supply of suitable commercial and industrial land on sites with a variety of characteristics (e.g., site sizes, locations, visibility, and other characteristics) to meet identified needs.

Policy 2. Development and redevelopment of industrial land. The City will support development and redevelopment of Sweet Home’s industrial vacant land⁵² and developed areas.

Policy 3. Development and redevelopment of commercial land and areas. The City will support development and redevelopment of Sweet Home’s commercial vacant land and developed areas.

Policy 4: Infrastructure Support: Provide adequate transportation, water, wastewater, and other infrastructure efficiently and fairly to support expected commercial and industrial growth.

Policy 5: Existing Business Support and New Business Development: The City will support and encourage retention and expansion of existing business and support development of new businesses, with the purpose of providing employment opportunities for residents of Sweet Home.

⁵² Sweet Home’s industrial Comprehensive Plan designations are General Industry, Light Industry, and Heavy Industry.

Potential Growth Industries

The characteristics of Sweet Home will affect the types of businesses most likely to locate in the city. Sweet Home's attributes that may attract firms are: Sweet Home's location along Highway 20 and distance from I-5; availability of land, especially the Recreational Commercial area⁵³; the existing employment base; surrounding forest areas; access to workers from across the mid-Willamette Valley; high quality of life; and relatively affordable housing.

An analysis of growth industries in Sweet Home should address two main questions: (1) Which industries are most likely to be attracted to Sweet Home? and (2) Which industries best meet Sweet Home's economic development goals? The selection of target industries is based on Sweet Home's goals for economic development, economic conditions in Sweet Home and the Willamette Valley, and the City's competitive advantages. Given the current employment base, which is composed of small businesses, it is reasonable to assume that much of the city's business growth will come from small and moderate-sized businesses, either those already in Sweet Home or new businesses that start or relocate to Sweet Home from within the Willamette Valley region or from outside of the region. The large potential development sites in the Recreation Commercial zone provide opportunities for development of larger industrial businesses, as well as a mixture of small and mid-sized industrial and commercial businesses.

The target industries identified as having potential for growth in Sweet Home are:

- **Manufacturing.** Sweet Home's attributes, especially its location along Highway 20, access to the rail, and potential availability of land currently zoned for Recreation Commercial, may attract manufacturing firms. Manufacturing firms may range from relatively small (e.g., startups with 10 or fewer employees) to large manufacturers (e.g., a large manufacturing facility with 100 or more employees). Smaller manufacturers may have flexibility on where to locate, likely preferring to locate within an existing building. Moderate sized manufacturers may prefer to locate within an existing building or to locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography. Large manufacturers generally prefer to locate on larger, flat areas, such as sites with 10 to 25 acres. Very large manufacturers may need sites 50 acres or larger. Examples of manufacturing industries that may grow or locate in Sweet Home include:
 - Primary and secondary wood product manufacturing, such as engineered wood products, furniture manufacturing, prefabricated wood buildings, or other products
 - Specialty food and beverage manufacturing, such as wineries, beer brewing, fruit or vegetable products, or other products
 - Forest products
 - Renewable and alternative energy products, such as biomass

⁵³ This analysis assumes that the City will consider re-zoning the Recreational Commercial land to allow a wider range of uses on it, including industrial and other commercial uses.

- **Small-scale warehouse, distribution, and wholesale.** Sweet Home’s access to Highway 20 may make the city attractive to small distribution for locally produced products, such as food or beverages. These businesses may locate in an existing building or may locate a facility on an industrial site, likely between 2 and 10 acres, with good access to transportation and a flat topography.
- **Professional and business services.** Sweet Home’s high quality of life, relatively affordable housing, existing population and business base, may attract professional and business services that prefer to locate in a smaller city like Sweet Home, such as software development or other technical services, medical services, or other services. Sweet Home may be attractive as a place for new medical services, such as medical services for seniors, physical rehabilitation center, urgent care facility or a small hospital, or drug rehabilitation services.
- **Services for seniors.** Sweet Home’s (and the Willamette Valley’s) growing population of those near or in retirement may attract or create demand for services for seniors, such as health services that cater to the elderly, like age-restricted housing, assisted living facilities, retirement centers, and medical services. Sweet Home’s small-town atmosphere and the surrounding beauty of the area make the city attractive for senior housing. However, the city’s medical services will need to grow to provide the care that seniors look for when they choose a community to live in.
- **Services for visitors:** Growth in tourism will drive demand for services for visitors such as restaurants, a hotel, or a high-quality RV park.
- **Services for residents.** Population growth will drive development of retail (e.g., a hardware store or a musical equipment store), medical services, restaurants and government services, especially primary education in Sweet Home.

Site Needs for Potential Growth Industries

ORAR 660-009-0015(2) requires the EOA to “identify the number of sites by type reasonably expected to be needed to accommodate the expected [20-year] employment growth based on the site characteristics typical of expected uses.” The Goal 9 rule does not specify how jurisdictions conduct and organize this analysis.

The rule, ORAR 660-009-0015(2), does state that “Industrial or other employment uses with compatible site characteristics may be grouped together into common site categories.” The rule suggests, but does not require, that the City “examine existing firms in the planning area to identify the types of sites that may be needed.” For example, site types can be described by: (1) plan designation (e.g., heavy or light industrial), (2) general size categories that are defined locally (e.g., small, medium, or large sites), or (3) industry or use (e.g., manufacturing sites or distribution sites). For purposes of the EOA, Sweet Home groups its future employment uses into categories based on their need for land with a particular plan designation (i.e., industrial or commercial) and by their need for sites of a particular size.

Based on the forecasts of employment growth in Exhibit 47 and the average business size in Sweet Home in 2014 (using analysis of Quarterly Census of Employment and Wage data), employment growth in Sweet Home will require:

- **Industrial** employment will grow by 160 employees. The average site of industrial employers in Sweet Home in 2014 was 10.0 employees per business. At that average size, Sweet Home will need 16 industrial sites.
- **Retail Commercial** employment will grow by 94 employees. The average site of industrial employers in Sweet Home in 2014 was 9.8 employees per business. At that average size, Sweet Home will need 10 retail sites.
- **Office & Commercial Services** employment will grow by 291 employees. The average site of industrial employers in Sweet Home in 2014 was 4.1 employees per business. At that average size, Sweet Home will need 71 office and commercial sites.

