

ORDINANCE NO. 110.20

**ORDINANCE AMENDING THE BANKS COMPREHENSIVE PLAN
TO UPDATE THE CITY'S LONG TERM COMMERCIAL AND
INDUSTRIAL LAND NEEDS**

WHEREAS, the Banks City Council has adopted a former Periodic Review Work Program to update the Banks Comprehensive Plan and implementing ordinances; and

WHEREAS, the City is no longer in Periodic Review, although Task 3 of the adopted Work Program remains applicable to approve a plan text amendment for updating the City's long term commercial and industrial land needs; and

WHEREAS, the City has retained a qualified economic consultant to prepare an Economic Opportunities Analysis that includes a proposed economic development strategy for the City; and

WHEREAS, the Banks Planning Commission has conducted a public hearing on May 31, 2005 to consider the proposed plan text amendment, PA-58-05, (Exhibit A) and unanimously adopted a motion to forward the proposal to City Council with a recommendation that Council adopt the plan text amendment; and

WHEREAS, the Banks City Council is conducted a public hearing on June 14, 2005 regarding the proposed amendment and accepts the Planning Commission's recommendation; and

THEREFORE, BE IT RESOLVED by the City Council of Banks that the attached document entitled "*BANKS COMPREHENSIVE PLAN TEXT AMENDMENT TO UPDATE COMMERCIAL AND INDUSTRIAL LAND NEEDS*" is hereby **adopted** on June 14, 2005.



Mike Lyda, Mayor

ATTEST:



Deborah Deegan, City Recorder

**ORDINANCE NO. 200.01
EMPLOYEE BENEFIT PACKAGE**

THE CITY OF BANKS ORDAINS AS FOLLOWS:

Section 1. The City Council must approve, by a majority vote, the hours, compensation, and benefits packages for all City employee positions.

FIRST READING this 17th day of June, 2003.

Passes by the Banks City Council by 6 Yes 0 No vote on July 8, 2003.

Effective Date: August 8, 2003.

Approved by the Mayor Robert Orłowski 7/9/2003
Robert Orłowski Date

Attested by the City Recorder Deborah Deegan 7/9/03
Deborah Deegan Date

EXHIBIT A

**BANKS COMPREHENSIVE PLAN TEXT
AMENDMENT TO UPDATE COMMERCIAL
AND INDUSTRIAL LAND NEEDS**

1. BACKGROUND

The City's last comprehensive plan update regarding LCDC statewide Goal 9 Economic Development occurred in 1988. As provided in the former Periodic Review Work Program, the City has undertaken the task of updating its long term commercial and industrial land needs to year 2024. The City has performed a related task in updating its population forecast for 2024 to be 3,739 persons (adopted by City Council in 2004).

The existing economic goal, objectives, and policies contained in the comprehensive plan remain applicable and are restated as follows:

“Goal:

To provide for the economic diversification and stability of the area.

Objectives:

- a. A balance should be achieved between commercial and industrial opportunities in the City.*
- b. Business and industries with a sustained growth potential should be encouraged.*
- c. To maximize the utilization of local manpower as job opportunities increase.*

Policies:

1. *The City, through cooperation and a close working relationship with the public and private sectors, will encourage new employment opportunities.*
2. *The City will continually research and study the need for industrial/commercial sites and maintain an inventory of such lands.*
3. *The City will work with private institutions, citizens, and other governmental agencies to develop and implement a coordinated economic development plan which maximizes the public benefit.*
4. *The City will protect existing and planned industrial and commercial areas from encroachment by incompatible uses.*
5. *The City will coordinate with the Oregon Department of Economic Development in seeking new industrial uses.*
6. *The City will encourage economic development and diversification by providing sufficiently zoned, buildable, and serviceable land for industrial and commercial uses."*

(Source: City of Banks Comprehensive Plan, amended April 1989.)

2. Inventory of Industrial and Commercial Lands

The industrial and commercial lands inventory is updated as follows:

	<u>Developed Ac.</u>	<u>Vacant Ac.</u>	<u>Total Ac.</u>
Commercial	22.55	1.07	23.62
Industrial	<u>16.73</u>	<u>12.76</u>	<u>29.49</u>
Total	39.28	13.83	53.11

The following comments are applicable to the commercial and industrial land use categories above:

A. Commercial Lands

Additional commercially zoned land added to the developed acreage of the 1988 Buildable Lands Inventory (BLI) includes the Banks Elementary School (7.06 ac.), Banks Business Center (0.56 ac.), and Banks Self-Storage Facilities (2.23 ac.). The 1.07 ac. of vacant lands include a 0.25 ac. parcel on Main Street, a 0.52 ac. lot on Oak Way next to the post office, and a 0.30 ac. lot at the southwest corner of the Oak Village Shopping Center.

B. Industrial Lands

No new industrial development has occurred since the 1988 BLI. However, the vacant land acreage requires adjustment from the 1988 BLI, which identifies 22 acres of vacant industrial land in South Banks and 5.5 acres of “undevelopable” industrial land east of the railroad tracks. Upon further review, the vacant industrial land in South Banks (Arbor Village site) amounts to only 8.25 acres, and the undevelopable industrial land east of the railroad occupies 3.3 acres. It is further noted that the vacant site in South Banks also contains wetlands and a storm water detention facility, meaning that a significant amount of the site would not be developed. The only other remaining vacant industrial land in Banks is a 1.21 ac. lot located at the east end of Sunset Avenue and adjoining the railroad right-of-way.

3. Economic Opportunities Analysis

The Oregon Department of Land Conservation and Development (DLCD) has provided a technical assistance grant to prepare an Economic Opportunities Analysis (EOA) for Banks. The City has retained the economic consulting firm of ECONorthwest to perform the EOA, which is contained in the Appendix. The EOA addresses key subject areas including:

- Review of national, regional, and local economic conditions and trends
- Evaluation of land supply data
- Buildable lands inventory;
- Employment forecast;
- Comparison of land demand to supply; and
- Economic Development Strategy with recommended policies and actions.

The primary economic development strategy recommended for Banks is to increase the supply of buildable commercial and industrial land. This strategy will provide an effective means of attracting business activities to Banks and is necessary for promoting substantial employment growth. The strategy also incorporates the following key economic development concepts:

- Downtown redevelopment such as the recommendations presented in the ODDA Resource Team Report, January 2002;
- Support for extending the Banks-Vernonia Trail into Banks, including trailhead development at the north end of town;
- Support for a film industry sound stage development proposal.
- Support for achieving a jobs-housing balance.

In conclusion, this plan text amendment includes adoption of the Economic Opportunities Analysis as presented in the Appendix.

APPENDIX

Banks Economic Opportunities Analysis and Economic Development Strategy

Prepared for

The City of Banks, Oregon

by

ECONorthwest

99 W. Tenth, Suite 400
Eugene, OR 97401
(541) 687-0051

May 2005

This project is partially funded by a Technical Assistance grant from the Oregon Department of Land Conservation and Development. The contents of this document do not necessarily reflect views or policies of the State of Oregon.

Table of Contents

	Page
CHAPTER 1 INTRODUCTION.....	1-1
BACKGROUND.....	1-1
FRAMEWORK FOR ECONOMIC DEVELOPMENT PLANNING IN OREGON.....	1-1
STRUCTURE OF THIS REPORT	1-2
CHAPTER 2 ECONOMIC OPPORTUNITIES	2-1
OVERVIEW OF BANKS' ECONOMY	2-1
CONTEXT FOR ECONOMIC GROWTH IN BANKS.....	2-4
PREVIOUS FORECASTS OF POPULATION AND EMPLOYMENT GROWTH IN BANKS	2-7
SUMMARY	2-9
CHAPTER 3 FACTORS AFFECTING FUTURE ECONOMIC DEVELOPMENT IN BANKS.....	3-1
FACTORS AFFECTING FUTURE ECONOMIC DEVELOPMENT IN BANKS	3-1
LOCATION	3-1
BUILDABLE LAND	3-2
PUBLIC SERVICES.....	3-2
TRANSPORTATION	3-3
HOUSING	3-4
LABOR FORCE.....	3-4
RENEWABLE AND NON-RENEWABLE RESOURCES	3-5
PUBLIC POLICY.....	3-6
BANKS COMPARATIVE ADVANTAGES	3-7
CHAPTER 4 DEMAND AND SUPPLY OF BUILDABLE LAND IN BANKS	4-1
FORECAST EMPLOYMENT GROWTH IN BANKS.....	4-1
Total employment growth rate.....	4-1
Distribution of total employment.....	4-4
DEMAND FOR COMMERCIAL AND INDUSTRIAL LAND IN BANKS.....	4-6
BUILDABLE LANDS INVENTORY	4-9
COMPARISON OF SUPPLY AND DEMAND FOR BUILDABLE COMMERCIAL AND INDUSTRIAL LAND.....	4-10
CHAPTER 5 ECONOMIC DEVELOPMENT STRATEGY.....	5-1
FRAMEWORK FOR UNDERSTANDING ECONOMIC DEVELOPMENT STRATEGIES	5-1
What factors matter?.....	5-2
How important are these factors?	5-4
KEY ECONOMIC DEVELOPMENT ISSUES IN BANKS.....	5-5

POTENTIAL POLICIES TO AFFECT ECONOMIC DEVELOPMENT IN BANKS	5-6
RECOMMENDED ECONOMIC DEVELOPMENT STRATEGY.....	5-8
Increase supply of buildable land	5-8
Work to provide adequate and affordable public and private services to support development	5-9
Market Banks as a good place to work and live	5-9
Work to maintain the quality of life in Banks.....	5-10
Amend Comprehensive Plan to support economic development measures	5-10
Pursue public/private partnerships to find win-win solutions for economic development	5-11
Financial incentives, tax breaks, and similar measures do not appear appropriate or necessary for economic development in Banks.....	5-12

BACKGROUND

The City of Banks is a small rural community that has recently experienced substantial growth. The recent development of Arbor Village in Banks, a subdivision with 340 single-family and 50 multi-family housing units, caused population in Banks to grow from about 600 to 1,400 over a five-year period. Arbor Village is representative of Banks increasing integration into the metropolitan Portland economy, as many residents of Arbor Village commute into the urban portion of metropolitan Portland to work. Despite this new development, Banks retains many aspects of a traditional Oregon small-town, including a lumber mill located adjacent to downtown Banks, a traditional Main Street with small shops, centrally-located schools, and a relatively old housing stock.

Recent population growth is indicative of future trends in Banks. The City recently adopted a population projection of 3,739 residents by 2024, which implies an average annual population growth rate of 4.7% between 2004 and 2024. In anticipation of rapid growth, the City has undertaken a study of options for expanding its UGB (*City of Banks Growth Management Plan*, June 1999).

The City of Banks desires to accommodate employment growth to improve the balance between population and jobs in the community. Improving the balance between population and jobs will help Banks avoid being just a “bedroom community” for metropolitan Portland, reduce automobile travel, and diversify the City’s tax base. To plan for employment growth in the community, the City of Banks needs an assessment of the potential level and type of employment growth it can attract and the amount and type of land needed to accommodate this growth. This report is that assessment.

FRAMEWORK FOR ECONOMIC DEVELOPMENT PLANNING IN OREGON

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 framework for economic development planning in Oregon is defined by OAR 660-009, which requires three key elements:

1. *Economic Opportunities Analysis (OAR 660-009-0015)*. The Economic Opportunities Analysis (EOA) requires communities to review national and state trends, assess community economic development potential, identify industries reasonably expected to expand or locate in the area, and identify site requirements of these industries. The EOA must also include an inventory of lands available for commercial and industrial development.

