



Oregon

Theodore R. Kulongoski, Governor

Department of Land Conservation and Development

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Salem, OR 97301-2540

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www.lcd.state.or.us



NOTICE OF ADOPTED AMENDMENT

11/18/2010

TO: Subscribers to Notice of Adopted Plan  
or Land Use Regulation Amendments

FROM: Plan Amendment Program Specialist

SUBJECT: City of Klamath Falls Plan Amendment  
DLCD File Number 003-10

The Department of Land Conservation and Development (DLCD) received the attached notice of adoption. A Copy of the adopted plan amendment is available for review at the DLCD office in Salem and the local government office.

Appeal Procedures\*

DLCD ACKNOWLEDGMENT or DEADLINE TO APPEAL: Tuesday, November 30, 2010

This amendment was submitted to DLCD for review prior to adoption pursuant to ORS 197.830(2)(b) only persons who participated in the local government proceedings leading to adoption of the amendment are eligible to appeal this decision to the Land Use Board of Appeals (LUBA).

If you wish to appeal, you must file a notice of intent to appeal with the Land Use Board of Appeals (LUBA) no later than 21 days from the date the decision was mailed to you by the local government. If you have questions, check with the local government to determine the appeal deadline. Copies of the notice of intent to appeal must be served upon the local government and others who received written notice of the final decision from the local government. The notice of intent to appeal must be served and filed in the form and manner prescribed by LUBA, (OAR Chapter 661, Division 10). Please call LUBA at 503-373-1265, if you have questions about appeal procedures.

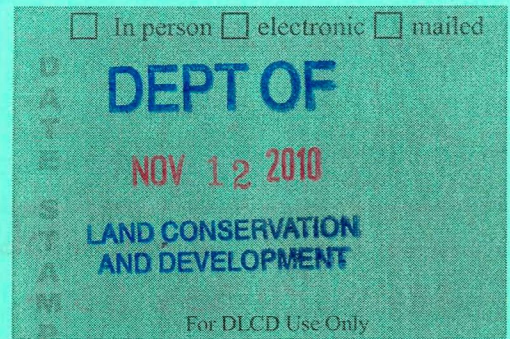
\*NOTE: The Acknowledgment or Appeal Deadline is based upon the date the decision was mailed by local government. A decision may have been mailed to you on a different date than it was mailed to DLCD. As a result, your appeal deadline may be earlier than the above date specified. NO LUBA Notification to the jurisdiction of an appeal by the deadline, this Plan Amendment is acknowledged.

Cc: Erik Nobel, City of Klamath Falls  
Gloria Gardiner, DLCD Urban Planning Specialist  
Jon Jinings, DLCD Regional Representative  
Thomas Hogue, DLCD Regional Representative  
Bob Cortright, DLCD Transportation & Growth Management Coordinator  
Gloria Gardiner, DLCD Urban Planning Specialist

<paa> YA

# Notice of Adoption

THIS FORM MUST BE MAILED TO DLCD  
WITHIN 5 WORKING DAYS AFTER THE FINAL DECISION  
PER ORS 197.610, OAR CHAPTER 660 - DIVISION 18



Jurisdiction: *City of Klamath Falls*

Local file number: *N/A*

Date of Adoption: *10-19-10*

Date Mailed: *11-09-10*

Was a Notice of Proposed Amendment (Form 1) mailed to DLCD? **Select one** Date:

Comprehensive Plan Text Amendment

Comprehensive Plan Map Amendment

Land Use Regulation Amendment

Zoning Map Amendment

New Land Use Regulation

Other:

Summarize the adopted amendment. Do not use technical terms. Do not write "See Attached".

*An ordinance amending the Comprehensive Plan to add the Economic Opportunity Analysis and Long-Term Urban Land Need Assessment dated July 21, 2009, And rescinding Chapter I of the City of Klamath Falls Comprehensive Plan.*

Does the Adoption differ from proposal? Please select one

*No*

Plan Map Changed from:

to:

Zone Map Changed from:

to:

Location:

Acres Involved:

Specify Density: Previous:

New:

Applicable statewide planning goals:

- |                          |                                     |                          |                          |                          |                          |                          |                          |                                     |                          |                          |                          |                          |                          |                          |                          |                          |                          |                          |
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| <b>1</b>                 | <b>2</b>                            | <b>3</b>                 | <b>4</b>                 | <b>5</b>                 | <b>6</b>                 | <b>7</b>                 | <b>8</b>                 | <b>9</b>                            | <b>10</b>                | <b>11</b>                | <b>12</b>                | <b>13</b>                | <b>14</b>                | <b>15</b>                | <b>16</b>                | <b>17</b>                | <b>18</b>                | <b>19</b>                |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Was an Exception Adopted?  YES  NO

Did DLCD receive a Notice of Proposed Amendment...

45-days prior to first evidentiary hearing?

Yes  No

If no, do the statewide planning goals apply?

Yes  No

If no, did Emergency Circumstances require immediate adoption?

Yes  No

DLCD file No. 003-10 (18292) [16410]

Also see Klamath County 005-10 (18503) [16409]

Please list all affected State or Federal Agencies, Local Governments or Special Districts:

Local Contact: Erik Nobel

Phone: (541) 883-5254 Extension:

Address: PO Box 237

Fax Number: 541-883-5390

City: Klamath Falls Zip: 97601

E-mail Address: Nobel.eci.klamath-falls.or.us

## ADOPTION SUBMITTAL REQUIREMENTS

This form **must be mailed** to DLCD **within 5 working days after the final decision**

per ORS 197.610, OAR Chapter 660 - Division 18.