The potential growth industries described in the prior section are predominantly small businesses, including small startup firms and small businesses, and mid-sized businesses that have outgrown their existing sites. Most of these businesses in Sweet Home will need relatively small sites, such as a space in an existing building or a site smaller than an acre for development of a new retail store or an office building. Sweet Home may attract or grow businesses that require larger sites, such as 10 to 25 acres, or larger.

This forecast does not include potential growth of large businesses that are attracted to Sweet Home because of development opportunities from Recreation Commercial land. Over the last year, the City has had interest from several businesses interested in locating on that site because of the availability of a large site (more than 220 acres), access to rail, and access to the City's excess capacity at the water and wastewater facilities. The businesses have apparently chosen not to locate in Sweet Home at this time, in part it is believed, because the site's zoning does not allow industrial uses.

The types of large businesses that might consider locating in Sweet Home on Recreation Commercial site (assuming its zoning changes) include: general manufacturers, food processors, wood products manufacturers, heavy industrial manufacturers, or regionally scaled clean tech manufacturers.

Exhibit 6 shows the inventory of unconstrained vacant and partially vacant commercial and industrial land in Sweet Home's UGB by size of sites. It shows:

- **Industrial land.** Sweet Home has 32 acres of industrial land in 20 tax lots. Sweet Home has 13 sites smaller than one acre, one site of one-to-two acres each, four sites on two-to-five-acre lots, two sites on 5-to-20-acre lots, and no sites larger than 20 acres.

It is reasonable to expect that most businesses in Sweet Home will need relatively small sites, such as sites smaller than one acre, and that some larger sites will be parcelized into smaller sites to accommodate business needs. Sweet Home may attract or grow a few businesses that need sites larger than five acres. The City has the industrial land

base to accommodate these businesses. Other businesses may prefer to locate in existing buildings or in new buildings with smaller spaces.

In addition, the City may attract one or more larger businesses to a site larger than 10 acres. According to data from Business Oregon, the types of businesses that may locate in this area typically require flat sites of 10 to 50 acres. Sweet Home only has two industrial sites larger than five acres, for a total of 14 acres on the two sites. However, the City is considering zoning changes to allow industrial uses in Recreation Commercial area. If the City makes this change, it will provide opportunities for attracting businesses that need sites 10 to 50 acres. The land needs of businesses may be larger than 50 acres, encompassing larger portions Recreation Commercial land.

Industrial businesses in Sweet Home will generally need easy access to Highway 20 without driving trucks through residential neighborhoods. Most of Sweet Home's industrial land has access to Highway 20. However, portions of land in Recreation Commercial area may not have easy access to Highway 20 depending on how existing land may be developed and as a result will need new or differently configured public rail crossings at appropriate locations.

- **Commercial land.** Sweet Home has 42 acres of commercial land in 82 lots,⁵⁴ plus 355 acres of Recreation Commercial land in 58 lots. Excluding Recreation Commercial, Sweet Home has 73 commercial sites smaller than one acre, 3 sites in one-to-two acre lots, one site in two-to-five acre lots, and five sites between 5 and 20 acres.

Given the small size of retail, office, and service businesses and the types of potential growth industries in Sweet Home, we conclude that these businesses will generally need small sites, such as sites two acres and smaller. Sweet Home has five commercial sites zoned Highway Commercial that are larger than five acres, which could accommodate new small strip shopping centers or new shopping center.

Sweet Home should generally be able to accommodate expected employment growth on its existing commercial and industrial land base, as described above. The City's biggest opportunity for new employment growth is in the Recreation Commercial zone. The most likely type of development on this site is manufacturing. Small portions of the site, such as those with views of the Santiam River, may be attractive to businesses involved in recreation and tourism, such as a hotel, RV park, or other tourist facility. Those types of uses are likely to be relatively small in size and will need to comply with regulations protecting endangered species in the area.

The City will need to decide how it wants to zone this land. The City could allow a wider range of industrial uses on this land, including heavy industrial businesses. Industrial uses that are

⁵⁴ This estimate excludes some of the vacant land in the of Mixed Use Residential designation. The reason for this exclusion is that this Designation limits commercial development to 10,000 square feet per acre. There are 57 acres of vacant and partially vacant Mixed Use Residential, of which about 13 acres would be available for commercial development and 44 acres would be unavailable for commercial development.

loud, have strong odors, operate at irregular hours, or are visually unappealing may limit development of nearby land for recreation and tourism. If the City allows these uses, the City should consider how to mitigate potential negative impacts on nearby residential neighborhoods.

5. Land Sufficiency and Conclusions

This chapter presents conclusions about Sweet Home’s employment land sufficiency for the 2017-2037 period. It concludes with a discussion of conclusions about Sweet Home’s land base and its ability to accommodate growth over the next 20 years, as well as recommendations for the City to consider, ensuring it meets its economic growth needs throughout the planning period.

Land Sufficiency

Exhibit 48 shows commercial and industrial land sufficiency within the Sweet Home UGB. It shows:

- **Vacant and Partially Vacant Unconstrained Land** from Exhibit 5 for land within UGB. Exhibit 48 shows that Sweet Home has 32 gross acres of industrial land and 42 gross acres of commercial land, excluding the portion of Mixed Use Residential that is not available for commercial development (44 acres) because of limitations on the amount of commercial development allowed in the designation and the 355 gross acres of Recreation Commercial land.
- **Demand for Commercial and Industrial Land** from Exhibit 47. Exhibit 48 shows Sweet Home will need a total of 18 gross acres for industrial uses and 24 gross acres for commercial uses over the 2017-2037 period. Exhibit 48 does not project need for Recreation Commercial land, as the City is considering rezoning that land to allow a wider range of employment uses.