2. *Industrial and commercial development policies (OAR 660-009-0020).* Cities with a population over 2,500 are required to develop policies based on the EOA. The policies must include community development objectives and identify categories or particular types of industrial and commercial uses desired by the community. Consistent with the community development objectives, cities must adopt policies to designate an adequate number of sites of suitable sizes, types and locations for desired industrial and commercial uses. Cities must also ensure necessary public facilities through the public facilities plan for the planning area.
3. *Designation of lands for industrial and commercial uses (OAR 660-009-0025).* Cities must adopt appropriate implementing measures including: (1) identification of needed sites; (2) assessment of the long-term supply of land available for commercial and industrial uses; and (3) evaluation of the short-term supply of serviceable sites.

This report is an Economic Opportunities Analysis, the first key element required by Goal 9. This EOA will be followed by an Implementation chapter that will identify potential policies and actions that the City of Banks could adopt to meet the second key element required by Goal 9.

This EOA also includes an employment forecast that leads to identification of needed development sites, and an updated inventory of buildable commercial and industrial land in Banks. These elements of the EOA will address part of the third key element required by Goal 9. This study, however, will not include an analysis of potential urban expansion areas that will be required if an expansion of the Urban Growth Boundary is needed to provide a long-term supply of buildable commercial and industrial land in Banks.

STRUCTURE OF THIS REPORT

The rest of this report is structured as follows:

Chapter 2: Economic Overview contains an overview of the Banks economy, a review of national and statewide trends and forecasts as the context for economic growth in Banks, and previous forecasts of population and employment growth developed for Banks.

Chapter 3: Factors Affecting Future Economic Development in Banks discusses the condition of these factors in Banks and how this compares with other locations in the metropolitan Portland region. The factors included in this chapter are location, buildable land, labor force, housing, public services, transportation, renewable and non-renewable resources, and public policy. This chapter ends with a discussion of Banks' comparative advantages for economic development.

Chapter 4: Demand and Supply of Buildable Land in Banks presents an employment forecast for Banks based on expected economic conditions at the national, state, and regional level, previous forecasts for growth in Banks as described in Chapter 2, and local factors affecting economic development

described in Chapter 3. The expected level of employment growth is used to estimate the demand for buildable land in Banks by type. This level of demand is compared to the supply of buildable land in Banks to estimate the amount of land the City will need to add to its UGB to accommodate the expected level and type of employment growth.

Chapter 5: Economic Development Strategies describes a framework for understanding economic development strategies, a range of potential strategies that the City of Banks could adopt, and recommended strategies based on the framework and specific issues in Banks.

This chapter gives an overview of Banks' economy, economic conditions and growth expected in Oregon and the Portland region, and previous forecasts of population and employment growth in Banks. The analysis in this chapter, along with a discussion in Chapter 3 of local factors that may affect economic development in Banks, together form the context for the forecast of employment growth and land demand in Banks presented in Chapter 4 of this report.

OVERVIEW OF BANKS' ECONOMY

The economy of Banks is a mix of traditional rural Oregon small town and a suburban Portland community. The traditional rural Oregon portion is represented by the Banks Lumber mill and small shops along Main Street. The suburban Portland portion is represented by the Arbor Village residential development and retail businesses in the Oak Village Shopping Center. The development of Arbor Village caused rapid population growth in Banks in the late 1990s.

Table 2-1. Population in Oregon, Washington County, and Banks, 1970–2003

Year	Washington		Banks	Banks % of County
	Oregon	County		
1970	2,091,385	157,920	430	0.3%
1980	2,633,156	245,860	489	0.2%
1990	2,842,321	311,554	563	0.2%
2000	3,421,399	445,342	1,274	0.3%
2003	3,541,500	472,600	1,430	0.3%
Average Annual Growth Rate				
70-80	2.3%	4.5%	1.3%	
80-90	0.8%	2.4%	1.4%	
90-00	1.9%	3.6%	8.5%	
00-03	1.2%	2.0%	3.9%	

Source: 1970-1990 time series data from Oregon Blue Book 2001-2002. 2000 data from the 2000 U.S. Census. 2003 data from the Population Research Center at Portland State University. Average annual growth rates calculated by ECONorthwest.

Note: PSU population estimates as of July 1. Census Estimates as of April 1.

Table 2-1 shows population in Oregon, Washington County, and Banks over the 1970–2003 period. This table shows that Banks has a relatively small population, composing no more than 0.3% of the County's population over this period. Table 2-1 shows that average annual population growth in Washington County has outpaced growth for Oregon as a whole in each decade. Population growth in Banks lagged behind that in the County during the 1970s and 1980s, but was substantially higher than the County average in the 1990s and 2000s. The rapid population growth rate in Banks since 1990 reflects development and occupancy of Arbor Village in the late 1990s, which added 340 single-family homes and a 50-unit apartment complex to Banks' housing stock.

Table 2-2 shows employment in Banks in 2003. Employment data in Table 2-2 is derived from business license information provided by the City of Banks that reports individual businesses and their employment level. Businesses in Banks were assigned a land use type by ECONorthwest based on their type of activity and the type of land typically used for this type of activity.¹ Table 2-2 shows that Banks had a total employment of 448 in 2003, with 400 full- and part-time jobs and 48 seasonal/temporary jobs. Roughly 40% of the employment in Banks is Industrial, with another 30% Commercial and 30% Community Facilities

Table 2-2. Employment in Banks by land use type and employee status, 2003

Land Use Type	Full-Time	Part-Time	Seasonal/Temporary	Total
Commercial	65	69	3	137
Industrial	116	24	44	184
Community Facilities	77	49	1	127
Total	258	142	48	448

Source: K.J. Won, Banks City Planner. Personal correspondence to Steve Kelley, Washington County DLUT. March 11, 2003.

Note: businesses assigned a land use type by ECONorthwest.

The largest employers in Banks reflects its mix of traditional industrial activities and recent residential growth. The five employers in Banks with the most employees (with total full-time, part-time, and seasonal employment) are:

- Banks School District (118)
- Banks Lumber Co. (91)
- Bighorn Logging (47)
- Jim's Supermarket (45)
- Shafers Bus Service (27)

While Bighorn Logging is one of the largest employers in Banks, most of its employees work outside of Banks at logging sites. The other 39 employers in Banks in 2003 include a mix of public agencies and small businesses engaged in retail, service, and industrial activities.

A comparison of Banks' population in Table 2-1 and employment in Table 2-2 shows that Banks has 1,430 residents and a total of 448 jobs. This results in a ratio of population to jobs of 3.19. According to the U.S. Census, Banks had 688 employed residents and a population of 1,286 in 2000. If all of the employed residents of Banks worked in Banks, it would have a ratio of population to jobs of 1.87. The fact that Banks has a much higher ratio of population to jobs suggests that many working residents of Banks are commuting to jobs elsewhere. Given its current population, Banks would need a total of 765 jobs to have a population/jobs ratio of 1.87, 317 more than the number of jobs currently in Banks.

¹ This should not be confused with the zoning for the locations of actual businesses in Banks, which has a number of businesses with activities that do not necessarily match the zoning of their location. Precision Pump, for example, is a use that is industrial in character and that is typically accommodated on industrial land, but this business is on a site zoned for General Commercial.

Table 2-3 shows the distribution of households by income range and median income 2000 for Oregon, Washington County, and Banks in 1999. Table 2-3 shows that households in Banks had a higher median income, \$57,500 compared to \$52,122 in Washington County and \$40,916 in Oregon. Analysis of the distribution of households by income range shows that Banks had a substantially larger share of households with incomes in the range of \$50,000 to \$99,999.

Table 2-3. Households by income range and median income in Oregon, Washington County, and Banks, 1999

Income Range	Washington		Banks	
	Oregon	County	Households	Share
Less than \$10,000	9%	5%	12	3%
\$10,000 to \$14,999	7%	4%	14	3%
\$15,000 to \$24,999	13%	10%	27	6%
\$25,000 to \$34,999	14%	12%	55	12%
\$35,000 to \$49,999	18%	17%	78	17%
\$50,000 to \$74,999	20%	23%	138	30%
\$75,000 to \$99,999	10%	14%	85	19%
\$100,000 to \$149,999	7%	11%	42	9%
\$150,000 to \$199,999	2%	3%	4	1%
\$200,000 or more	2%	2%	1	0%
Total	100%	100%	456	100%
Median HH Income	\$40,916	\$52,122	\$57,500	

Source: U.S. Census.

Table 2-4 shows the distribution of households by type in Oregon, Washington County, and Banks in 2000. Compared to Oregon and Washington County, Banks had a substantially higher share of married-couple households with children, and a correspondingly lower share of nonfamily households. Banks has a larger average household and family size than Oregon or Washington County, reflecting the larger share of married-couple households with children.

Table 2-4. Distribution of households by type, average household and family size in Oregon, Washington County, and Banks, 2000

Household Type	Washington		Banks	
	Oregon	County	Households	Share
Married couples, no children	30%	27%	104	24%
Married couples, with children	22%	28%	178	40%
Other families with children	9%	8%	45	10%
Other families	5%	4%	10	2%
Nonfamilies	34%	33%	103	23%
Total	100%	100%	440	100%
Average household size	2.51	2.61		2.92
Average family size	3.02	3.14		3.31

Source: U.S. Census.

This demographic data is consistent with the perception that Banks is a bedroom community for two-income young professional families with children. From the discussion of commuting patterns in previous planning studies and field work conducted for this study, it appears that many of these families commute outside of Banks for work in other areas of Washington County and the Portland

region. In addition, it appears that Banks serves as a shopping and employment center for residents of the surrounding rural area.

CONTEXT FOR ECONOMIC GROWTH IN BANKS

Economic growth in Banks will be affected by economic conditions in the U.S. and Oregon. Table 2-5 shows population growth in the U.S., Oregon, Willamette Valley, Washington County, and Banks over the 1970–2003 period. This table shows that growth in Oregon is more cyclical than growth in the U.S., with Oregon growing more rapidly than the nation during periods of expansion (1970s and 1990s) but lagging behind the nation during periods of recession (1980s). Counties in the Willamette Valley compose 70% of Oregon’s population, so population growth in the Valley closely parallels the rate for Oregon as a whole. Population growth in Washington County, however, has outpaced growth in Oregon and the Willamette Valley in every decade during the 1970–2003 period.

Table 2-5. Population in the U.S., Oregon, Willamette Valley, Washington County, and Banks, 1970–2003

Area	1970	1980	1990	2000	2003	Average Annual Growth Rate			
						70-80	80-90	90-00	00-03
U.S.	203,211,926	226,545,805	248,709,873	281,421,906	290,809,777	1.1%	0.9%	1.2%	1.1%
Oregon	2,091,385	2,633,156	2,842,321	3,421,399	3,541,500	2.3%	0.8%	1.9%	1.2%
Willamette Valley	1,446,594	1,788,577	1,962,816	2,380,614	2,466,750	2.1%	0.9%	1.9%	1.2%
Washington County	157,920	245,860	311,554	445,342	472,600	4.5%	2.4%	3.6%	2.0%
Banks	430	489	563	1,274	1,430	1.3%	1.4%	8.5%	3.9%

Source: Population Research Center, Portland State University (2003 estimates). U.S. Census (1970, 1980, 1990, 2000, 2003 national estimate). Average annual growth rates calculated by ECONorthwest.

Note: PSU population estimates as of July 1. Census Estimates as of April 1. The Willamette Valley consists of Benton, Clackamas, Lane, Linn, Marion, Multnomah, Polk, Washington, and Yamhill Counties.