1. Send this Form and TWO Complete Copies (documents and maps) of the Adopted Amendment to:

**ATTENTION: PLAN AMENDMENT SPECIALIST**  
**DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT**  
**635 CAPITOL STREET NE, SUITE 150**  
**SALEM, OREGON 97301-2540**

2. Electronic Submittals: At least **one** hard copy must be sent by mail or in person, but you may also submit an electronic copy, by either email or FTP. You may connect to this address to FTP proposals and adoptions: **webserver.lcd.state.or.us**. To obtain our Username and password for FTP, call Mara Ulloa at 503-373-0050 extension 238, or by emailing **mara.ulloa@state.or.us**.
3. Please Note: Adopted materials must be sent to DLCD not later than **FIVE (5) working days** following the date of the final decision on the amendment.
4. Submittal of this Notice of Adoption must include the text of the amendment plus adopted findings and supplementary information.
5. The deadline to appeal will not be extended if you submit this notice of adoption within five working days of the final decision. Appeals to LUBA may be filed within **TWENTY-ONE (21) days** of the date, the Notice of Adoption is sent to DLCD.
6. In addition to sending the Notice of Adoption to DLCD, you must notify persons who participated in the local hearing and requested notice of the final decision.
7. **Need More Copies?** You can now access these forms online at **http://www.lcd.state.or.us/**. Please print on **8-1/2x11 green paper only**. You may also call the DLCD Office at (503) 373-0050; or Fax your request to: (503) 378-5518; or Email your request to **mara.ulloa@state.or.us** - **ATTENTION: PLAN AMENDMENT SPECIALIST**.

**A SPECIAL ORDINANCE AMENDING THE COMPREHENSIVE PLAN TO  
ADD THE ECONOMIC OPPORTUNITY ANALYSIS AND LONG-TERM  
URBAN LAND NEED ASSESSMENT DATED JULY 21, 2009 AND RESCINDING  
CHAPTER I (ECONOMIC ELEMENT) OF THE CITY OF KLAMATH FALLS  
COMPREHENSIVE PLAN**

**WHEREAS**, the applicant, City of Klamath Falls, desired to update the economic section of its Comprehensive Plan by completing an Economic Opportunity Analysis and Long-Term Urban Land Need Assessment to predict the commercial and industrial land demands within the Urban Growth Boundary for a 20 year and 50 year planning horizon; and

**WHEREAS**, the City of Klamath Falls Comprehensive Plan Chapter I (Economic Element) is the current adopted Economic Opportunity Analysis; however this chapter has not been updated since adoption in 1981 and no longer contains current data, goals or policies; and

**WHEREAS**, the City of Klamath Falls received a grant from the State of Oregon Department of Land Conservation and Development to fund an Economic Opportunity Analysis and Long Term Urban Land Need Assessment for the Klamath Falls Urban Area, ("EOA"); and

**WHEREAS**, the City of Klamath Falls retained the services of Johnson Gardner to provide research and analysis for the EOA; and

**WHEREAS**, the City of Klamath Falls formed a technical advisory committee consisting of members of the local business community, local and state agencies and nonprofits, to guide the development of the EOA; and

**WHEREAS**, the EOA analyzed the commercial and industrial needs for the entire Klamath Falls Urban Growth Boundary; and

**WHEREAS**, the EOA was completed in July 2009, to update the Comprehensive Plan of the City, and was not completed to expand the Urban Growth Boundary; and

**WHEREAS**, in order to expand the Urban Growth Boundary, the process established in ORS 197.296 shall be followed which requires the EOA to be revisited, and

**WHEREAS**, the EOA updates the commercial and industrial land needs for Klamath Falls, and updates its goals, policies, and implementation strategies; and, therefore, the City Council has determined it is necessary and appropriate for Chapter I (Economic Element) of the Comprehensive Plan to be rescinded, and replaced with the EOA; and

**WHEREAS**, the City Council has determined it is necessary and appropriate for the map and text of Chapter I (Economic Element) of the Klamath Falls Comprehensive Plan attached hereto as Exhibit "B" to be rescinded and replaced with the EOA; and

WHEREAS, the City Council hearing notices having been duly given, did hold a public hearing on August 2, 2010, on the recommendation of and including the record of the Planning Commission concerning the adoption of the EOA; and


WHEREAS, pursuant to such record and hearing the City Council has determined the EOA to be in compliance Oregon Administrative Rule 660-009-0015 and 660-009-0020 as shown in EXHIBIT "A"; NOW, THEREFORE,

**THE CITY OF KLAMATH FALLS ORDAINS AS FOLLOWS**

The text of Chapter I (Economic) of the Klamath Falls Comprehensive Plan, attached hereto as Exhibit "B" and found on pages 110 through 125 of the Comprehensive Plan is hereby rescinded and replaced by the EOA, which is incorporated into this Ordinance by reference. The text of the Goals, Policies and Implementation Strategies located in the Chapter I of the Comprehensive Plan (pages 126 through 129) is hereby rescinded and replaced by the Goals and Policies attached hereto as Exhibit "C" and located in the EOA on pages 69 through 72. The Commercial and Industrial Sites Map located in Chapter I of the Klamath Falls Comprehensive Plan is hereby rescinded and replaced by the map attached hereto as Exhibit "D" and located in the EOA on page 51.

Passed by the Council of the City of Klamath Falls, Oregon, the 18<sup>th</sup> day of October, 2010.

Presented to the Mayor, approved and signed this 19<sup>th</sup> day of October, 2010.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Recorder (~~Deputy Recorder~~)

STATE OF OREGON                    }  
COUNTY OF KLAMATH            }  
CITY OF KLAMATH FALLS         }        SS

I, \_\_\_\_\_, Recorder (Deputy Recorder) for the City of Klamath Falls, Oregon, do hereby certify that the foregoing is a true and correct copy of an Ordinance duly adopted by the Council of the City of Klamath Falls, Oregon at the meeting on the 18<sup>th</sup> day of October, 2010 and therefore approved and signed by the Mayor and attested by the City Recorder.