Exhibit 48 shows that Sweet Home has:

- A 14-acre surplus of industrial land.
- An 18-acre surplus of commercial land.
- 355-acres Recreation Commercial land.

Exhibit 44. Comparison of the Capacity of Unconstrained Vacant and Partially Vacant Land with Employment Land Demand by Plan Designation, Sweet Home UGB, 2017-2037

Land Use Type	Land Supply (Suitable Gross Acres)	Demand (Gross Acres)	Land Sufficiency (Deficit)
Industrial	32	18	14
Commercial*	42	24	18
Retail Commercial		6	
Office & Commercial Services		18	
Recreation Commercial	355	NA	NA

Source: ECONorthwest

* Commercial land excludes Recreation Commercial

* The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

Conclusions and Recommendations

The conclusions about commercial and industrial land sufficiency are:

- **Sweet Home is forecast for growth in both commercial and industrial employment sectors.** Sweet Home is planning for growth of nearly 569 new jobs in the city over the 2017 to 2037 period. More than 291 of the jobs will be in office and commercial services, 160 in industrial land uses, and 94 in retail. Growth of these jobs will result in demand for about 18 gross acres of commercial land and 24 gross acres of industrial land.
- **Sweet Home has enough employment land to accommodate growth.** Exhibit 48 shows Sweet Home has enough land for both commercial and industrial employment growth over the next 20 years.
- **Most new businesses will be small to mid-sized and will require small sites to mid-sized sites.** Sweet Home's businesses are generally small, averaging 5.9 employees per business. Businesses with ten or fewer employees account for 39% of private employment. It is reasonable to assume that most new business in Sweet Home will be similarly small and that a few businesses will grow (or locate) with 100 or more employees. Sustaining growth in Sweet Home will require many small (less than 2 acres) and mid-sized sites (2 to 10 acres), preferably with existing buildings, to support business growth.
- **Recreation Commercial land provides Sweet Home with an important opportunity for economic development but current zoning is a barrier to most types of employment uses.** The uses in Recreation Commercial are limited to uses related to tourism and some limited commercial and residential uses. If the City wants to encourage development of this area, it will need to broaden the types of uses allowed in this zone or re-zone the land. The types of businesses that could locate on this land include industrial businesses, such as food processors or wood products manufacturing. Some areas of Recreation Commercial zone, specifically the Old Mill Ponds, may not be suitable for development because of wetlands or flood plains.

Some potential limitations on development in Recreation Commercial land include: (1) the presence of endangered species in some areas near the river, specifically red legged frogs and western pond turtles and (2) potential conflicts with nearby residential development resulting from industrial development that is loud or odiferous or where freight traffic is routed through residential neighborhoods. The best opportunities for more employment uses may be the relatively flat areas near the rail line.

- **Sweet Home's forecast for employment growth does not account for potential growth of larger businesses on Recreation Commercial land.** The forecast for employment growth in the EOA is based on historical development patterns and expected growth in the Linn and Benton region. It does not account for the potential of one or more mid-sized or larger businesses locating in Sweet Home on land currently zoned Recreation Commercial. This land provides the opportunity for growth of a few companies on very large parcels (100 acres or more) or many companies on parcels 10 to 50 acres. If Sweet

Home is successful at attracting businesses to locate and grow in Recreation Commercial area, the City may want to revisit its economic development strategy and the EOA to reassess future economic development potential and actions.

Following are ECONorthwest's recommendations to Sweet Home based on the analysis and conclusions in this report.

- **Update the Economy Element of the Comprehensive Plan.** The Economy Element has not been updated in more than a decade. We recommend that the Planning Commission and City Council review the revised policies in the Sweet Home Economic Development Strategy and, after making additional necessary revisions to the policies, adopt the revised goals, objectives, and implementation strategies into the Economy Element.

In addition, the Economy Element is currently based on analysis from 2001 based on 1990's data. We recommend updating the factual basis of the Economy Element to reflect the current information in this EOA. We generally suggest that cities adopt the economic opportunities analysis as an appendix to their Comprehensive Plan so that when the analysis is next updated, it is easier to replace the outdated economic opportunities analysis with the newer one.

- **Align the City's goals for economic development with planning for infrastructure development.** Aside from ensuring that there is sufficient land to support employment growth, one of the most important ways that the City can support economic development is through planning for and developing infrastructure (e.g., roads, water, sanitary sewer, and storm water systems). We recommend that the City align its goals for economic development with infrastructure development through updates to the City's Capital Improvements Plan.
- **Identify opportunities to support existing businesses in Sweet Home.** Retention and expansion of existing businesses is one of Sweet Home's key opportunities for economic growth. The City can support businesses by continuing to provide staff to help businesses through the development process and through revising policies (where possible) that make business growth more difficult in Sweet Home.
- **Support development and redevelopment of the Recreation Commercial area.** The uses allowed in this zone are generally related to tourism, with some limited other commercial and residential uses. Current zoning is one of the primary barriers to development of the land in this zone. The types of large businesses that might consider locating in Sweet Home on Recreation Commercial sites include: general manufacturers, food processors, wood products manufacturers, heavy industrial manufacturers, or regionally scaled clean tech manufacturers. The area that may best support these employment uses is the relatively flat areas along the rail line.

The City will need to decide how it wants to manage this land to support economic development but balance other community values and concerns. The City could allow a wider range of industrial uses on this land, including heavy industrial businesses. Industrial uses that are loud, have strong odors, operate at irregular hours, or are

visually unappealing may limit development of nearby land for recreation and tourism. These uses may conflict with management of endangered species along the River. If the City allows these uses, the City should consider how to mitigate potential negative impacts on nearby residential neighborhoods.

One of the other barriers to development of some land in this zone is access constraints related to the rail crossings. The City should work with land owners, developers, the Railroad, and ODOT Rail to improve access to the area to support development.