Population in Washington County is expected to continue to grow faster than Oregon as a whole. Table 2-6 shows the State’s long-term population forecast for Oregon and Washington County, which is expected to grow at an annual average rate of 2.0% between 2005 and 2025 compared to 1.2% in Oregon.

Table 2-6. Forecast population in Oregon and Washington County, 2005–2025

	Year			AAGR
	2005	2015	2025	05-25
Population				
Oregon	3,618,200	4,095,708	4,626,015	1.2%
Washington County	489,742	599,377	723,669	2.0%

Source: State of Oregon, Office of Economic Analysis. 2004. *Forecasts of Oregon’s County Populations and Components of Change, 2000 – 2040*. April. Average annual growth rate calculated by ECONorthwest.

Metro, which is responsible for planning in the Portland region, forecasts growth of households and employment in Multnomah, Clackamas, Washington, and Clark counties. Metro’s current twenty-year forecast for household and employment growth in this four-county region is shown in Tables 2-7 and 2-8. The Metro forecast shows that substantial growth is expected over the next twenty years, with the four-county region adding roughly 285,000 households and

475,000 jobs. About 25% of household growth is forecast to occur in Washington County, which is expected to add about 70,000 households and 125,000 jobs in the next twenty years.

Table 2-7. Forecast household growth in Multnomah, Clackamas, Washington, and Clark Counties, 2005–2025

County/City	2005	2025	Growth	AAGR
Multnomah	288,926	351,481	62,555	1.0%
Clackamas	140,415	220,833	80,418	2.3%
Washington	189,925	259,341	69,416	1.6%
Clark	144,606	219,400	74,794	2.1%
Total	763,872	1,051,055	287,183	1.6%
Washington County				
Banks	1,248	2,129	881	2.7%
Beaverton	34,004	42,599	8,595	1.1%
Cornelius	3,406	4,148	742	1.0%
Durham	360	456	96	1.2%
Forest Grove	7,523	10,734	3,211	1.8%
Hillsboro	29,880	33,618	3,738	0.6%
King City	2,754	3,098	344	0.6%
North Plains	1,390	2,688	1,298	3.4%
Sherwood	5,484	6,835	1,351	1.1%
Tigard	17,724	20,241	2,517	0.7%
Tualatin	8,469	9,406	937	0.5%
Wilsonville	133	1,285	1,152	12.0%
Unincorporated	77,550	122,104	44,554	2.3%

Source: Metro. Draft regional forecast by TAZ provided to K.J. Won. 2/15/2004.

Table 2-8. Forecast total employment growth in Multnomah, Clackamas, Washington, and Clark Counties, 2005–2025

County/City	2005	2025	Growth	AAGR
Multnomah	490,138	654,593	164,455	1.5%
Clackamas	145,587	231,395	85,808	2.3%
Washington	269,649	397,457	127,808	2.0%
Clark	139,217	240,070	100,853	2.8%
Total	1,044,591	1,523,515	478,924	1.9%
Washington County				
Banks	996	1,327	331	1.4%
Beaverton	56,706	74,095	17,389	1.3%
Cornelius	2,342	3,244	902	1.6%
Durham	2,057	2,274	217	0.5%
Forest Grove	7,236	9,929	2,693	1.6%
Hillsboro	59,469	106,247	46,778	2.9%
King City	777	974	197	1.1%
North Plains	1,166	2,722	1,556	4.3%
Sherwood	3,993	6,921	2,928	2.8%
Tigard	41,304	57,065	15,761	1.6%
Tualatin	23,995	32,497	8,502	1.5%
Wilsonville	2,979	3,765	786	1.2%
Unincorporated	66,629	96,396	29,767	1.9%

Source: Metro. Draft regional forecast by TAZ provided to K.J. Won. 2/15/2004.

The State of Oregon publishes current and forecast employment growth by Workforce Analysis Region. The Workforce Analysis Region that includes Washington County also includes Multnomah and Tillamook Counties. Current and forecast employment and in the Multnomah/Washington/Tillamook County region is shown in Table 2-9. Multnomah and Washington Counties have substantially more employment than Tillamook County, so these two larger counties dominate the employment data shown Table 2-9.

The distribution of employment by sector in the Multnomah/Washington/Tillamook County region is roughly similar to that for Oregon as a whole, with a few exceptions: Multnomah/Washington/Tillamook County has a higher share of employment in Services and Finance/Insurance/Real Estate, and a lower share of employment in Government and Retail Trade. Table 2-9 shows that substantial employment growth is expected for every sector in the Multnomah/Washington/Tillamook County region except in Mining & Quarrying.

Table 2-9. Employment by sector in Oregon and the Multnomah/Washington/Tillamook County region, 2002–2012

Sector	Oregon				Multnomah, Tillamook, and Washington Counties			
	2002	2012	Growth	% Growth	2002	2012	Growth	% Growth
Mining & Quarrying	1,800	1,900	100	6%	300	300	0	0%
Construction	76,500	84,100	7,600	10%	30,400	33,100	2,700	9%
Manufacturing	219,900	231,700	11,800	5%	90,700	97,400	6,700	7%
Transportation & Public Utilities	75,900	83,400	7,500	10%	40,300	44,800	4,500	11%
Wholesale Trade	85,200	99,800	14,600	17%	44,600	50,700	6,100	14%
Retail Trade	299,300	341,500	42,200	14%	110,900	126,700	15,800	14%
Finance, Insurance, & Real Estate	95,500	109,300	13,800	14%	50,300	57,000	6,700	13%
Services	445,100	542,300	97,200	22%	203,000	248,800	45,800	23%
Government	274,000	294,000	20,000	7%	58,000	91,900	33,900	58%
Total	1,573,200	1,788,000	214,800	14%	655,500	750,700	95,200	15%
Percent of Total Employment/Employment Growth								
Mining & Quarrying	0%	0%	0%		0%	0%	0%	
Construction	5%	5%	4%		5%	4%	3%	
Manufacturing	14%	13%	5%		14%	13%	7%	
Transportation & Public Utilities	5%	5%	3%		6%	6%	5%	
Wholesale Trade	5%	6%	7%		7%	7%	6%	
Retail Trade	19%	19%	20%		17%	17%	17%	
Finance, Insurance, & Real Estate	6%	6%	6%		8%	8%	7%	
Services	28%	30%	45%		31%	33%	48%	
Government	17%	16%	9%		9%	12%	36%	
Total	100%	100%	100%		100%	100%	100%	

Source: Oregon Employment Department. 2004. *Employment Projections by Industry 2002-2012*.

The data shown in Table 2-9 is a summary of more detailed data that shows forecast employment for some industries that are subsets of the sectors shown in Table 2-9. This more detailed data was reviewed to identify specific industries in the Multnomah/Washington/Tillamook County region that are expected to experience substantial employment growth over the 2002–2012 period. Growth in several of these industries have potential to generate employment growth in Banks. These industries (with expected employment growth) include:

- Business services (13,700)
- Health services (11,800)
- Electronic and other electric equipment manufacturing (4,600)
- Engineering and management services (4,000)

- Transportation (3,300)
- Finance and banking (2,800)
- Special trade contractors (1,800)

Despite the economic downturn early in this decade, Oregon and the Willamette Valley have experienced expansion of existing businesses and the opening of new businesses in industries that may have potential to locate in Banks. A review of business news sources shows numerous examples of businesses that expanded and new business activity in Oregon. These businesses includes firms in the following industries:

- Manufacture of aircraft, aircraft equipment, and avionics.
- Call centers.
- Software design and customer support.
- Manufacturing of transportation equipment.
- Manufacturing of medical equipment and supplies.
- High-tech equipment and instrument manufacturing.
- Engineering services.
- Banking and financial services.
- Other specialty manufacturing, including food processing, adhesives, industrial equipment, metals fabrication, tools, knives, and recreational equipment.
- Specialty retail in shopping center and traditional downtown settings.

Of course, businesses in these and other industries have closed or downsized in this decade. The industries that are generating growth, however, are suggestive of the types of industries that might generate growth in Banks. The comparative advantage of Banks as a business location and the implications for the types of businesses that may locate in Banks are discussed later in this chapter.

PREVIOUS FORECASTS OF POPULATION AND EMPLOYMENT GROWTH IN BANKS

Forecasts of population and employment growth in Banks have been developed as part of previous planning efforts at the local and regional level. Review of these forecasts can help suggest the level of growth that can reasonably be expected in Banks.

The City of Banks recently adopted a twenty-year population projection of 3,739 in 2024. This projection has been approved by Washington County. With a 2003 population of 1,430, achieving the City's population projection will require growth by 2,309 people, with an average annual growth rate of 4.7% over the next twenty years. While this is an exceptionally high average annual growth rate for population, it is not unreasonable given the small size of Banks. A small

community such as Banks can experience high population growth rates over long periods because it takes little population growth to generate a high growth rate. To put Banks' expected population growth in context, it is less than 1% of total population growth expected in Washington County between 2005 and 2025, according to the State's long-term forecast (see Table 2-6).

The 1999 *Growth Management Plan* for the City of Banks' included a forecast of population, household, and employment growth in Banks through 2020. This forecast is summarized in Table 2-9. This forecast shows that population was expected to grow at an annual average rate of 3.7% and employment at an average annual rate of 3.8% between 1998 and 2020. The distribution of employment in Banks was forecast to shift between 1998 and 2020, with the share in Retail and Light Industry/Services expected to increase while the share in Public Administration expected to decrease. The share of employment in Manufacturing was expected to remain at 27% of total employment over the forecast period.

Table 2-10. Forecast population, households, and employment in Banks, 1998-2020

	1998		2020		1998-2020 Growth	
	Amount	%	Amount	%	Amount	AAGR
Population	845		1,882		1,037	3.7%
Households	282		753		471	4.6%
Persons per Household	3.0		2.5			
Total Employment	366	100%	837	100%	471	3.8%
Manufacturing	97	27%	224	27%	127	3.9%
Light Industry/Services	104	28%	250	30%	146	4.1%
Retail	59	16%	163	19%	104	4.7%
Public Administration	106	29%	200	24%	94	2.9%

Source: OTAK, 1999. *City of Banks Growth Management Plan—Draft*. June.

The *Growth Management Plan* forecast of employment growth in Banks was based on several goals and expected economic trends, including the following:

- A desire for balance between the number of new jobs and new housing.
- Growth in retail and commercial jobs driven by growth in the number of households and household income in Banks and the surrounding region.
- An emphasis on “Main Street” retail and service businesses utilizing small storefronts.
- Steady growth in Manufacturing and Light Industrial employment, including secondary wood products and manufacture of crafts, foods, furniture, and other specialty goods.
- A slight shift toward personal and professional services reflecting demand from a larger population.
- Increases in Public Administration jobs at a rate slower than overall population and employment growth.

² OTAK, 1999. *City of Banks Growth Management Plan—Draft*. June.

The employment forecast in the 1999 *Growth Management Plan* anticipated the employment growth generated by development of the Oak Village Shopping Center. If we use the 2003 employment level in Banks shown in Table 2-2 (448) and the 2020 level of employment forecast in the *Growth Management Plan* (837), this yields an average annual growth rate of 3.7%, only slightly lower than the 3.8% rate shown in Table 2-10.

The most recent forecast of growth in the Banks area is from Metro, which is responsible for planning in the metropolitan Portland region. The smallest units of geography in the Metro forecast are called Transportation Analysis Zones (TAZs), which do not follow city limits or urban growth boundary areas. For the Banks area, TAZ 1298 is entirely within the city limits of Banks, while only a very small portion of TAZ 1297 is within Banks' city limits. Table 2-11 shows Metro's forecast of household and employment growth in TAZ 1298 and 1297 over the 2005–2025 period.