\_\_\_\_\_  
City Recorder (Deputy Recorder)

**Exhibit A  
FINDINGS**

Findings

**THIS PROPOSAL IS BEING REVIEWED ACCORDING TO THE PROVISIONS OF THE GOAL 9 OF THE STATEWIDE LAND USE PLANNING PROGRAM (OAR 660-009-0015 AND 660-009-0020)**

*660-009-0015(1) Review of National, State, Regional, County and Local Trends. The economic opportunities analysis must identify the major categories of industries or other employment uses that could reasonably be expected to locate or expand in the planning area based on information about national, state, regional, county, or local trends.*

**Finding:** Located on pages 6 – 18 in the Economic Opportunity Analysis and Long – Term Urban Land Need Assessment, there is a review of the national economic trends, statewide economic trends, and regional economic trends. Trends were analyzed for a long term outlook (2020) and short term outlook (2015) using the Oregon Employment Department’s analysis. Based upon the analyzed trends, the technical advisory committee identified Klamath Falls urban area competitive positions and Target Industrial Opportunities (pg 20-25). The targeted industrial opportunities are the following industries: Wood Products, Education and Vocational Training, Medical Services and Bioscience, Renewable Energy, and Regional Retail.

*660-009-0015(2) Identification of Required Site Types. The economic opportunities analysis must identify the number of sites by type reasonably expected to be needed to accommodate the expected employment growth based on the site characteristics typical of expected uses.*

**Finding:** On Page 33 of the Economic Opportunity Analysis is the 20- year employment land needs analysis. The demand for office building, commercial lands, industrial buildings and industrial lands were calculated based on the 20-year employment forecast starting on Page 26.

The 20- year employment forecast was calculated with three methodologies, baseline, medium growth, and high growth scenarios. The baseline was based on the Oregon Employment Department Region 11 forecast which predicts an average annual growth rate of 1.2 percent. That percentage translates into an increase of 6,418 jobs.

The medium and high growth scenarios assumed the City’s and County’s aspirations of capturing a significant portion of the emerging industries are realized. The Medium Growth scenario assumed a 15 percent capture of the regional growth of emerging industries, and a 30 percent capture of the regional growth of emerging industries for the High Growth scenario. This translates into an average annual growth rate of 1.4 percent for the medium scenario and 1.6 percent for the high scenario.

The increase in jobs was used to determine the commercial and industrial land needs by using a standard job to net acre ratio. Over the next 20 years, net new demands for commercial and industrial land are expected to range from 262 to 367 net building acres.

On pages 41 – 49, the site characteristics of Office Development Commercial Development, Industrial Development and Campus / Institutional development patterns are identified. The site characteristics are broken down into targeted industries, transportation needs, public facility needs, and site sizes.

*660-009-0015(3) Inventory of Industrial and other Employment Lands. Comprehensive plans for all areas within the UGB must include an inventory of vacant and developed lands within the planning area designated for industrial or other employment use.*

**Finding:** On Page 4 of the Economic Opportunity Analysis, the planning area of this study is clearly defined as the area inside the current UGB. Figure 30: Map of Vacant, Constrained, and Potentially Constrained Sites shows the industrial and commercial property in the UGB.

*660-009-0015(3aA) The description, including site characteristics, of vacant or developed sites within each plan or zoning district.*

**Finding:** Starting on Page 50 of the Economic Analysis is the existing land supply and suitability analysis. It shows 707.5 acres of industrial lands of which 326.5 acres are unconstrained, 186 acres of light industrial lands of which 114.3 acres are unconstrained, and 347.5 acres of commercial lands of which 318.8 acres are unconstrained.

*660-009-0015(3aB) A description of any development constraint or infrastructure needs that effects the buildable area of sites in the inventory;*

**Finding:** On Page 54 of the Economic Analysis is Figure 30 which is a map showing the vacant, constrained, and potentially constrained sites. The sites are color coded for cause of the constraint.

*660-009-0015(4) Assessment of Community Economic Development Potential. The economic opportunity analysis must estimate the types and amount of industries and other employment uses likely to occur in the planning area.* **Findings:** On page 32 of the economic opportunity analysis the employment forecast for the by major industry classification for the Klamath Falls Urban area indicated the amount of job growth or decline in each category. That prediction was used to the project the aggregated need for commercial and industrial land in terms of net acreage and gross acreage.

Starting on Page 56 of the economic opportunity analysis is the 20-year supply and demand lands reconciliation. This section documents the predicted needs of the urban area for commercial, industrial, and light industrial lands versus the existing inventory. The study found that in general terms of balance commercial lands have a range of a 93.1 acres excess under the baseline and a 223.7 acre deficiency under the high growth scenario. Light industrial has a 51.9 acre excess with the baseline, and a

37.3 acre deficiency under the high growth scenario. Industrial has a balance of 249.1 acres excess under the baseline scenario and is 60 acres deficient under the high growth scenario.

*660-009-0020(1) Comprehensive plans subject to this division must include policies stating the economic development objective for the planning area.*

**Finding:** As part of developing this document the members of the economic technical advisory committee reviewed the goals, policies, and implementation of both the City's Comprehensive Plan and the County's Comprehensive Plan. These goals, policies, and implementations were modified and new goals, policies, and implementations were created to reflect the current ambitions of the City and County for the economy. Proposed are 5 goals.