- **Develop leaders and champions for economic development in Sweet Home with the City and among stakeholders in the community.** The City Council has identified supporting economic development as an important goal. Achieving the City’s economic development vision and goals will require leadership from City officials and champions to support economic development actions from within the community. These leaders and champions should begin by implementing the City’s economic development strategy and working with regional partners on other economic development projects.
- **Coordinate on local and regional economic development projects.** The City should coordinate economic development efforts with local and regional economic development organizations, such as the Sweet Home Economic Development Group (SHEDG), the Rural Linn Economic Development, the Sweet Home Chamber of Commerce, Oregon Cascades Council of Governments, Business Oregon, and federal agencies such as the Army Corps of Engineers or U.S. Forest Service Sweet Home District. This coordination may include supporting economic development projects or efforts that are not city-lead, such as the Rural Linn County Economic Development Proposal.
- **Work with partners to develop a broad economic development strategy for Sweet Home.** The revisions to the Comprehensive Plan presented in the Sweet Home Economic Development Strategy focus on land-based policies and actions. The city also needs a broader strategy for economic development that focuses on issues such as economic development marketing of Sweet Home’s businesses and business opportunities, completing a market readiness analysis for branding and marketing Sweet Home for tourism, building business and other partnerships, and coordinating economic development efforts with local and regional economic development organizations.

The City Council should identify City staff to participate in and play a leadership role in the economic development committee, including in development of the committee: structure, leadership, membership, responsibilities, and other parts of the committee’s charter.

This strategy could be developed by the economic development commission, lead by City officials, with assistance from community champions for economic development. The strategy should identify a focused list of actions that the commission wants to achieve over a limited time period (e.g., 5 years), with specific assignments to partners and identification of funding sources to implement the actions.

Appendix A. Buildable Lands Inventory

The buildable lands inventory is intended to identify commercial and industrial lands that are available for development for employment uses within the Sweet Home Urban Growth Boundary (UGB). The inventory is sometimes characterized as *supply* of land to accommodate anticipated employment growth. Population and employment growth drive *demand* for land. The amount of land needed depends on the type of development and other factors.

This chapter presents results of the commercial and industrial buildable lands inventory for the City of Sweet Home. The results are based on analysis of GIS data performed by ECONorthwest. The remainder of this chapter summarizes key findings of the draft buildable lands inventory. This chapter includes tabular summaries, narrative descriptions, and maps of the results.

Methodology

The buildable lands inventory uses methods and definitions that are consistent with OAR 660-009 and OAR 660-024. The steps in the inventory were:

- **Generate employment “land base.”** The BLI analyzed all tax lots in the Sweet Home UGB with commercial or industrial comprehensive plan designations.
- **Classify lands.** Each tax lot was classified into one of the following mutually exclusive categories:
 - Developed land
 - Vacant land
 - Partially vacant land
 - Public or exempt land
 - Undevelopable land
- **Identify development constraints.** The commercial and industrial inventory used the same development constraints as the 2007 BLI: steep slopes (over 15%), floodways, riparian corridors, wetlands, and geologic hazards. These areas are deducted from lands that were identified as vacant or partially vacant. To estimate the constrained area within each tax lot, all constraints listed above were merged into a single constraint file, which was overlaid on tax lots.
- **Verification.** A multi-step verification process was used. First, ECONorthwest conducted a rapid visual assessment using aerial photographs. In the second round of verification, City staff verified the rapid visual assessment output.
- **Evaluate redevelopment potential.** According to statewide planning rules, redevelopable land is land on which development has already occurred, but on which, due to present or expected market forces, there is potential that existing development

will be converted to more intensive uses during the planning period. Lands determined to be redevelopable have been categorized as “Partially Vacant” for the purpose of this analysis.

- **Tabulation and mapping.** The results are presented in tabular and map format with accompanying narrative. The maps include lands by classification and maps of vacant and partially vacant lands with constraints.

Definitions

The first step in the buildable inventory was to develop working definitions and assumptions. City staff began the buildable lands analysis with a tax lot database obtained from Linn County GIS. The tax lot database was current as of June 2016. The inventory builds from the tax lot-level database to estimates of buildable land by plan designation.

A key step in the buildable lands inventory was to classify each tax lot into a set of mutually exclusive categories. Consistent with applicable administrative rules, all tax lots in the UGB are classified into one of the following categories:

- *Developed land.* Land that is developed at densities consistent with zoning with improvements that make it unlikely to redevelop during the analysis period.
- *Vacant land.* Tax lots that have no structures or have buildings with very little value. For the purpose of this inventory, employment lands with no improvement values are considered vacant. In addition, this category also includes tax lots larger than five acres where less than one half-acre is occupied by permanent buildings or improvements. Consistent with the 2007 BLI methodology, vacant taxlots less than 3,000 square feet in size are considered undevelopable and not included in this category.
- *Partially vacant land.* Partially vacant tax lots are those occupied by a use, but which contain enough land to be further subdivided without need of rezoning. Partially vacant tax lots are those between one and five acres occupied by a use that could still be further developed based on the zoning. This determination was made through review of aerial imagery.
- *Public or exempt land.* Lands in public ownership are considered unavailable for commercial or industrial development. This includes lands in Federal, State, County, or City ownership, properties with conservation easements, or other lands with an appropriate property tax exemption code. This category only includes public lands that are located in commercial plan designations.
- *Undevelopable land.* Vacant tax lots less than 3,000 square feet in size are considered unavailable for development. This threshold is consistent with the 2007 BLI methodology.

Development constraints

Based on the Division 9 rule, ECONorthwest deducted the following constraints from the employment lands inventory.

- *Land within natural resource protection areas.* The City of Sweet Home’s Wetlands Inventory map was used to identify areas within wetlands. A 75-foot buffer was added to the South Santiam River and 50-foot buffers were added to all other riparian corridors, consistent with Sweet Home Zoning Code 17.72.
- *Land with slopes over 15%.* Lands with slopes over 15% are considered unsuitable for commercial and industrial development.
- *Lands within floodplains.* Lands falling within the FEMA Flood Insurance Rate Map floodway and 100-year floodplain were deducted from the buildable lands inventory.
- *Lands with geologic hazards.* According to geologic hazard data provided by Linn County, there are no geologic hazards within the Sweet Home UGB.