Table 2-11. Forecast of household and employment growth in TAZ 1298 and 1297, 2005–2025

Area	Households	Employment			Total
		Retail	Services	Other	
TAZ 1298					
2005	469	78	351	2	431
2025	1,078	89	394	93	576
Growth	609	11	43	91	145
AAGR	4.2%	0.7%	0.6%	21.2%	1.5%
TAZ 1297					
2005	779	54	83	428	565
2025	1,051	62	174	515	751
Growth	272	8	91	87	186
AAGR	1.5%	0.7%	3.8%	0.9%	1.4%
Total					
2005	1,248	132	434	430	996
2025	2,129	151	568	608	1,327
Growth	881	19	134	178	331
AAGR	2.7%	0.7%	1.4%	1.7%	1.4%

Source: Dennis Yee, Metro. Personal correspondence to K.J. Won, City of Banks, April 2, 2004.
 Note: household forecasts revised due to land capacity constraints in TAZ 1298 per memo from Dennis Yee, memo to K.J. Won, May 3, 2004.

Table 2-11 shows that TAZ 1298 and 1297 together are expected to add 881 households between 2005 and 2025, an average annual growth rate of 2.7%. Most household growth in the Banks area is expected to occur in TAZ 1298. TAZ 1298 and 1297 are expected to add 331 jobs over the 2005–2025 period, with an average annual growth rate of 1.4%. Most employment growth—54%—is expected in the Other category, which includes manufacturing and public administration.

SUMMARY

The economy of Banks is a mix of traditional rural Oregon small town and a suburban Portland community. The traditional rural Oregon portion is represented

by the Banks Lumber mill and small shops along Main Street. The suburban Portland portion is represented by the Arbor Village residential development and retail businesses in the Oak Village Shopping Center. With this mix of identities, Banks serves as both an employment center for residents of the surrounding rural area as well as a bedroom community for residents that commute elsewhere to work.

The development of Arbor Village produced substantial population growth in Banks, which grew from only 563 residents in 1990 to 1,430 in 2003, an increase of 154%. This substantial population growth was not met with an equal level of employment growth in Banks, with the result that most of Banks' residents commute elsewhere to work.

Demographic data from the 2000 Census shows that Banks has a substantially higher share of married-couple families with children compared to Washington County and Oregon. Banks also has a larger share of households in the middle- and upper-income ranges of \$50,000 to \$74,999 and \$75,000 to \$99,999 compared to Washington County and Oregon. This demographic data is consistent with the perception that Banks is a bedroom community for two-income young professional families with children.

Population growth in Oregon has been dominated by the Willamette Valley region, and population in Washington County has grown faster than population in the Valley, Oregon, and the United States in every decade since 1970. Forecasts by the State of Oregon show that population in Washington County is expected to continue to grow faster than Oregon as a whole. Washington County is expected to add over 230,000 residents over the next twenty years.

Forecasts from Metro also show that substantial growth is expected in the Portland region and Washington County between 2005 and 2025. Washington County is expected to add about 70,000 households and 125,000 jobs in the next twenty years. This substantial level of growth will create an opportunity for Banks to attract residential, commercial, and industrial development. A small share of the population and employment growth expected in Washington County can generate substantial growth in Banks relative to its current population and employment.

The development of Arbor Village, shows how one development can lead to substantial population or employment growth in a small community such as Banks. Housing units in Arbor Village were absorbed rapidly and represent only a small fraction of the Washington County housing market. While Metro's forecasts expect only modest population and employment growth in Banks over the next twenty years, another residential development such as Arbor Village or a major employer locating in Banks could lead to levels of population and employment growth substantially higher than those in existing forecasts.

Chapter 3 identifies economic factors in Banks that may affect future economic development in the community. Chapter 4 combines the analysis in Chapters 2 and 3 to forecast potential employment growth in Banks and the resulting demand for commercial and industrial land. This demand is compared to

the supply of commercial and industrial land in Banks to reach conclusions about the amount of land and public services that may be needed to accommodate potential growth.

Factors Affecting Future Economic Development in Banks

FACTORS AFFECTING FUTURE ECONOMIC DEVELOPMENT IN BANKS

Economic development will be affected by local conditions in Banks as well as the national and regional economic conditions that were addressed in Chapter 2. Local factors affecting future economic development in Banks include its location, supply of buildable land, labor force, housing, public services, transportation, natural resources, and quality of life. Banks' comparative advantage for economic development consists of its supply of local economic factors relative to factors present in other portions of metropolitan Portland and the northern Willamette Valley.

There is little that Banks can do to influence national and regional conditions that affect economic development. Banks, however, can influence local factors that affect economic development. This section provides an overview of local factors that may affect economic development in Banks and any advantages, opportunities, disadvantages, and constraints these factors may present. This section ends with a discussion of the comparative advantages of Banks relative to other communities in its region, based on the mix of economic factors present in Banks. The review of local factors in this chapter will form a basis for projecting employment growth and developing economic development strategies for Banks later in this study.

LOCATION

Banks' location has a significant role in defining its comparative advantage. Banks is located in western Washington County, approximately 10 miles northwest of Hillsboro and 25 miles west of downtown Portland. While Banks is located near metropolitan Portland, it is located in a rural setting removed from the contiguous suburban areas surrounding Portland. This combination of a location near metropolitan Portland but in a rural setting removed from suburbia allows businesses and residents of Banks to enjoy the benefits of a rural location while having access to the amenities of a metropolitan economy.

Banks' location makes it an attractive location for residents and businesses. Residents will be attracted by the small-town lifestyle in Banks combined with access to jobs, shopping, entertainment, and other amenities available in the metropolitan Portland area. Banks' location can also be attractive for businesses that desire a small-town lifestyle for its owners and employees or proximity to natural resources along with access to the labor supply, businesses services, transportation network, and other advantages of the metropolitan Portland economy.

Banks' location can also be a limiting factor for some types of employment growth. It's relatively small population and location away from larger population center mean that Banks is unlikely to attract big-box retail or warehousing/distribution businesses. Banks' location away from I-5 also make it an unlikely location for most manufacturers that require high-volume shipments of inputs and products by truck.

BUILDABLE LAND

Banks currently has very little buildable commercial and industrial land within its Urban Growth Boundary (UGB) to support employment growth. Buildable land is land that is vacant, has access to transportation and public services, and is without wetlands, steep slopes, and other constraints on development. Chapter 4 shows that Banks currently has only about 9.6 acres of buildable land designated for commercial and industrial development. Not all of this acreage, however, is suitable for development for reasons discussed in Chapter 4. The analysis in Chapter 4 shows that Banks has just over 2 acres of buildable Commercial and Industrial land, with some potential for redevelopment on a few more acres. Overall Banks has very little buildable land to support employment growth.

Unless the City of Banks takes actions to increase the supply of buildable land by increasing its UGB, the lack of buildable land will constrain future employment growth in the community. A purpose of this study, however, is to estimate the level of employment growth that Banks could experience in order to determine the amount of buildable land needed to accommodate this growth. Therefore, this report will not consider the lack of buildable land to be a constraint on future employment growth in Banks.

PUBLIC SERVICES

Water and sanitary sewer service are necessary to support economic development and employment growth in Banks. A *Water Management and Conservation Plan* was completed for the City of Banks in 2001.¹ The *Water Management Plan* used a projection of 1,882 for Banks' population in 2020 and assumptions about future water demand per capita, potential conservation measures, and other factors to estimate the long-term demand for water in Banks. Based on existing supply and estimated long-term customer demand for water, the *Water Management Plan* found that an additional new source of supply will be needed soon. The *Water Management Plan* recommends that Banks pursue development of a new well on the south side of Banks and provide necessary treatment process to allow use of the small Green Mountain Springs on a year-round basis.

The City of Banks recently adopted a population projection that is substantially higher than that used in the *Water Management Plan*. The City is projecting a 2024 population of 3,739, compared to a 2020 population of 1,882

¹ LDC Design Group, Inc. 2001. *Water Management and Conservation Plan for the City of Bank, Oregon*. January.

used in the *Water Management Plan*. This suggests that increases in the capacity of the water supply may be needed in addition to those recommended in the *Water Management Plan* to accommodate long-term growth.

The lack of a sufficient water supply can be a limiting factor for population and employment growth. Other communities in western Washington County, however, have been able to secure an adequate water supply to support substantial population and employment growth. For the purposes of this study, we will assume that Banks will be able to increase the capacity of its water supply and fund the improvements to the water system necessary to support expected development.

Sanitary sewer service in Banks is provided by Clean Water Services (CWS), formally known as the Unified Sewerage Agency of Washington County (USA). CWS provides sanitary sewer service and treatment for communities in the Tualatin River Watershed, which includes most of Washington County. CWS currently has over 450,000 customers.

USA reviewed the *City of Banks Growth Management Plan* prepared by OTAK in June 1999. A letter from Dan Gunther, Senior Engineer for USA³, states that the Agency's recently completed Oak Village pump station has adequate capacity for growth anticipated in the *Growth Management Plan* and that pump station can be upgraded for more capacity. The *Banks Growth Management Plan* anticipated a 2020 population of 1,882 rather than the current projection of a 2024 population of 3,739. While the current population projection is substantially more than that included in the *Growth Management Plan* reviewed by USA, the anticipated growth in Banks is a tiny fraction anticipated population and employment growth in CWS's service district. For this reason, we will assume that the capacity of sanitary sewer service will be adequate to support population and employment growth in Banks.

TRANSPORTATION

Access to transportation, particularly major components of the transportation network, is important to support employment growth. Banks' location on Oregon Highway 6 near its junction with U.S. Highway 26 allows businesses in Banks to have close access to major highways without substantial use of local roads. Banks location near these highways can be an advantage for businesses that rely on trucks to ship supplies and products, as well as those that need to attract workers from the larger labor force in metropolitan Portland.

Banks is also served by the Port of Tillamook Bay Railroad, which provides connections to the Union Pacific and Burlington Northern Santa Fe systems for connections throughout the U.S. and Canada.

³ Dan Gunther, Senior Engineer, USA. Personal correspondence to K.J. Won. May 20, 1999.

HOUSING

The housing stock in Banks is a mix of relatively old and relatively new units. Data from the 2000 Census shows that 65% of housing units in Banks were built since 1995, which are primarily units in the Arbor Village subdivision. Most of the remaining housing stock was built before 1979, with over 12% of all housing units built before 1940.

New housing in Arbor Village was targeted for small families that were first-time buyers, with prices in the range of \$140,000 to \$190,000 for a single-family home. While the price of these units has probably risen since their construction, they should continue to have a relatively lower price that appeals to this market segment. In addition, relatively lower land prices in Banks due to its distance from other population centers should allow the market to continue to target this market segment, which is more likely to commute in order to afford a new home and enjoy the lifestyle available in a small community.

LABOR FORCE

The labor force in Banks and the immediately surrounding area is relatively small compared to the labor force in Washington County. Employers in Banks, however, are not limited to using workers living in Banks and the surrounding area—they can attract workers from Washington County and the larger metropolitan Portland area. In a similar fashion, residents of the Banks area are not limited to working at businesses in Banks but can commute to jobs at businesses throughout the metropolitan Portland area.

Table 3-1 shows the occupation of residents of the Banks zip code area (which includes the City of Banks and surrounding rural area with a Banks address), with the occupation of residents in Washington County and Oregon for comparison. Table 3-1 shows that the number of workers in the Banks zip code area is less than 1% of all workers in Washington County. The distribution of occupations in the Banks zip code area is not substantially different from that in Oregon and Washington County. Compared to Oregon, the largest difference is that the Banks area has a larger share of workers in Architecture and Engineering. Given the types of firms located in Banks, it is likely that most of these workers commute to jobs outside of Banks. Compared to Washington County, the largest difference is that the Banks area has a larger share of workers in the blue-collar occupations of Transportation and Material Moving, Production, and Construction and Extraction.