- To actively stimulate economic development and growth that will diversify and strengthen the mix of economic activity in the local marketplace and provide employment opportunities for local residents.
- To retain and support the expansion of existing businesses in Klamath Falls.
- To assure an adequate commercial and industrial land base to accommodate the types and amount of economic development and growth anticipated in the future, while encouraging efficient use of land and public facilities within the Klamath Falls Urban Area.
- To develop location criteria and site development standards for commercial and industrial development this encourages efficient use of public facilities, particularly the City and County's transportation system.
- The livability of a community is an important factor in the location choice of business. The City of Klamath Falls and Klamath County shall continue to strive, maintain, and enhance the livability of the community.

Policies and implementation strategies were developed for each of the goals.

**THE FOLLOWING FINDINGS ARE ADOPTED IN RESPONSE TO COMMENTS RECEIVED DURING THE PUBLIC COMMENT PERIOD.**

**On July 5, 2010, the City received a letter from the 1000 Friends of Oregon regards their concerns with the Economic Opportunity Analysis and Long-Term Urban Land Need Assessment. They have 5 concerns regarding this proposal, and believe that it should not be adopted in its current form. Each concern was broken into several components. The concerns along with each component are identified with a response.**

Concern #1 – Employment forecast is nearly three times more new jobs than would be expected on the Oregon Employment Department (OED) forecast trends.

**Response:** The OED forecasts are trend based, and do not reflect economic development efforts or aspirations. While providing useful context for evaluating economic development assumptions, they should in no way be considered determinative in a Goal 9 process.



In summary, we consider the work to be neither “defective” or “tainted”. The forecasts utilized within the EOA are aggressive, but are also supportable. Ms. Nelson’s faith in the trended economic forecasts exceeds that of professional economists and likely OED’s own staff. Forecasts of this type typically represent mid-line estimates between a range of potential outcomes, and are not intended for use as discrete forecasts. Within the context of a single jurisdiction within a broader region, the type of forecast prepared by OED were never intended to be applied except as for context.

- a. Unsubstantiated Increase in Baseline OED Forecast. 1000 Friends of Oregon believes that the baseline for the urban area should be the same as OED Region 11 2006 – 2016 forecast which is 1% Average Annual Growth Rate (AAGR).

**Response:** The EOA’s baseline was calculated to have an AAGR of 1.2%. This was based on the OED Regional 11 forecast, historical trends, input from the Technical Advisory Committee, and lastly the goals, policies and objectives of the City. Significant employment gains are expected in existing employment sectors including Retail Trade and Education & Health Services. The Professional & Business Services sector is expected to continue on an accelerated growth trend. This sector has grown by over 75% during the current decade.

Baseline forecasts were primarily derived using projected average annual growth rates generated by OED, with modifications in a few selected industries such as Natural Resources. These were intentional adjustments to reflect findings from our research as well as the local knowledge of the Technical Advisory Committee.

Region 11 trends would not be expected to directly mirror those within the Klamath Falls Urban Growth Boundary. This is most notable in areas such as Natural Resources, in which urban employment related to that sector varies substantively in nature from rural employment. As part of our analysis, we relied upon ES202 data, which provided employment data and trends at a much finer grain of detail.

In general, Ms. Nelson’s letter implies a greater level of precision and reliability to the OED forecasts than they likely place in them internally. The minor differential in our baseline relative to the OED average for the region of 0.2% is neither significant nor unintentional. It also should be noted that the OED forecasts reflect only ten year projections.

- b. Unsubstantiated Assumption and Double-Counting of Renewable Energy Jobs - 1000 Friends of Oregon believes it is not reasonable to assume that Klamath Falls would be able to capture 15% - 30% of the renewable energy jobs for this region. They also believe these renewable energy jobs are

already accounted for in the OED Regional 11 forecast, and by adding these additional renewable energy jobs to the baseline is double counting.

**Response:** The EOA predicted two alternative growth scenarios: Medium Growth Scenarios and High Growth Scenarios. The scenarios were based on the capturing of 15% (medium) and 30% (high) of the renewable energy jobs for the region. The technical advisory committee felt that Klamath Falls is well suited to capture an increased percentage of the renewable energy jobs due to:

- Oregon Institute of Technology being the first college in the nation to offer a Bachelor of Science degree in Renewable Energy, and will shortly be offering a Master of Science degree in Renewable Energy.
- Klamath Falls having the greatest geothermal resource in the state.
- Klamath Falls and the surrounding region to the east having 300+ days of sunshine with moderate temperatures

These jobs were not double counted. The 15% to 30% percent increase was in addition to the jobs already forecasted by OED.

The letter questions our assumption that 15-30% of renewable energy jobs within the State of Oregon and outside of the Portland metropolitan area can be captured by Klamath Falls, referring to the assumption as “unreasonable”.

The Klamath Basin has outstanding geothermal potential, as well as being proximate to major electrical transmission infrastructure. In addition, the Oregon Institute of Technology is working cooperatively with the industry to develop local programs. These are critical comparative advantages for this type of employment. While the letter proposes that renewable energy jobs would be better allocated based on proportional population, we feel that such an assumption would be simplistic as well as unsupportable.

Ms. Nelson feels that the renewable energy jobs are already accounted for in the OED employment forecast. This is not the case in either Klamath County or Region 11, which were allocated little net new employment in the renewable energy.

- c. Unjustified overall inflation of all other job sectors forecasts. 1000 Friends is concerned that adding a growth rate of 1.4% AAGR under the medium growth scenario and 1.6% under the high growth scenario for all jobs is over inflation of jobs forecasting.

**Response:** Staff believes if Klamath Falls is able to capture these renewable energy jobs then job numbers in all sectors will increase. The development of the renewable energy industry will bring more people to Klamath Falls who will demand more services, and more retail. This will lead to more

construction projects and so on. This will lead to an increase in the number of jobs in all sectors.