Land base

Exhibit 45 shows acres within the Sweet Home UGB and city limits as of June 2016. According to the City GIS data, Sweet Home has about 3,133 acres in 4,087 tax lots within its UGB. About 99% of this acreage is also inside city limits.

Exhibit 45. Acres in Sweet Home UGB and City Limit, 2016

Area	Total Acres	Tax Lots	Acres in Tax Lots
Inside City Limits	3,687	4,078	3,090
Outside City Limits but Inside Urban Growth	63	9	43
Total	3,750	4,087	3,133

Source: ECONorthwest analysis.
 Note: Table includes all areas within the UGB, including waterways and roads.

Exhibit 45 summarizes all land in the Sweet Home UGB. The next step was to identify the employment land base (e.g., lands in tax lots with plan designations that allow employment). The land base includes traditional employment designations—Commercial and Industrial).

Exhibit 46 shows that about 1,428 acres within the Sweet Home UGB are included in the employment land base. Thus, about 46% of all land within the Sweet Home UGB falls within the employment land base category.

**Exhibit 46. Lands designated for employment uses,
Sweet Home UGB, 2016**

Plan Designation	Tax Lots	Total Acres
Commercial	550	1,142
Central Commercial	190	43
Highway Commercial	255	166
Mixed Use Residential	10	71
Recreation Commercial	95	864
Industrial	48	285
General Industry	11	27
Light Industrial	27	76
Heavy Industrial	10	182
Total	598	1,428

Source: ECONorthwest analysis of City of Sweet Home GIS data

Analysis by plan designation shows that about 80% (1,142 acres) of the employment land in the Sweet Home UGB is designated Commercial, and 20% (285 acres) is designated Industrial.

The third step in the inventory was to classify lands into mutually-exclusive categories that relate to their development status. The categories are:

- Vacant land
- Partially vacant land
- Developed land
- Public or exempt land
- Undevelopable land

ECONorthwest used the rules described in the prior section to perform a preliminary classification. Exhibit 47 shows all employment land in the Sweet Home UGB by classification and plan designation. The results show that of the 1,428 acres in the employment base, about 449 acres are in classifications with no development capacity, and the remaining 978 acres are in classifications with development capacity (before deducting constraints).

Exhibit 47. Employment acres by classification and plan designation

Plan Designation	Development Capacity		No Development Capacity			Total Acres
	Vacant	Partially Vacant	Developed	Public or Exempt	Undevelopable	
Commercial	726	199	167	51	0.4	1,142
Central Commercial	2	-	34	7	0.2	43
Highway Commercial	24	28	96	17	0.2	166
Mixed Use Residential	61	2	1	7	-	71
Recreation Commercial	638	169	36	20	-	863
Industrial	41	12	225	7	-	285
General Industry	1	-	21	6	-	27
Light Industrial	40	10	25	1	-	76
Heavy Industrial	0	2	179	-	-	182
Total	767	211	391	57	0.4	1,428

Source: ECONorthwest analysis of Sweet Home GIS data.

Maps in Exhibit 48 to Exhibit 51 show Sweet Home’s employment land base. Exhibit 50 shows vacant and partially vacant employment land with constraints within the Sweet Home UGB.

Exhibit 48. Comprehensive Plan Designations, Sweet Home UGB, 2016

Source: ECONorthwest analysis of Sweet Home GIS data.