Table 3-1. Occupation of residents of Oregon, Washington County, and the Banks zip code area, 2004

Occupation	Oregon		Washington County		Banks Zip Code area	
	Percent	Workers	Percent	Workers	Percent	Workers
Unemployed Workers	4.4%	13,241	4.4%	88	3.3%	
Employed Workers	93.6%	284,317	95.6%	2,542	96.7%	
Management, Except Farms	8.2%	28,848	9.7%	248	9.4%	
Farmers and Farm Managers	0.8%	706	0.2%	44	1.7%	
Business Operations Specialists	1.8%	6,837	2.3%	53	2.0%	
Financial Specialists	1.8%	6,708	2.3%	58	2.2%	
Computer and Mathematical	2.1%	13,214	4.4%	89	3.4%	
Architecture and Engineering	2.1%	12,965	4.4%	116	4.4%	
Life, Physical, and Social Science	1.0%	2,104	0.7%	20	0.8%	
Community and Social Services	1.6%	2,934	1.0%	25	1.0%	
Legal	0.9%	2,099	0.7%	10	0.4%	
Education, Training, and Library	5.0%	11,498	3.9%	139	5.3%	
Arts, Design, Entertainment, Sports, and Media	1.9%	5,378	1.8%	18	0.7%	
Healthcare Practitioners and Technical	3.9%	9,995	3.4%	59	2.2%	
Healthcare Support	1.8%	3,404	1.1%	34	1.3%	
Protective Service	1.5%	3,016	1.0%	59	2.2%	
Food Preparation and Serving Related	4.8%	10,272	3.5%	77	2.9%	
Building and Grounds Cleaning, and Maintenance	3.2%	6,857	2.3%	48	1.8%	
Service: Personal Care and Service	3.1%	6,458	2.2%	59	2.2%	
Sales and Related	10.7%	31,024	10.4%	240	9.1%	
Office and Administrative Support	13.8%	38,984	13.1%	392	14.9%	
Farming, Fishing, and Forestry	1.6%	2,418	0.8%	63	2.4%	
Construction and Extraction	5.0%	11,119	3.7%	162	6.2%	
Installation, Maintenance, and Repair	3.5%	7,487	2.5%	100	3.8%	
Production	7.6%	19,092	6.4%	235	8.9%	
Transportation and Material Moving	6.1%	11,724	3.9%	194	7.4%	
Total Civilian Labor Force	100.0%	297,558	100.0%	2,630	100.0%	

Source: Claritas, Inc. Percent distribution calculated by ECONorthwest.

RENEWABLE AND NON-RENEWABLE RESOURCES

Proximity to renewable resources are an important aspect of Banks' comparative advantage. Banks is located near substantial private timberlands and the Tillamook State Forest, which is managed for environmental benefits and timber production. Banks' location near these timberlands suggests that logging, lumber, and related activities should continue to be important economic activities in the Banks area in the future. In addition, there may be opportunities in Banks for additional wood products manufacturing or production of non-timber forest products such as wild mushrooms, ferns, tree boughs, cones, and moss.

Banks is also located near substantial areas of farmland, which can help Banks support businesses that supply goods and services to farms as well as businesses that package and process food products.

Banks' location also allows access to a range of recreational opportunities that can help support business activity and employment growth. The southern terminus of the Banks-Vernonia trail is approximately 1/2-mile north of Banks. This trail extends between Banks and Vernonia along an abandoned railroad grade. The gentle grade of this off-road trail makes it popular for bicycling. Oregon State Parks has plans to extend the trail to the north end of Banks and construct a trailhead facility in the near future. Oregon State Parks reports that the Banks-Vernonia trail had over 27,000 user visits in 2003. Activity generated by

trail use could help support related businesses in Banks such as bicycle sales/rental and restaurants.

Other recreational opportunities near Banks includes the Quail Valley Golf Course is immediately east of town. Banks' proximity to forestland offers opportunities for hunting, fishing, hiking, and off-road motor sports. While these recreational opportunities may help support businesses in Banks, their primary impact is to make Banks an attractive location for households and businesses that value proximity to recreational opportunities.

PUBLIC POLICY

The City of Banks Comprehensive Plan, adopted in 1979 and amended in 1989, contains policies supportive of economic development in the community. The City's stated goal is "to provide for the economic diversification and stability of the area."³ Pursuant to this goal, the City has adopted policies including:

- The City, through cooperation and a close working relationship with the public and private sectors, will encourage new employment opportunities.
- The City will coordinate with the Oregon Department of Economic Development in seeking new industrial uses.
- The City will encourage economic development and diversification by providing sufficient zoned, buildable, and serviceable land for industrial and commercial use.

These policies show that Banks is supportive of economic development in the community. Since amendment of the Comprehensive Plan, the City and community have been engaged in numerous studies of economic opportunities, including:

- *The Banks Resource Team Report*, January 2002
- *Banks, Oregon Strategic Plan*, June 2003
- *Land Use Considerations for siting a Motion Picture Sound Stage in (or around) Banks, Oregon*, January 2005.

The *Strategic Plan* includes a vision for Banks in 2013 that envisions a population of 4,500, redevelopment of businesses along Main Street in downtown Banks, development of a medical clinic, and development of a new business park.

The *Resource Team Report* and *Strategic Plan* consider the general economic conditions and potential for development in Banks. The recent *Motion Picture Sound Stage* report, however, examines the potential for siting a specific type of large employer in Banks. This report, commissioned by the Banks Community Foundation, found at least one sound stage development outside of a major

³ City of Banks. 1989. *Comprehensive Plan*. Page 14.

metropolitan area (Wilmington, NC) and identified the site characteristics needed to site a sound stage in the Banks area. While there is no certainty that Banks will be able to attract a sound stage development to the area, this study is indicative of efforts in the community to attract a large employer to create jobs and diversify the economy.

BANKS' COMPARATIVE ADVANTAGES

Banks' primary comparative advantage is its combination of rural location and small-town character with access to jobs, shopping, and other amenities offered by the metropolitan Portland region. This combination, along with affordable housing, make Banks attractive to young families and others looking for a rural or small-town lifestyle with access to jobs and amenities available in a larger city. This combination also makes Banks attractive to business owners who seek a rural or small-town lifestyle for themselves or their employees while still having access to the workforce, supplies, services, and markets available in metropolitan Portland.

Banks' location also has implications for the types of businesses that may be attracted to locate in the community. Its proximity to metropolitan Portland means that Banks can attract firms that are not tied to an urban location, such as back-office operations, call centers, and specialty manufacturing. In particular, industries that are clustered in the Portland area can generate or attract small related businesses that may find Banks attractive. These industries include the manufacturing of high-tech electronics, industrial equipment, transportation equipment, recreation equipment and apparel, and specialty food packaging/processing.

Banks' location near forests and farmland can help attract businesses related to natural resources, such as wood products manufacturing, non-timber forest production, food packaging and processing, and businesses that supply farm and forest operations.

Demand and Supply of Buildable Land in Banks

This chapter builds on the analysis presented in Chapters 2 and 3 to forecast potential employment growth in Banks. Expected employment growth will drive demand for buildable non-residential land in Banks. The level of land demand will be compared to the supply of buildable land in Banks to determine whether Banks has a sufficient supply of buildable land to accommodate expected employment growth. If not, this chapter will identify the amount and type of additional land needed to accommodate expected employment growth.

FORECAST EMPLOYMENT GROWTH IN BANKS

The purpose of an employment forecast in this study is to forecast the demand for non-residential land needed to accommodate potential employment growth in Banks. Thus, what is needed is a forecast of employment by land use type. Banks' current zoning code has three categories of land to accommodate non-residential development: General Commercial, General Industrial, and Community Facilities. Table 4-1 shows 2003 employment in Banks in these categories.

Table 4-1. Employment in Banks by land use type, 2003

Land Use Type	Full-Time	Part-Time	Seasonal/Temporary	Total
Commercial	65	69	3	137
Industrial	116	24	44	184
Community Facilities	77	49	1	127
Total	258	142	48	448

Source: K.J. Won, Banks City Planner. Personal correspondence to Steve Kelley, Washington County DLUT. March 11, 2003.

Note: businesses assigned a land use type by ECONorthwest.

The employment level shown in Table 4-1 is the base from which future employment in Banks will be forecast. Employment by land use type will be forecast through 2025 to represent a twenty-year planning period. The first step to forecast employment growth in Banks is to select an average annual growth rate for total employment in Banks. Once the level of future total employment has been forecast, assumptions will be applied to estimate the distribution of this employment by land use type. These assumptions will reflect expected economic trends in the region as well as the comparative advantages of Banks.

TOTAL EMPLOYMENT GROWTH RATE

Recent forecasts of employment growth summarized in Chapter 2 show a range of expected employment growth rates in Washington County and Banks:

- Metro's forecast for the Portland region shows total employment in Washington County growing at an average annual rate of 2.0% between 2005 and 2025.
- The Oregon Employment Department forecasts employment in Multnomah, Washington, and Tillamook counties to grow at an average annual rate of 1.4% between 2002 and 2012.
- Metro's forecast of employment growth in the Banks area (TAZ 1297 and 1298) shows an expected average annual growth rate of 1.4% between 2005 and 2025.

These forecasts suggest that employment in Banks will grow at an average annual rate in the range of 1.4% to 2.0%. Applying this range of growth rates to Banks' level of total employment in 2003 results in a 2025 level of total employment in the range of 608 to 693. This range of employment levels could be reached with employment growth in the range of 160 to 245 over the planning period.

The City of Banks has expressed a desire for an improved balance between the number of jobs and population in Banks. An improved jobs/population balance is desired so that Banks can be less of a bedroom community for residents that work elsewhere and to provide a more robust tax base for funding services needed in the community.

To improve the jobs/population balance, jobs in Banks need to grow at a faster rate than population. Using Banks' 2003 population of 1,430 as a base, the population projection recently adopted by the City of Banks—3,739 people in 2024—implies an average annual population growth rate of 4.7% over the next twenty years.

According to the 2000 Census, the ratio of Bank's population to the number of working residents (regardless of where they work) was 1.87.¹ Applying this ratio to the 2003 population indicates that Banks would need a total of 765 jobs to have the number of jobs in Banks equal the number of working residents in Banks. This is 317 more jobs than the number currently in Banks.

The share of the population that is in the labor force is expected to decline in the future due to aging of the population. This will have the effect of increasing the ratio of population to working residents in a community. If we assume that Banks would like to have a ratio of population to jobs of 2.0 by 2024, and apply this ratio to the level of population projected for Banks in 2024 (3,739), this implies that Banks would need total employment of 1,870 in 2024. Applying this level of employment to the 2003 level of employment in Banks implies an average annual employment growth rate of 7.0% between 2003 and 2024.

An average annual employment growth rate of 7.0% over twenty years is exceptionally high compared to growth rates observed for larger areas. The

¹ The ratio of population to residents that are in the labor force for Washington County as a whole was 1.82 in 2000.

development of Arbor Village, however, shows that a single residential development can lead to exceptionally high population growth rates in a town as small as Banks. In a similar fashion, the location of a single large employer in Banks could lead to exceptionally high employment growth rates. Given Banks' desire for an improved balance between population and jobs, anticipated population growth in Banks has increased the level of employment growth needed to achieve this balance.