The statewide goal allows for consideration of a community's economic development aspirations. The City of Klamath Falls and Klamath County have undergone considerable economic hardship over the last several years, and are actively seeking a higher average annual rate of growth than reflected in the OED baseline forecasts.

It should be noted that Ms. Nelson's ongoing comparison of the OED forecast with that for the City of Klamath Falls UGB to be apples and oranges, as the OED forecast is for a region that includes all of Klamath and Lake Counties, and is also only a ten year forecast.

**Concern #2 – Land Need Determination:** There are a number of problematic assumptions that apply to the industrial, office commercial land need determination.

a. Failure to consider infill employment: 1000 Friends believes the adjustment made to capture the portion of the workforce not covered by unemployment insurance should be carried out through out the EOA because in the future a large percentage of these jobs will be home occupation.

**Response:** The EOA did not assume a home occupation percentage for the workforce not covered by unemployment insurance. It assumed that these uninsured workers were in a profession that occupied commercial or industrial lands. The reason for not including home occupations was to determine the total commercial and industrial land needs of Klamath Falls.

Ms. Nelson notes that the analysis revises employment numbers to reflect sole proprietors and self employed commission workers, and equates these numbers to a proxy for home occupations. Not all sole proprietors and self employed workers are home occupations, and only a portion of home occupation businesses are tracked by the Bureau of Economic Analysis (BEA).

Major categories of industrial and commercial office space using employment include substantial levels of self employed and sole proprietors. These include construction, real estate agents and brokers, beauty shops, personal services, janitorial services, business services and consulting and research.

b. Excessive 25% infrastructure Allocation – 1000 Friends has a concern with the 25% allocation for infrastructure improvement. DLCDC Goal 9 guide book recommends the 25% allocation for Cities that would largely be extending infrastructure into new areas. 1000 Friends interprets this

to mean lands outside of the UGB. They believe it is unjustified to assume that all of the commercial and industrial land needs will be satisfied outside of the UGB.

**Response:** The 25% infrastructure allocation was used because within the Klamath Falls UGB there is a lot of undeveloped land. Most large industrial development will include the development of streets and other infrastructures. The lands need identified within the EOA under all scenarios can be accommodated within the UGB. No UGB expansion is being considered.

The use of 25% for infrastructure allocation is challenged, based on an assertion that this is only appropriate for land outside of the UGB. Given the nature of available parcels within the UGB, this allocation is likely optimistic as opposed to “aggressive”. Many of the available sites within the UGB have a number of significant development constraints, which will likely reduce their net usable area considerably.

There is always some level of inherent inefficiency in land development. Factors such as physical land configuration, wetland impacts, slope and access requirement reduce the yield on properties when developed. While arguments can be made as to whether or not 25% is the appropriate ratio, there is no way to set a tighter ratio without detailed site planning of projects on a site by site basis. While an imperfect number, the ratio used reflects a reasonable assumption at this level of planning.

- c. Overly Low Floor Area Ratios. 1000 Friends is concerned that the 0.25 - 0.31 Floor Area Ratio is too conservative and does not take more efficient development patterns into consideration.

**Response:** The EOA determined the Floor Area Ratios based on the past building patterns of the Klamath Falls Area. For the purpose of developing the EOA, it was assumed that these ratios would not change.

The floor area ratios utilized in the analysis are reflective of current and anticipated development patterns in Klamath Falls. If we were to assume a greater level of higher density “efficient” development patterns, we would need to assume higher achievable real lease rates in the area. There is no valid basis for such an assumption.

- d. Artificial “Subregions” Inside the UGB – 1000 Friends has a concern with the identification and analysis of the commercial needs of Klamath Falls on a regional basis. Their concern was Klamath Falls is a relatively small city and it is not reasonable to divide the UGB; by dividing it into subregions they believe we are creating a shortage

purporting to justify a UGB expansion result in one area, despite a surplus in a nearby part of town.

**Response:** In the EOA, Klamath Falls was divided into 4 subregions that were selected to reflect physical & manmade barriers, transportation corridors and market conditions affecting the commercial landscape in Klamath Falls. The reason for dividing the urban area into four regions was to determine the amount of commercial land needed to service the households within those regions. It was not for the purposes of UGB expansion. In all of the subregions, there is enough vacant land to easily handle the commercial lands needs under all three growth scenarios.

Subregions are hardly an artificial construct of our report, and reflect real market dynamics. Commercial need for neighborhood shopping centers or convenience goods is related to proximity to sources of demand. This well established principal is recognized by industry as well as planning groups. As an example, while demand for a grocery store may be met across a region, good planning would imply siting of that facility close to the source of demand. This would be supportive of better provision of services to residents, as well as savings in time and vehicle miles. In addition, for many such as students (OIT) and seniors, transportation options are limited.

The letter provides that a “region” in Eastern Oregon is unusually large, spanning two or more counties, and therefore a subregion would be much larger than one-quarter of one city’s UGB. As reference, Region 2 includes Multnomah and Washington Counties, which Metro has determined as including ten distinct “subregions”.

- e. Failure to adequately describe needed site characteristics – 1000 Friends is concerned with UGB expansion based on the claimed need for sites with “special characteristic”.

**Response:** The purpose of this document is not to justify expansion of the UGB, but to determine the amount of commercial and industrial lands needed for the next 20 and 50 years in Klamath Falls base on three growth scenarios.

This discussion generally objects to the delineation of need by site size on the basis that the determination was not explained to Ms. Nelson’s satisfaction and that it is “subjective”. The methodology used was not subjective, and driven by observed and projected trends. These were then modified on the basis of the expert opinion of the consulting team and the Technical Advisory Committee to reflect our best estimate of needed land by type.