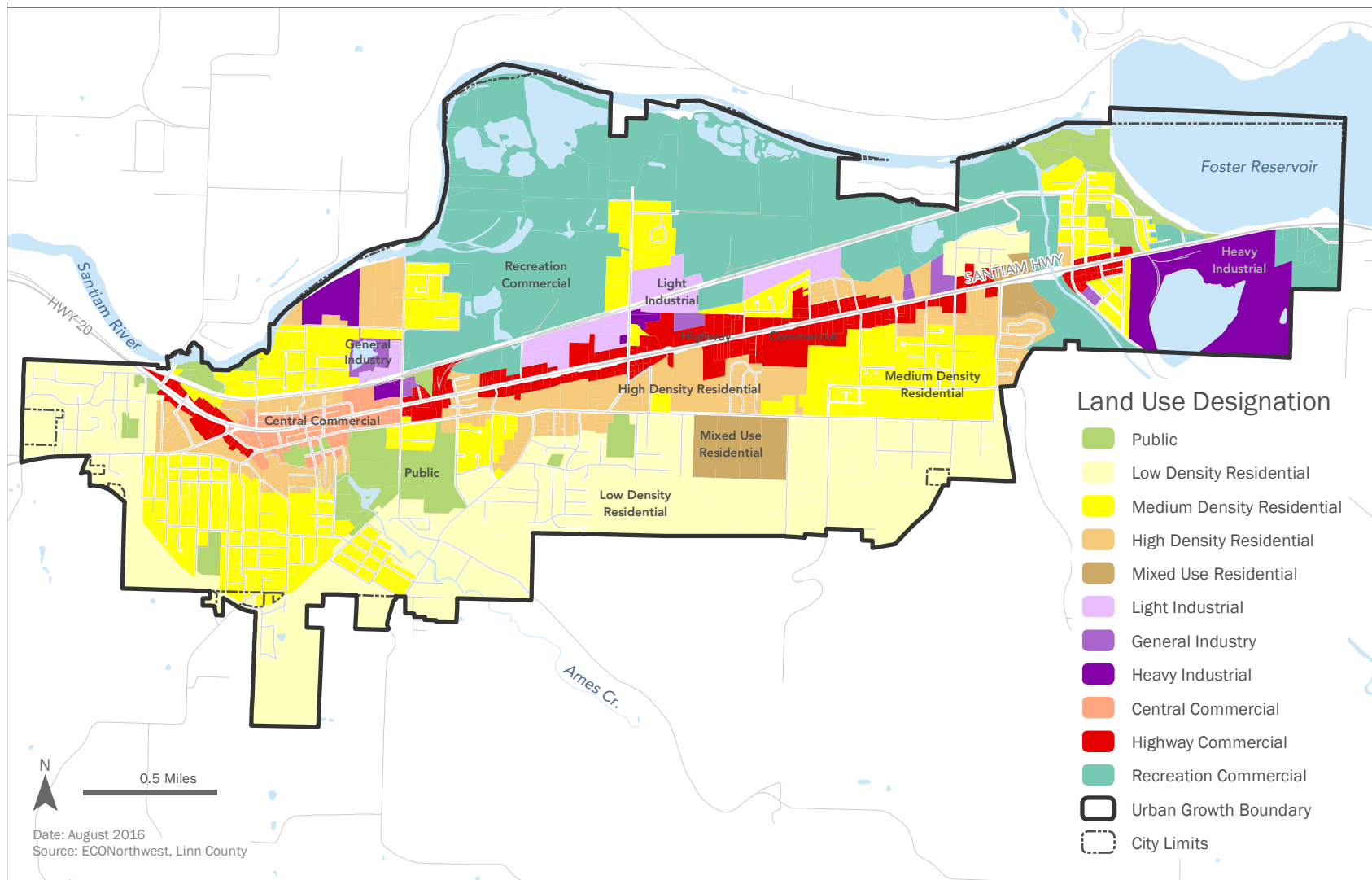


Exhibit 49. Employment Land by Classification, with Constraints, Sweet Home UGB, 2016

Source: ECONorthwest analysis of Sweet Home GIS data.

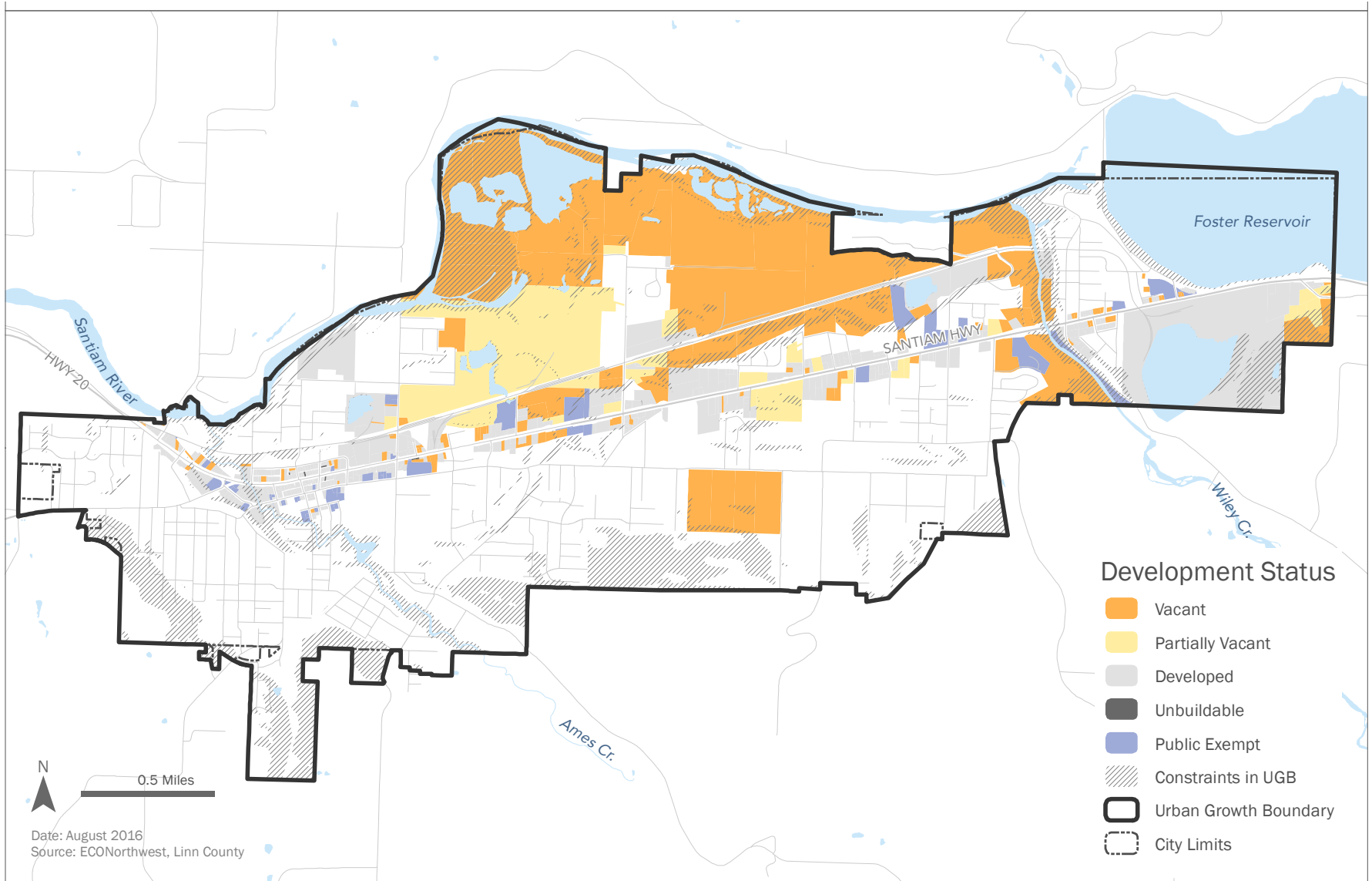


Exhibit 50. Vacant Employment Land by Plan Designation, with Constraints, Sweet Home UGB, 2016

Source: ECONorthwest analysis of Sweet Home GIS data.