To improve the balance between population and jobs in Banks, and for economic development of the area in general, the Banks Community Foundation is pursuing development of a sound stage facility in the Banks area for the film industry. The land needed for such a facility will be incorporated into the land demand analysis later in this chapter. This initiative shows that the Banks community is seeking large employers to bring jobs to the area to diversify the economy. As with the impact of Arbor Village on population growth, a single or few large employers locating in Banks could have a significant impact on employment growth in the community.

In summary:

- Existing forecasts of employment growth in Banks anticipate total employment to grow at an average annual rate of 1.4% to 2.0% over twenty years.
- Banks has expressed a desire for an improved balance between the population and number of jobs in Banks. To achieve this, employment must grow faster than population, which is expected to grow at an average annual rate of 4.7% over the next twenty years.
- To achieve a number of jobs roughly equal to the number of working residents in 2024, Banks would need total employment to grow at an average annual rate of 7.0%.

While employment will need to grow faster than population to improve Banks' balance between its population and jobs, it seems unlikely that a small community such as Banks will achieve a perfect balance between population and jobs. Given this expectation, it appears that an average annual growth rate in the range of 5.0% to 6.0% is most appropriate for total employment in Banks through 2025. This growth rate represents the City's desire for an improved balance between population and jobs in Banks, and Banks' recently adopted population projection.

Applied to Banks' 2003 employment of 448, this range of growth rates result in total employment of 1,311 to 1,614 in 2025. This represents employment growth in Banks of 863 to 1,166 over the next twenty years. While this is a substantial increase over existing employment levels in Banks, it represents only 0.6% to 1.3% of total employment growth anticipated in Washington County over the next twenty years.

DISTRIBUTION OF TOTAL EMPLOYMENT

Data in Table 4-1 shows that the distribution of 2003 employment in Banks by land use type is 31% Commercial, 41% Industrial, and 28% Community Facilities. Economic trends, the location of Banks, and local economic factors have several implications for the future distribution of employment by land use type. These implications include the following:

- Retail employment is likely to increase as a larger population base supports more specialized retail shops and services in Banks. However, future population in Banks is unlikely to support another supermarket, or a new discount store. Big-box retail uses are unlikely to locate in Banks because of its small population and location away from other urban centers or substantial levels of passing traffic. Thus, any increase in the share of Commercial uses from retail growth will likely be modest.
- Banks does have potential to attract some office uses, particularly small back-office operations, software development/support, or call centers. In addition, population growth in Banks should support a medical office and other services. These uses would contribute to an increase share of employment in Commercial uses. A few of these businesses could reuse or redevelop buildings and sites in downtown Banks. Some of these uses could also locate on land zoned for General Industrial use in Banks.
- Given the setting of Banks and the skills of the workforce in the surrounding region, small specialized manufacturing, research, and engineering uses have the most potential to generate employment growth in Banks. These uses would primarily locate on land zoned for Industrial use.
- The level of employment in activities that use land zoned for Community Facilities will grow with population growth, particularly employment in public schools and city government. Economies of scale, however, will allow employment in these activities to grow more slowly than total employment, lowering the share of employment by this land use type.

These implications are reflected in the assumptions used for the 2025 distribution of employment in Banks shown in Table 4-2. These assumptions show that the share of Banks' total employment in Commercial and Industrial uses is expected to increase while the share using land zoned for Community Facilities is expected to decrease over the forecast period. While the share of total employment in uses on land zoned for Community Facilities is expected to decrease, the amount of employment in this category is still expected to increase by 135 to 196 jobs over the forecast period. Employment growth in Banks will be led by businesses with Industrial and Commercial land uses.

Table 4-2. Forecast employment growth in Banks by land use type, 2003–2025

Land Use Type	2003		2025		2003-25	
	Amount	%	Amount	%	Growth	AAGR
Low Growth Rate						
Commercial	137	31%	459	35%	322	5.6%
Industrial	184	41%	590	45%	406	5.4%
Community Facilities	127	28%	262	20%	135	3.3%
Total	448	100%	1,311	100%	863	5.0%
Middle Growth Rate						
Commercial	137	31%	509	35%	372	6.1%
Industrial	184	41%	655	45%	471	5.9%
Community Facilities	127	28%	291	20%	164	3.8%
Total	448	100%	1,455	100%	1,007	5.5%
High Growth Rate						
Commercial	137	31%	565	35%	428	6.7%
Industrial	184	41%	726	45%	542	6.4%
Community Facilities	127	28%	323	20%	196	4.3%
Total	448	100%	1,614	100%	1,166	6.0%

Source: ECONorthwest.

Chapter 2 identifies industries with potential for growth in the forecast period based on current trends. Chapter 3 describes the comparative advantage of Banks relative to other communities in the Portland region, which is primarily a small town character and setting combined with access to urban amenities. The combination of market conditions and local characteristics suggest several examples of businesses that might locate in Banks over the forecast period:

- Engineering or software design. The presence of high-tech firms in Washington County attracts many highly-skilled employees to the area. Some of these firms will spur development of spin-off or supplier businesses, and skilled employees frequently develop small start-up businesses using their skills. These businesses are numerous but tend to not have recognizable names because they do not produce products with a wide distribution.
- The Portland area has become a center for businesses engaged in the manufacture of knives and similar equipment. Examples of large firms include Leatherman Tool and Gerber Blades, but each of these started as small specialty firms and many other smaller businesses are located in the Portland area.
- The manufacture of RVs, truck trailers, and other transportation equipment in the Portland area creates the potential for small businesses that make specialty parts and supplies for these larger manufacturers.
- Oregon's timber industry creates the opportunities for related small businesses, such as those that manufacture or maintain industrial equipment, supply specialty glues and resins for wood manufacturing, or provide logging supplies.
- Agriculture and food manufacturing in Oregon also create an opportunity for specialty food processing. Oregon has a lively and diverse mix of food processors, including firms that make and package salsa, jam, mustard,

pickles, potato chips, cheese and other dairy products, tortillas, granola, soy and rice milk, teas and herbs, beer, and roasted coffee.

The firms that locate in Banks are likely to be small because firms with a large level of employment are more likely to locate in more central and larger areas. All of these businesses tend to locate in flexible buildings that can accommodate office, light assembly/research, and distribution uses on sites of 0.5 to 5 acres. These sites must be relatively level, have public services, and a reasonable level of accessibility to major roadways. These uses should also be buffered from neighboring residential and commercial uses to reduce potential conflicts.

DEMAND FOR COMMERCIAL AND INDUSTRIAL LAND IN BANKS

Table 4-2 shows forecast employment growth in Banks over the 2003–2025 period. To estimate the amount of land needed to accommodate this employment growth, we applied employment density factors for the number of employees per acre for each land use type. The employment density factors used in Table 4-3 are based on the actual employment density of typical land uses, including industrial parks, retail stores, offices, schools, and public offices. Table 4-3 shows that expected employment growth will generate demand for 38.5 to 52.4 acres of buildable land in Banks (net of unbuildable areas such as those for streets and infrastructure, wetlands, or in a floodway).

Table 4-3 indicates the level of total land demand given expected employment growth in Banks over the forecast period. Employment growth is translated into demand for land using assumptions about the number of employees per acre by land use type. These assumptions are derived from the 1999 Employment Density Study by Metro,² in which they measured the actual amount of building square feet per employee by industry and floor-area-ratio of developments types in various areas of metropolitan Portland. The employee per acre assumptions used in Table 4-3 reflect the employment densities in the subarea that includes Banks, and floor-area-ratios for development types and settings comparable to the type of development expected in Banks.

Table 4-3 shows that the range of employment growth in Table 4-2 results in demand for 46.7 to 63.1 acres of non-residential land in Banks over the 2003–2025 period. Most demand will be for Industrial uses, with demand for 27.1 to 36.1 acres.

² Metro. 1999 *Employment Density Study*. Revised May 5. http://www.metro-region.org/library_docs/maps_data/1999employmentdensitystudy.pdf

Table 4-3. Demand for buildable land in Banks generated by expected employment growth, 2003–2025

Land Use Type	Employment growth	Employees per net acre	Demand (net buildable acres)
Low Growth Rate			
Commercial	322	25	12.9
Industrial	406	15	27.1
Community Facilities	135	20	6.8
Total	863		46.7
Middle Growth Rate			
Commercial	372	25	14.9
Industrial	471	15	31.4
Community Facilities	164	20	8.2
Total	1,007		54.5
High Growth Rate			
Commercial	428	25	17.1
Industrial	542	15	36.1
Community Facilities	196	20	9.8
Total	1,166		63.1

Source: ECONorthwest.

There are several other considerations, however, that may need to be factored into the estimate of land demand:

- The Banks Community Foundation has been pursuing development of a motion picture sound stage in the Banks area. According to a recent report on this proposal, such a facility would require a site of 25–35 relatively flat buildable acres.³ While employment at a sound stage may be included in the forecast of potential employment growth in Banks, a 35 acre site exceeds or is almost all of the Industrial land demand shown in Table 4-3.

In a larger city with demand for a hundred or more acres of industrial land, the need for a 25–35 acre site could be accommodated within that total demand by protecting large sites while allowing development of smaller sites. In Banks, however, holding a 25–35 acre site for a large development could tie up all of the City’s supply of Industrial land, preventing development of smaller Industrial uses. Most of the Industrial demand we expect in Banks will be for smaller and specialized uses that require 0.5–5 acres of land. To allow this development and respond to opportunities in the market, Banks must have Industrial sites in a suitable range of sizes or large parcels that can be divided.

If the City decides to support the pursuit of a sound stage or other large Industrial use, it should include a suitable site in its supply of Industrial land and protect that site from being subdivided into smaller parcels. Given the context of land supply and expected employment growth in Banks, a 25–35 acre site would need to be in addition to the Industrial land demand shown in Table 4-3.

³ Rural Development Initiatives, Inc. 2005. *Land Use Considerations for siting a Motion Picture Sound Stage in (or around) Banks, Oregon*. Prepared for the Banks Community Foundation. January.

- None of the largest employers in Banks contacted for this study indicated that they had plans to expand or contract their level of employment.
- Several businesses on Main Street in downtown Banks have uses that are industrial in character but are on land zoned for commercial uses. Some of these businesses have expressed interest in moving to larger sites zoned for industrial uses. Such a move would create more room in downtown Banks for small retail and commercial uses that are more compatible and supportive of a downtown setting. In addition, some uses in downtown Banks have potential for reuse or redevelopment. These developments would decrease demand for Commercial land in Banks by 1–3 acres.
- Estimated demand for land to accommodate Community Facilities ranges from 6.8 to 9.8 acres in Table 4-3. The Banks School District, however, reports that projected population growth in Banks may generate demand for another school, and that the optimum school site is 10–15 acres.⁴ Since a school site of this size is larger than the Community Facilities land shown in Table 4-3, a 15 acre site should be added to the estimated land demand. The employment at the new school, however, should be taken out of the employment growth that drives demand for Community Facilities, leaving only growth in other public agencies. This reduces demand for Community Facilities land by two acres.
- Demand for Community Facilities land is to accommodate employment growth. This demand, therefore, does not include any area for parks or open space. If the City of Banks desires land for parks and open space in addition to the area shown in Table 4-3, this amount of land should be added to any UGB expansion pursued by the City.

Table 4-4 shows the result of adjusting the amount of land demand derived from expected employment growth to reflect the pursuit of a sound stage development, the need for another school site, the potential move of several businesses out of downtown Banks, and potential reuse or redevelopment in downtown Banks. These adjustments add 35 Industrial acres for a sound stage development site, reduce demand for Commercial land by 3 acres to represent potential redevelopment in downtown Banks, and increase demand for Community Facilities land by 13 acres. The result is to increase the level of land demand in Banks over the planning period to a total of 91.7 to 108.1 acres.