Concern # 3 Industrial Land Needs

- a. Erroneous Allocation of “Other Services” jobs to Industrial – 1000 Friends believes that allocating 60% of the jobs in the “Other Services” sector to industrial and 40% of the jobs to commercial is an erroneous allocation because the “other service” sector as defined by OED and includes such jobs as personal service and laundry service, non profits and repair and maintenance businesses.

**Response:** The share of industrial employment within the “Other Services” was determined by a study titled Regional Industrial Land Study Phase 3 completed by Eco Northwest and Otak (both are consulting firms in the northwest) in 2001. These ratios have been used in many different adopted EOAs around the State.

The allocation objected to in the letter was derived based on Regional Industrial Land Study Phase III (EcoNorthwest and Otak, Inc., 2001), which was converted to NAICS classifications. This study had a number of sponsors, including 1000 Friends of Oregon. Preparation of this report was funded in part with Oregon State Lottery funds administered by the Oregon Economic and Community Development Department. Funding programs included: Northwest Oregon Economic Alliance Regional Investment Fund; Mt. Hood Economic Alliance Regional Investment Fund; and the Multnomah-Washington Regional and Rural Investment Board.

In Klamath Falls, the experience has been that many of these firms do locate on industrially zoned property. While there will always be uncertainty regarding the siting decisions of firms by industry, it is possible that a higher proportion of employment in this classification may locate in office or commercial as opposed to industrial space, but the net impact on overall projections would be negligible.

- b. Double Counting Non-Industrial Uses on Industrial Lands – 1000 Friends has a concern that some non industrial (commercial) jobs are double counted. The EOA adds 20% of non industrial use land demand to the industrial land projections. They contend that each employment sector has already been inventoried because each sector has been allocated industrial and commercial jobs on a percentage basis. For example the employment sector “Other Services” 60% of the jobs will be located in industrial lands and 40% of the jobs will be located in commercial lands. So if the jobs do not come from these employment sector categories they must come from retail sector jobs, but the retail jobs are not discounted by 20%, and therefore they conclude that these jobs are double counted.

**Response:** Non-industrial use could be classified as industrial retail. For example Heaton Steel and Supply is a retail store; they purchase items such as culvert and pipe from a wholesaler and then resale them. The commercial retail land need was calculated as a direct function of household’s typical spending patterns and tourist spending. For example, a typical household does not purchase hydraulic hoses, conveyor belts, gears, or ball bearings. It

is Staff opinion that there aspects of commercial uses that go hand in hand with industrial businesses. This could be considered double counting staff believes demonstrates a more accurate picture of the industrial and commercial needs of the urban area.

As noted in the letter, the projections in the report recognize that non-industrial uses will consume industrial property, and a 20% non-industrial use demand is used. This number is not deducted from the retail or office need calculations, and in that sense represents a double count. This adjustment is used to recognize the market reality that non-industrial users represent a significant portion of industrial demand.

If we were to remove this factor from the projections it would reduce the projected marginal industrial land demand by between 10 to 40 acres, depending upon the scenario adopted. This reduction would primarily come from smaller parcel, multi-tenant space, within which this type of demand is mostly concentrated. This adjustment could be made, which would marginally reduce industrial land forecasts.

Concern #4 – Retail Commercial Land Needs:

- a. Failure to adopted Countywide Coordinated Forecast Rate – 1000 Friends is concerned that the Klamath County coordinated forecast rate was not used in the calculation of the development of the commercial land needs. They are more concerned that the growth rate of the population and growth rate of households are not the same.

**Response:** The coordinated population was converted to households by assuming a linear shift in persons in the household from 2.42 in 2008 to 2.25 in 2028. This shift in the household population causes the difference in the growth rate.

- b. Use of household Vs. population growth rate to compute retail needs – 1000 Friends is concerned that not all retail sectors are in proportion to household growth, and therefore population growth should be used instead of the household growth.

**Response:** Johnson Gardner estimated per-household annual spending by retail category utilizing data derived from the US Bureau of Labor Statistics Consumer Expenditure Survey. The US Bureau of Labor and Statistics tracks the spending by household basis not a population basis. It is staff's opinion that the use of household gives a much more accurate determination of retail need for Klamath Falls.

The use of a household as opposed to population growth rate in the projections is largely an academic one, and we are strong supporters of the household methodology. As noted in Ms. Nelson's letter, some portion of consumption is more closely correlated with population as opposed to

households, but this is in the minority. Smaller households have shown a higher per capita consumption rate.

The preponderance of private sector retailers utilize the number of household and household income numbers to identify retail need. Our use of this indicator in the report is consistent with established methodology.

Concern #4: Land Supply and Suitability Analysis –

- a. Failure to Consider Parcel Assembly: 1000 Friends is concerned that the EOA did not take parcel assembly into consideration when inventorying large-lot sites.

**Response:** Parcels are hard to assemble together into a larger site. Just because 2 vacant industrial properties are next to each other does not mean both owners are willing to sell. This is why proposed on page 71 of the EOA is an implementation strategy 3-5(a) which states “The City and County shall protect large commercial and industrial sites and limit land divisions except where part of a larger development.”

We would agree that parcel assembly does occur, but would strongly argue against treating adjacent tax lots under separate ownerships as a single site. This is not reflective of the serious impediments to land assembly. I would also note that land can be more easily divided than assembled, and the large lot supply in the inventory could be argued to be over-stated.

- b. Potential fragmentation of existing large sites – 1000 Friends is concerned that the EOA looked at the potential of each vacant commercial and industrial property and broke them down into their largest potential classification of use. They felt that a 60 acre site should be inventoried as one 60 acre site.