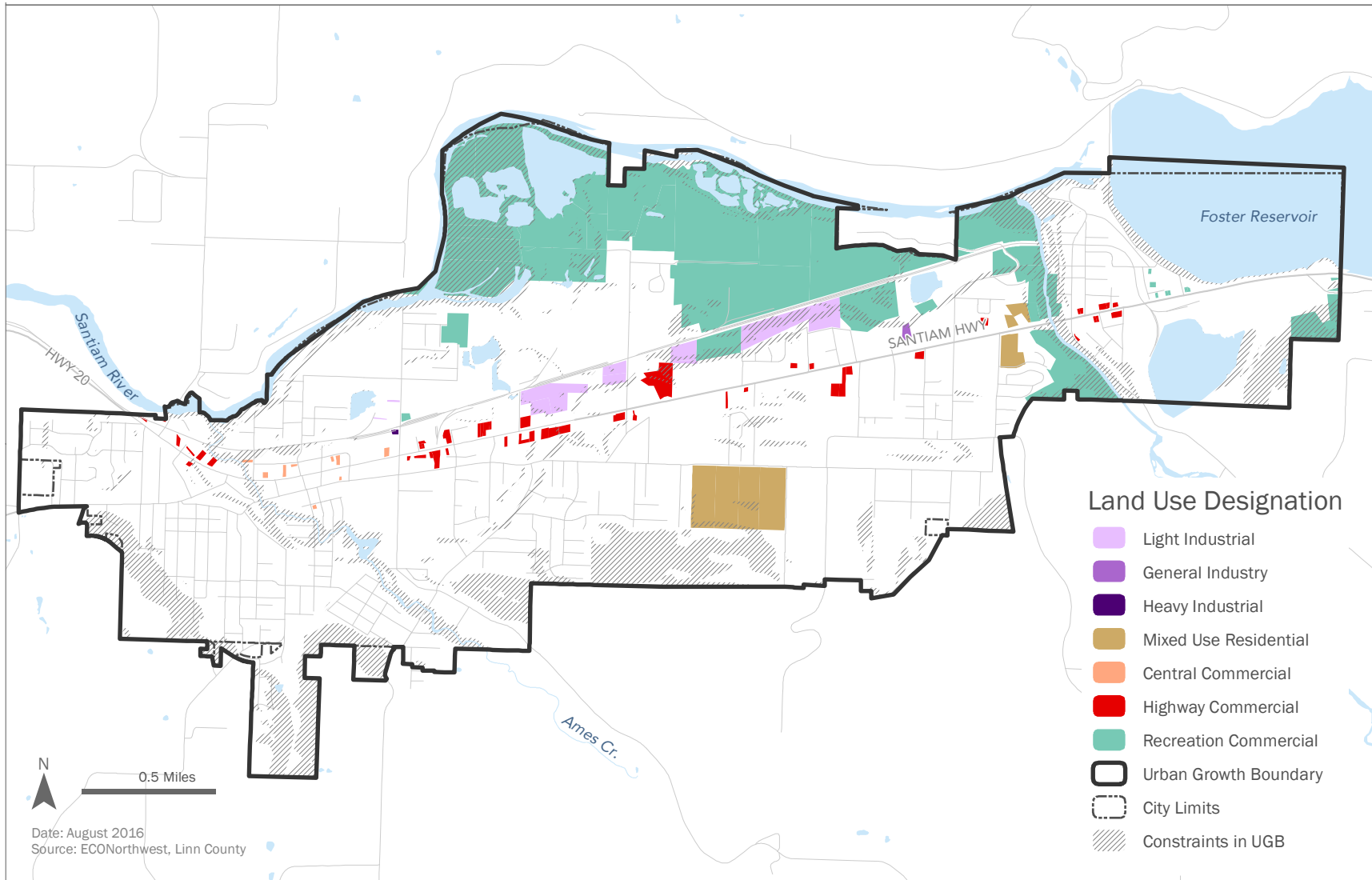
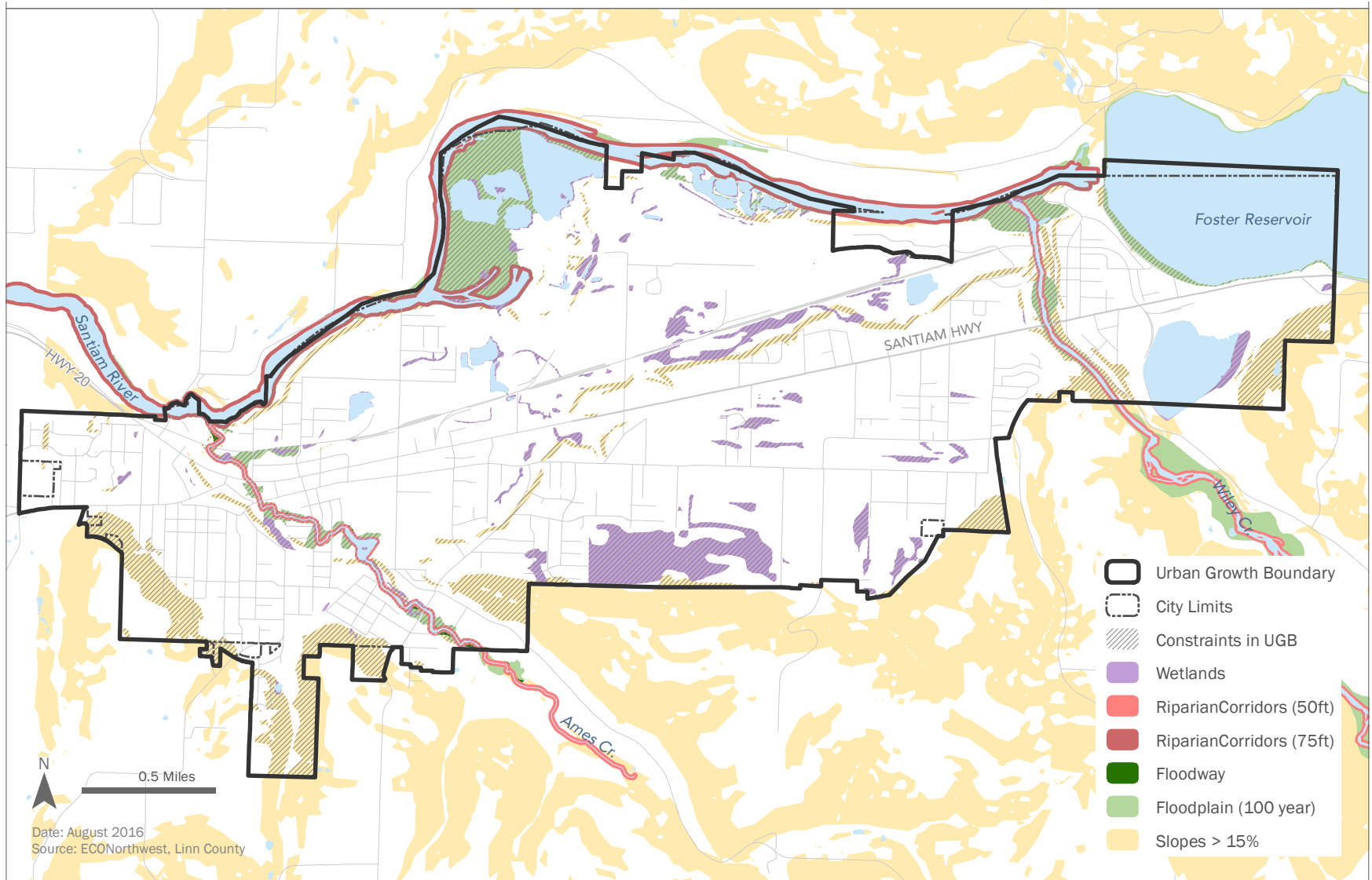