⁴ Marilyn McGlasson reports that the District's current facilities have capacity for roughly another 500 students. Projected population growth of 2,300 over the next twenty years, as recently adopted by the City, would use more than this capacity and require development of another school. The District would need 5 years of lead time to acquire a site and build a school.

Table 4-4. Adjusted demand for buildable land in Banks, 2003–2025

Land Use Type	Demand from emp growth	Adjustments	Adjusted demand
Low Growth Rate			
Commercial	12.9	- 3.0	9.9
Industrial	27.1	+ 35.0	62.1
Community Facilities	6.8	+ 13.0	19.8
Total	46.7	+ 45.0	91.7
Middle Growth Rate			
Commercial	14.9	- 3.0	11.9
Industrial	31.4	+ 35.0	66.4
Community Facilities	8.2	0	21.2
Total	54.5	+ 45.0	99.5
High Growth Rate			
Commercial	17.1	- 3.0	14.1
Industrial	36.1	+ 35.0	71.1
Community Facilities	9.8	0	22.8
Total	63.1	+ 45.0	108.1

Source: ECONorthwest.

BUILDABLE LANDS INVENTORY

The City of Banks conducted an inventory of vacant non-residential land in 2003. The amount of vacant land identified in this inventory is shown in Table 4-5. This vacant land, however, is not all available for development. According to K.J. Won of the City of Banks, approximately 50% of the 8.5-acre Industrial parcel at the southeast corner of Banks is in wetlands and stormwater drainage, and so is not buildable. This area is subtracted from the inventory of vacant acres in Table 4-5 under Constrained Acres.

In addition, several other adjustments are necessary to identify the supply of buildable land in Banks:

- The remaining 4.25 acres of Industrial land at the southeast corner of Banks is surrounded by suburban residential development. Approval of the Arbor Village PUD included a provision that the developer provide a secondary access road to this parcel so that truck traffic would not need to access the property via the residential area. Options for this secondary access road are to create a new road crossing the railroad or a new road under Highway 6 to connect to Wilkesboro Road. Both of these options are problematic, and the location of residential units adjacent to this parcel make it a poor location for industrial development. In addition, the property owner has expressed a desire to change the Industrial zoning on this parcel. In the context of the substantial amount of Industrial land that will be needed to accommodate potential employment growth in Banks, it appears that the City should seek to rezone this property and add Industrial land elsewhere to make up for the loss of this Industrial land.
- A 3.3-acre Industrial parcel east of the railroad tracks does not have public street access. In addition, the narrow shape of this lot makes it difficult to

develop or use for industrial activity. Therefore, we subtract this parcel from the inventory of buildable land in Banks.

The result of adjusting the inventory of vacant land in Banks for wetland constraints and land unsuitable for industrial development is shown in Table 4-5. This table shows that Banks has only 1.07 acres of commercial land and 0.96 acres of Industrial land, for a total of 2.03 net buildable acres.

Table 4-5. Supply of buildable land in Banks by zoning, 2005

Zoning	Vacant Acres	Constrained Acres	Adjustments	Net Buildable Acres
Commercial	1.07	0.00	0.00	1.07
Industrial	12.76	- 4.25	- 7.55	0.96
Community Facilities	0.00	0.00	0.00	0.00
Total	13.83	- 4.25	- 7.55	2.03

Source: ECONorthwest.

COMPARISON OF SUPPLY AND DEMAND FOR BUILDABLE COMMERCIAL AND INDUSTRIAL LAND

Table 4-6 shows the result of comparing land demand from Table 4-4 with the net supply of buildable land shown in Table 4-5. Table 4-6 shows that Banks has a deficit of 9–13 Commercial acres, 61–70 Industrial acres, and 20–23 acres for Community Facilities. This amount of land will need to be added to Banks Urban Growth Boundary if the City of Banks wishes to accommodate the potential employment growth in the community estimated in this study.

Table 4-6. Estimated surplus (deficit) of buildable land in Banks, 2005

Zoning	Total Demand	Net Buildable Supply	Surplus (Deficit)
Low Growth Rate			
Commercial	9.88	1.07	(8.81)
Industrial	62.07	0.96	(61.11)
Community Facilities	19.75	0.00	(19.75)
Total	91.70	2.03	(89.67)
Middle Growth Rate			
Commercial	11.88	1.07	(10.81)
Industrial	66.40	0.96	(65.44)
Community Facilities	21.20	0.00	(21.20)
Total	99.48	2.03	(97.45)
High Growth Rate			
Commercial	14.12	1.07	(13.05)
Industrial	71.13	0.96	(70.17)
Community Facilities	22.80	0.00	(22.80)
Total	108.05	2.03	(106.02)

Source: ECONorthwest.

SUMMARY AND NEXT STEPS

This chapter identifies the amount of employment and types of businesses likely to expand or locate in Banks, including some commercial offices, small retail shops, and specialty manufacturing facilities. This employment growth will generate demand for buildable land in Banks. In addition, the estimate of land demand in chapter includes 35 acres for a potential sound stage development site and 15 acres for a new school.

Banks currently has very little land to accommodate employment growth. The level and type of employment growth that has the potential to occur in Banks will require the addition of roughly 90 to 110 acres of land to the City's UGB. While this is a substantial amount of land relative to the existing size of Banks, the amount of employment it will accommodate is relatively small compared to expected growth in the Portland region.

While there are a range of potential businesses that could generate employment growth, all of these uses have similar site needs: a relatively flat site with transportation access and adequate public services. There are a range of potential sizes of these businesses and the resulting development site. A typical strategy to address the uncertainty of what size of businesses will locate in a community is to zone large tracts for the appropriate use—Industrial or Commercial—and let the market decide whether to develop the site with a few large uses or many smaller uses.

This strategy should work for all of the types of businesses likely to locate in Banks except for the sound stage, which needs a large development site with a back lot isolated from noise and other activity.³ If the City of Banks wishes to pursue this development, the site designated for this use should be protected by zoning or a zoning overlay from being subdivided into smaller parcels. If the sound state development does not occur, it appears that Banks will continue to seek a large employer to diversify its economy and to improve the balance between population and jobs in the community. Other large employers are also likely to need a large development site. Preserving a large development site will help ensure that Banks has a diverse selection of industrial development sites, as other large sites are likely to subdivide to respond to market conditions.

In addition, the City should plan for the development of another school site to accommodate growth in the student population generated by expected residential development in Banks. The Banks School District reports that the optimum school site is 10–15 acres.

While this chapter has forecasted a range of employment growth, Table 4-6 shows that this range of growth results in a relatively small range of additional land needed in the Banks UGB (a range of roughly 20 acres). The amount of non-residential land actually added to the Banks UGB will depend in part on physical and regulatory considerations as well as the demand indicated in this study. In

³ Rural Development Initiatives, Inc. 2005. Op. cit.

addition, the supply of non-residential land will need to be reconsidered in 10–15 years as the supply of land is built out. In this context, the City should work within other constraints to add roughly 90 to 100 acres suitable for Industrial, Commercial, and Community employment growth.

Chapters 2 and 3 identified regional market conditions and local factors that will affect the level and type of future economic development in Banks. There is little that the City of Banks can do about market conditions that will determine the overall level and type of economic development in the metropolitan Portland region. The City of Banks can, however, affect the supply of local factors of production that will help determine the share and type of regional economic development that locates in Banks.

This chapter begins with a framework for understanding economic development strategies. This is followed with an overview of key economic development issues identified in the previous chapters. A range of potential economic development strategies is then presented, followed by recommendations for which policies should be adopted by the City of Banks.

FRAMEWORK FOR UNDERSTANDING ECONOMIC DEVELOPMENT STRATEGIES

Broadly, economic development is about an increase in overall economic well-being. It is typical to use income as a measure of that welfare, though that choice has several limitations. 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, increase income, and increased economic welfare.
- The evaluation of tradeoffs and balancing of policies to decide whether such growth is likely to lead to overall gains in well-being (on average and across all citizens and businesses in a jurisdiction) is something that decision makers do after an economic strategy has been presented to them for consideration.

This study assumes that the key objective of an economic development strategy is business development and job growth, which 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 public policy is, What are the factors that influence business and job growth, and what is their relative importance?* This section addresses that question.

Advantages to businesses in a region derive primarily from that region's ability to provide some factors or attributes at a better value than competing regions. It is not just the cost of these factors that matters, but their quality as well. Greater expenses for some factors are justified if they are more productive. Factors such as labor, land, and infrastructure (e.g., transportation, electricity)

directly influence production costs. Other factors, such as environmental and cultural amenities, have indirect effects that can help maintain a skilled labor pool and other direct inputs.

The remainder of this section summarizes findings regarding the type and relative importance of factors that firms consider when they choose where to locate or expand.

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 is 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 and increasingly 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. While transportation has become relatively inexpensive compared to other inputs, and transportation costs have become a less important location factor, access to transportation is still critical. That long-run trend, however, could shift because of decreasing funds to highway construction, increasing congestion, and increasing energy prices.

- **Materials.** Firms producing goods, and even firms producing services, need various materials to develop products that they can sell. Some firms need natural resources: lumber manufacturing requires trees. Or, farther down the line, firms may need intermediate materials: for example, dimensioned lumber to build manufactured housing.
- **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 a 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. Studies show that 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 cost 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. Studies have shown that 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 appear that a location decision is based entirely on a straight-forward 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 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 will 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 collect. 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.

Although empirical analyses face many such methodological difficulties, the studies provide much information about why firms locate where they do. Economists have improved their statistical techniques and use a variety of data sources to quantify input factors. They have supplemented empirical analyses with theoretical models of firm behavior and surveys of business managers.

Research has shown that 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 affect 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 in the Urban Growth Boundary, plan designation, zoning, and 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 metropolitan Portland, the provision of buildable land has the potential to strongly influence the level and type of economic development in Banks. The provision of buildable land is one of the most direct ways that the City of Banks can affect the level and type of economic development in a community

KEY ECONOMIC DEVELOPMENT ISSUES IN BANKS

The analysis of local factors of production in Chapter 3 identified several key issues central to future economic development in Banks. These factors include the following:

- **Land supply.** At the local level, Banks has very little buildable land available for the location or expansion of businesses. Expansion of the City's UGB will be necessary to provide buildable land for economic development. At the regional level there is a perception in the market that the supply of buildable

land is constrained, and there appears to be a shortage of large development sites available in the metropolitan Portland market. Thus, providing buildable land is both a key issue and strategy for economic development in Banks.

- **Water supply.** Water service is necessary to support residential and business development in Banks. A review of the City's Water Management Plan suggests that the long-term supply of water will need to be increased to accommodate projected population and employment growth.
- **Quality of life.** Banks' primary comparative advantage is its small-town character and rural location combined with its proximity to services, jobs, and amenities available in metropolitan Portland. As Banks grows, maintaining the local aspects of quality of life will be important in keeping this comparative advantage for economic development. Key aspects to Banks' quality of life include affordable housing, local schools, a traditional Main Street downtown, access to recreational opportunities, and connections with surrounding rural areas.

POTENTIAL POLICIES TO AFFECT ECONOMIC DEVELOPMENT IN BANKS

Table 5-1 identifies a range of potential economic development policies that the City of Banks could adopt. These policies range from those closely associated with the basic functions of government (provision of buildable land and public services) to those sometimes viewed as extraordinary or controversial (financial incentives, public/private partnerships). The following section will draw on the framework presented in the previous section and this range of potential policies to make recommendations for an economic development strategy in Banks.