**Response:** The method used in the EOA stated that a sixty acre site was broken down into one large site, 2 medium sites and 3 smaller sites. This is an optimal method for site classification as it is much easier to divide employment land into small parcels to meet the needs of smaller users than it is to aggregate small parcels in fractures ownerships to meet the needs of a larger user.

The assumption in our analysis was that the industrial land supply would be utilized in a way consistent with projected demand. In other words, property owners would actively seek to configure available parcels to match demand. This assumption is consistent with a market efficient land allocation, and is supportive of efficient utilization of the property.



- c. Excessive Exclusion of Existing Site Due to “constraints” – 1000 Friends is concerned that the constraint analysis was fairly conservative, and that some of the acreages could be developed with creative design and engineering. They were more concerned that the EOA recommended expansion of the UGB based on the resulting shortage of large industrial sites.

**Response:** The technical advisory team chose to use a conservative approach to identify the constraints, and while it is true some acreage could be developed with creative design and engineering in most cases it is impracticable. For example, the technical advisory team considered property around a failing major intersection to be constrained due to transportation issues. The design could be developed including improvements to offsite infrastructure to deal with the transportation issue; however, the cost of implementing the design would make the project uneconomical.

A substantial part of the EOA process with the City involved assessment of the sites in the inventory with respect to their ability to be reasonably developed. The land inventory was screened by knowledgeable experts in the community, and the final inventory reflects the results of that effort. Ms. Nelson states that any property that “can be developed” needs to appear in the buildable inventory. Our definition of what “can be developed” includes a screen for development challenges that cannot be overcome in a cost effective manner. For example, while a wetland may potentially be moved through significant expenditures of time and money (as well as entitlement risk), the cost of that process will often substantially exceed the underlying value of the property. In this type of case, we would view the land as not developable. Land included in an inventory that is not actually developable undermines the intent of the land use system and economic development efforts.

- d. Failure to Account for Redevelopment and Rezonable parcels – 1000 Friends is concerned that the EOA did not account for redevelopable or rezonable land within the UGB. They are concerned the City did not meet the standards set forth in OAR 660-09-0005 (1) and (13). OAR 660-09-0015 and OAR 660- 24-0050(1).

**Response:** Staff believes that the EOA does meet the standards set forth in the OAR 660-09-0005 (1) and (13) and OAR 660-09-0015. On Pages 9 – 11 of the agenda report staff addressed those Administrative Rules. OAR 660-24-0050(1) was not addressed because the UGB expansion is not being consider at this time.

To some extent, Ms. Nelson’s comments reflect the fact that this is a Goal 9 analysis as opposed to a Goal 14 analysis. Nonetheless, there is little reason to believe within the Klamath Falls UGB that redevelopment and rezoning

would provide any substantial increase in development intensity. Current marginal development patterns are largely consistent with historic patterns, and if any trend is evident it is one of lower marginal densities at redevelopment.

## Exhibit "B"

### I. ECONOMY ELEMENT

#### Economy - History (1)

Agriculture was the first economic activity in the Klamath Basin, with horses and cattle pastured in the area prior to the town's existence. By 1868, wool was exported from the Basin, and the Klamath riverbanks provided the infant town of Linkville with large quantities of fruit and other produce. Animal husbandry and agronomy still form a major part of Klamath's economy today.

The open lands of the Basin drew settlers from the start-outlying farm towns of Bonanza, Malin, and others have histories as old as that of Klamath Falls. Three major products were an important part of the agricultural growth of the area--grain, alfalfa, and potatoes.

Klamath County forests have also provided a valuable resource; their economic potentials were first tapped when a sawmill was built at Fort Klamath, probably in the spring of 1864. A census of 1880 shows five mills within the Linkville precinct, paying over \$2,000 in wages per year, and having a product value of over \$17,000. Over the years, many lumber companies and other concerns for the remanufacture of forest products have been established in the Basin and have contributed greatly to the economy.

A recent newcomer as a source of income is tourism. The natural recreational resources of Klamath County draw vacationers, and sportsmen have long been hunting and fishing in the area. Over a half a million people view Crater Lake annually, and it is estimated that tourist dollars have more than trebled in the past 10 years.

While agriculture, forest products and tourism have formed a triad base for the area's economy, trade, manufacturing and commerce have also been important. Since its inception, Klamath Falls has been the trade center for a large portion of southeastern Oregon and parts of northeastern California. As the population increased, commercial ventures kept pace. After World War II, Klamath County had an estimated 850 retail stores with an annual volume of \$50 million; in the mid-1970's this amount has progressed, with the devaluation of the dollar, and the rising cost of living, to an annual volume of \$140 million.

Besides lumber manufacturing; an 1880 census reveals several other industries in the area, including blacksmithing, wheelwrighting, watch and clock repair, saddlery and harness making. Manufacturing statistics for early years are not readily available, but between 1958 and 1972 the economic value of manufacturing in Klamath County rose from \$29.2 million to \$84 million, an increase of some 187 percent.

Other factors contributing to the economy of Klamath over the years include such service operations as real estate, transportation, medical services, and civil service.

## Economy - History (2)

Recessions have affected the Basin, although no statistics are readily available except recent ones. The early 1890's saw a period of depression brought about by a severe drought in 1889, a large fire in September of that year, and severe snows in the winter of 1889-90. A drought in the late 1920's killed crops and thus affected the economy adversely, and the Great Depression of the 1930's had its effect also, but not so severely in Klamath County as in other regions. Unemployment over the past few years has been a serious problem, and 1969 records show 11 percent of the families in the county below poverty level that year.