Exhibit 51. Constraints on Employment Land, Sweet Home UGB, 2016

Source: ECONorthwest analysis of Sweet Home GIS data.



Vacant buildable land

The next step in the commercial and industrial buildable land inventory was to net out portions of vacant and partially-vacant tax lots that are unsuitable for development. Areas unsuitable for development fall into two categories: (1) developed areas of partially vacant tax lots, and (2) areas with physical constraints (areas with wetlands, floodways, riparian setback areas and steep slopes).

Exhibit 52 shows unconstrained buildable land by development classification (i.e., vacant or partially vacant) and plan designation. The data show that vacant tax lots contain approximately 460 acres of unconstrained land in commercial and industrial plan designations. Partially vacant tax lots contain an additional 13 acres of unconstrained vacant buildable land. In total, there is about 473 vacant suitable employment acres within the UGB. Of that, 93% (442 acres) is in commercial plan designations, and 7% (32 acres) is in industrial plan designations.

Mixed Use Residential only allows 10,000 square feet of commercial development per acre of land. As a result, only 13 of the 57 acres of Mixed Use Residential development are available for commercial development.

Exhibit 52. Unconstrained buildable acres by plan designation, Sweet Home UGB, 2016

Plan Designation	Unconstrained		Total
	Partially Vacant Acres	Unconstrained Vacant Acres	Unconstrained Buildable Acres
Commercial	10	431	442
Central Commercial	-	2	2
Highway Commercial	5	22	28
Mixed Use Residential	1	56	57
Recreation Commercial	4	351	355
Industrial	3	29	32
General Industry	-	1	1
Light Industrial	2	28	30
Heavy Industrial	1	0	1
Total	13	460	473

Source: ECONorthwest analysis of City of Sweet Home GIS data.

Note: The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

Exhibit 53 shows unconstrained buildable land for vacant or partially vacant land by plan designation and lot size, after constrained land has been removed. Sweet Home has five parcels larger than 20 acres, all in Recreation Commercial. Sweet Home has 17 tax lots in the 5 to 20 acre size range, 10 of which are in Recreation Commercial, with the others in Mixed Use Residential and Light Industrial. Sweet Home has nine tax lots between 2 and 5 acres and 129 tax lots smaller than two-acres.

Exhibit 53. Unconstrained buildable acres by plan designation and site size, Sweet Home UGB, 2016

Plan Designation	Unconstrained Vacant and Partially Vacant Acre in Taxlots					Total Unconstrained Buildable Acres
	<1	1-2	2-5	5-20	20+	
Total Acres	38	14	32	192	198	473
Commercial	33	12	20	178	198	442
Central Commercial	2	-	-	-	-	2
Highway Commercial	22	1	4	-	-	28
Mixed Use Residential	1	3	-	53	-	57
Recreation Commercial	9	8	15	125	198	355
Industrial	5	2	12	14	-	32
General Industry	1	-	-	-	-	1
Light Industrial	3	2	12	14	-	30
Heavy Industrial	1	-	-	-	-	1
Total Taxlots	120	9	9	17	5	160
Commercial	107	8	5	15	5	140
Central Commercial	10	-	-	-	-	10
Highway Commercial	62	1	1	-	-	64
Mixed Use Residential	1	2	-	5	-	8
Recreation Commercial	34	5	4	10	5	58
Industrial	13	1	4	2	-	20
General Industry	1	-	-	-	-	1
Light Industrial	9	1	4	2	-	16
Heavy Industrial	3	-	-	-	-	3

Source: ECONorthwest analysis of City of Sweet Home GIS data.

Note: The Mixed Use Residential designation limits commercial development to 10,000 square feet per acre. As a result, a maximum of about 13 acres of Mixed Use Residential land are available for commercial development.

Redevelopment potential

For the purposes of the updating the Buildable Lands Inventory “redevelopable lands” were not included as net buildable area. As in most circumstances “redevelopment” functions to merely replace one structure with a new one satisfying the same use and as such does not represent new development capacity. Properties that could have been considered “redevelopable” under the State definition that otherwise had further development potential were included instead in the “partially vacant” category in order to capture that net buildable land area.

Sweet Home’s primary redevelopment opportunity is in redevelopment of developed portions of Recreation Commercial sites. Sweet Home also has smaller redevelopment opportunities, such as vacant or obsolete buildings.