Table 5-1. Range of potential economic development strategies

Category/Policy	Description
Land Use	Policies regarding the amount and location of available land and allowed uses.
Provide adequate supply of land to support employment growth	Provide an adequate supply of development sites to accommodate anticipated employment growth with the public and private services, sizes, zoning, and other characteristics needed by firms likely to locate in a particular city.
Cut red tape	Take actions to reduce costs and time for development permits. Adopt development codes and land use plans that are clear and concise.
Public Services	Policies regarding the level and quality of public and private infrastructure and services.
Provide adequate infrastructure to support employment growth	Provide adequate public services (i.e. roads, transportation, water, and sewer) and take action to assure adequate private utilities (i.e. electricity and communications) are provided to existing businesses and development sites.
Focused public investment	Provide public and private infrastructure to identified development sites.
Communications infrastructure	Actions to provide high-speed communication infrastructure, such as developing a local fiber optic network.
Business Assistance	Policies to assist existing businesses and attract new businesses.
Business retention	Targeted assistance to businesses facing financial difficulty or thinking of moving out of the community.
Recruitment and marketing	Establish a program to market the community as a location for business in general, and target relocating firms. Take steps to provide readily available development sites, an efficient permitting process, well-trained workforce, and perception of high quality of life.
Development districts (enterprise zones, renewal districts, etc.)	Establish districts with tax abatements, loans, subsidized infrastructure, reduced regulation, or other incentives available to businesses in the district that meet specified criteria.
Public/private partnerships	Make public land or facilities available, public lease commitment in proposed development, provide parking, and other support services.
Financial assistance	Tax abatement, waivers, loans, grants, and financing for firms meeting specified criteria. Can be targeted as desired to support goal such as recruitment, retention, expansion, family-wage jobs, or sustainable industry.
Business incubators	Create low-cost space for use by new and expanding firms with shared office services, access to equipment, and networking opportunities.
Mentoring and advice	Provide low-cost mentors and advice for local small businesses in the area of management, marketing, accounting, financing, and other business skills.
Export promotion	Assist businesses in identifying new products and export markets; represent local firms at trade shows and missions.
Workforce	Policies to improve the quality of the workforce available to local firms.
Job training	Create opportunities for training in general or implement training programs for specific jobs or specific population groups (i.e. dislocated workers).
Job access	Provide transit/shuttle service to bring workers to job sites.
Other	
Regional collaboration	Coordinate economic development efforts with the County and the State so that clear and consistent policies are developed.
Quality of life	Maintain and enhance quality of life through good schools, cultural programs, recreational opportunities, adequate health care facilities, affordable housing, and environmental amenities.

Source: ECONorthwest.

RECOMMENDED ECONOMIC DEVELOPMENT STRATEGY

INCREASE SUPPLY OF BUILDABLE LAND

As noted earlier in this chapter, providing buildable land is both a key economic development issue and strategy for Banks. Increasing the supply of buildable land in Banks is necessary to allow any substantial employment growth. Given the level of expected employment growth and the perception of constrained supply of land in metropolitan Portland, increasing the supply of buildable land in Banks will also go a long way toward attracting businesses activity to Banks. Thus, increasing the supply of buildable commercial and industrial land is the primary economic development strategy recommended for the City of Banks.

Commercial and industrial activities generally require relatively flat development sites with access to major transportation facilities and public services. Based on Banks' employment growth potential estimated in Chapter 4, we expect most demand for Commercial and Industrial uses to be in the range of 0.5 to 5-acre parcels (for individual small shops to small shopping centers or manufacturing facilities). A typical strategy to increase the supply of land is to designate areas that include some large parcels that are then divided to meet the needs of the market. The supply of land needed to support potential employment growth in Banks is described in Chapter 4.

In Banks, however, the Banks Community Foundation has been exploring the feasibility of a sound stage development that would require a 25 to 35-acre site. The impetus for this initiative is the desire for a large employer to help diversify the local economy. If the City of Banks wants to support efforts to attract development that requires a large development site, it will need to designate and protect a site for such development in addition to the land for other employment growth. In this case, the City should also be careful to zone the property in a way that precludes subdivision into smaller parcels and that avoids land uses the City does not desire. Implementing such measures will likely require amendments to the City's zoning code.

Implementation steps for this recommendation include the following:

1. Conduct an urbanization study to assess potential urban growth boundary expansion areas in the context of Oregon's Statewide Planning Goals. This study should seek to identify sites that will provide an adequate amount of commercial, industrial, and public land as estimated in Chapter 4.
2. If a large development site (25 to 35 acres) is identified and the City decides to support inclusion of such a site as an economic development strategy, then the City should not annex this site into the city limits until a suitable development is proposed, and/or adopt zoning for this site that prevents it from being subdivided into smaller parcels.

WORK TO PROVIDE ADEQUATE AND AFFORDABLE PUBLIC AND PRIVATE SERVICES TO SUPPORT DEVELOPMENT

Water, sewer, electricity, and communications services will be necessary to support development of buildable land in Banks. The City should work to secure an adequate water supply and work with CWS to ensure that an adequate level of sewer service can be provided. In addition, the City should work with local utility providers to make sure that adequate utility services if available and, if necessary, take steps to help ensure adequate utility service.

Implementation steps for this recommendation include the following:

1. Work to identify sources of water with the capacity to support growth in Banks, and secure rights to these sources.
2. The urbanization study needed to identify potential urban growth boundary expansion areas will include analysis of serviceability of these sites by water and sewer service. This study should be coordinated with an engineer and CWS to identify the infrastructure necessary to provide water and sewer service to the potential sites.
3. Electricity, telecommunications, and natural gas service in the Portland area are provided by private utilities that typically have the ability to extend service to new development. The City should coordinate with utility representatives in development of the urbanization study to identify any potential issues that may make utility service a constraint to development.

MARKET BANKS AS A GOOD PLACE TO WORK AND LIVE

While increasing the supply of buildable land will help attract firms to Banks, some marketing will be necessary to make sure that businesses know about Banks. Since Banks shares a workforce with surrounding communities and a tax base with the County, economic development in Banks is in the interest of the surrounding region as well. The City of Banks should coordinate its marketing efforts with other agencies and organizations already engaged in economic development activities to increase awareness of opportunities available in Banks. The City should wait to undertake this step, however, until other issues with land supply have been resolved—if the City uses marketing to attract interest, it should be ready to size this opportunity when that interest appears.

Implementation steps for this recommendation include the following:

1. Coordinate with Washington County, the Oregon Economic and Community Development Department, and other organizations promoting economic development in Oregon and western Washington County.

2. Issue press releases when the City takes substantial steps to increasing the supply of buildable land and the services necessary to support development.

WORK TO MAINTAIN THE QUALITY OF LIFE IN BANKS

Banks' primary comparative advantage is its small-town character and rural location combined with its proximity to services, jobs, and amenities available in metropolitan Portland. As Banks grows, maintaining the local aspects of quality of life will be important in keeping this comparative advantage for economic development. The City can take a variety of actions to help maintain the quality of life in Banks, including:

1. Adopt jobs/housing balance as a goal of the community to support policies that allow and encourage economic development in Banks.
2. Support provision of affordable housing by providing an adequate supply of buildable residential land and affordable public services.
3. Support the viability of local schools by planning for new school sites as the community grows.
4. Keep the traditional Main Street downtown by limiting commercial development elsewhere and encouraging industrial uses currently in downtown Banks to relocate to areas designated for industrial development.
5. Maintain access to recreational opportunities by providing parks and open space in Banks, and by supporting extension of the Banks-Vernonia Trail to Banks.

AMEND COMPREHENSIVE PLAN TO SUPPORT ECONOMIC DEVELOPMENT MEASURES

The City of Banks Comprehensive Plan, adopted in 1979 and amended in 1989, contains policies that are generally supportive of economic development in the community. The City's stated goal is "to provide for the economic diversification and stability of the area."¹ Pursuant to this goal, the City has adopted policies including:

- The City, through cooperation and a close working relationship with the public and private sectors, will encourage new employment opportunities.
- The City will coordinate with the Oregon Department of Economic Development in seeking new industrial uses.

¹ City of Banks. 1989. *Comprehensive Plan*. Page 14.

- The City will encourage economic development and diversification by providing sufficient zoned, buildable, and serviceable land for industrial and commercial use.

These policies show that Banks is supportive of economic development in the community. Currently adopted policies will allow the City to pursue most of the economic development strategies identified in this chapter, such as increasing the supply of buildable land designated for commercial and industrial use. Currently adopted policies, however, may not support all of the actions identified in this chapter or more specific actions the City may want to take in the future to support economic development. The City may want to adopt additional goals or policies to support further actions to support economic development, including the following:

1. Acknowledge Banks' quality of life and small-town character as a comparative advantage for economic development, and adopt a goal of working to maintain that quality as Banks grows in the future.
2. Adopt jobs/housing balance as a goal of the community. This goal should state that the purpose of jobs/housing balance is to have a more stable tax base, create a stable community, and to avoid being just a bedroom community for the region.² This will support policies that allow and encourage economic development in Banks.
3. Adopt a policy supporting attraction of a sound stage or similar large-site development to diversify Banks' economic base. Seeking a large-site development has potential to be a successful economic development strategy given the lack of large development sites in the metropolitan Portland area. Such a policy should be general enough to allow Banks' to pursue a wide range of uses that meet with other City goals pertaining to economic development and quality of life.
4. Recognize the role of Banks' traditional downtown in maintaining the community's small-town character, and adopt a goal of revitalizing commercial and public uses in downtown to maintain the role of downtown in the community.
5. Recognize the role of parks, recreation, and small neighborhood schools in maintaining the community's small-town character to justify planning actions to ensure these uses are accommodated into developing areas.

PURSUE PUBLIC/PRIVATE PARTNERSHIPS TO FIND WIN-WIN SOLUTIONS FOR ECONOMIC DEVELOPMENT

Policies in a city's comprehensive plan, including those currently adopted in Banks or suggested in this chapter, the meant to be general in a way that allows

² While Chapter 4 discusses the ratio of jobs to population in Banks, jobs/housing balance is really a qualitative goal to create the type of community desired in Banks rather than a quantitative ratio to achieve for its own end.

for a wide range of activities to be justified by the policies. Adopting general policies rather than specific ones is important because the City cannot know every situation that will arise. General policies will allow the City of Banks to take actions that seek solutions to economic development issues that face the community. In general, the City can find low-cost ways to support economic development by working with private entities to create partnerships and find win-win solutions.

For example, businesses in downtown Banks report a lack of parking as an issue. Expansion of Banks UGB would create new industrial development sites that might allow some businesses in downtown Banks to move. In this case, the City could purchase some property in downtown Banks to operate as a parking lot, and create a partnership with downtown businesses to help fund its purchase and upkeep. To take such an action, the City will need to have adopted policies of supporting commercial activities in downtown Banks.

FINANCIAL INCENTIVES, TAX BREAKS, AND SIMILAR MEASURES DO NOT APPEAR APPROPRIATE OR NECESSARY FOR ECONOMIC DEVELOPMENT IN BANKS

Finally, Table 5-1 identifies a variety of financial incentives that cities can use to encourage business attraction and retention. In Banks, however, a growing city will need the property tax revenue generated by new development to provide public services. In addition, Banks must attract only a very small share of the employment growth expected in Washington County to generate the level of growth estimated in Chapter 4. For these reasons, the use of tax breaks and other subsidies in Banks is not recommended. The primary financial incentive for businesses to locate in Banks should be available land, affordable public services, low permit and development fees, and a simple development approval process.