### Economy - Current Conditions (1)

The three major elements of the Klamath economy are agriculture (40 percent), manufacturing, including lumber and wood products (40 percent), and diversified services, including tourism (20 percent).

#### Agriculture

Farms in Klamath County comprise 724,809 acres, of which about 244,170 acres are devoted to crops and pasture, including 198,091 acres under irrigation. The economic trade and marketing area nearby includes the entire Klamath Basin and sections of California; this area embraces over 410,000 acres of crop and pasture land, which yielded \$87 million in gross farm income in 1975 and over \$95 million in 1976. It concentrates on livestock and crops--potatoes, hay and grain. Gross farm income from crops for 1976 was \$58,591,000; gross farm income for livestock was \$36,703,300, making a total of \$95,294,300 for that year.

Klamath County is the state's leading producer of feed grains, second in hay production but first in terms of values of sales. It is second in number of cattle sold but frequently first in the value of cattle sold. Klamath ranks fourth among Oregon counties for both potato production and value of sheep and lamb sales.

#### Manufacturing

Manufacturing in Klamath County centers upon the lumber and wood products industry. Commercial forests cover 2.6 of the 3.8 million acres in the county and contain some 20.8 billion board feet of lumber; 1 million of these acres of timber are privately owned. The annual harvest varies between 500 and 600 million board feet. The lumber and wood products industry employs approximately 90 percent of the total manufacturing labor force of from 4,810 to 4,360 workers (November 1976 figures). There are 53 firms engaged in activities ranging from logging and lumber to plywood and remanufacturing, and payrolls put over \$50 million into the local economy annually.

While the lumber and wood products industry has generally performed as a stabilizing influence on the local economy, it is also a dynamic factor; when the market for forest products is good, the economy is strong. The plants now in existence are operating at near capacity. No major expansion projects are planned that would result in increased employment opportunities.

The remainder of the manufacturing done in Klamath County includes food products--dairy, meat, and soft drinks--and some 39 small firms produce a variety of products primarily for local consumption, ranging from metal working and concrete to printing, farm machinery and plastic products. The county ranks tenth among Oregon's 36 counties in the size of the manufacturing payroll.

## Economy - Current Conditions (2)

### Diversified Services

Tourism contributes strongly to the economy of Klamath County and is considered to be the number three industry. An Oregon State University survey estimated that about 2.73 percent of the county's total personal income comes from the tourist trade. Assuming that these percentages remain relatively constant, in 1975, Klamath County tourism produced \$7,507,500. Further, the Oregon State study determined that 20 percent of total tourist expenditures actually remained in the county in the form of wage and salary payments, with the remainder expended outside the county for purchase of goods, which together with locally produced goods and services, were sold to tourists. On this basis, tourists in 1975 spent \$37,537,500 in Klamath County. In 1975, total wage and salary disbursement in Klamath County was \$171,455,000 of which about 4.4 percent stemmed from tourist expenditures.

The Oregon Institute of Technology contributes significantly to the local economy with annual expenditures exceeding \$11 million. The school is conducting research in thermal energy and has received contracts exceeding \$800,000. School facilities such as the gym, auditorium and commons are available for community use, and the school provides trained technical labor for the local market.

Oregon's largest military installation, Kingsley Field, will be closed in 1980. Because of the money generated in the local economy by the facility, it is logical to assume that closure of the field will have an impact. However, a report from the Federal Department of Housing and Urban Development in August 1978 states the closure "... will have only a negligible impact on economic development in the region."

The Pentagon has had a study completed to formulate a program for economic adjustment resulting from closure of the Field. It is oriented primarily toward reuse of facilities and property on the Field for non-military purposes. The program is not oriented toward adjustments in the economy external to the Field.

(See "Economic Adjustment Program" August 1979 by SRI International for the Pentagon.)

### Trade Area Population

Klamath Falls enjoys a "trade area population" of over 100,000 people, comprised of populations of Klamath and Lake Counties in Oregon and Modoc and Siskiyou Counties, and portions of Shasta County and Lassen County in Northern California. This involves populations from Weed, Mt. Shasta, and Susanville, California, as well as other smaller communities in Northern California who come into Klamath Falls to do their trading.

The 19,700 households in the county in 1976 produced total Effective Buying Income (EBI) of \$273,960,000. The 1976 Retail Sales (RS) for the area reached \$181.5 million, up from \$163.5 million in 1975 and

### Economy - Current Conditions (3)

\$93.5 million in 1970. This gives an average of \$13,900 Effective Buying Income per household and Retail Sales averaging \$9,200 per household on a countywide basis. The following table shows the county EBI and RS for 1976 compared with state, regional and national statistics.

	Average EBI/ Household	Average RS/ Household
Klamath County	\$13,900	\$9,200
State of Oregon	14,400	8,500
United States	15,900	8,940

### The Labor Force

Between 1970 and 1975, the work force increased by 16 percent, while population rose about 9 percent. Two factors explain this anomaly: first, the constant rise in the number of women entering the work force; second, the entry of the baby boom of the 1950's and early 1960's into the labor force. The largest rise in employment since 1970 occurred in non-manufacturing industries. The sharp increases in services and government reflect a public demand for not only more services, but also for varied services. The increase in population and tourism created more jobs.

According to figures from the State of Oregon Employment Division (The Klamath County Economy: Status and Prospects, May 1977) there was a 9.1 percent unemployment rate for a work force of 23,170 (both sexes) in April 1977, 22,463 of which were Caucasian. The total rate of unemployment for a work force of 8,632 females was 11.2 percent.

The same study also showed that employment growth from 1970 to 1976, including employment in such areas as manufacturing, wholesale-retail trade, services, farm, transportation, government and real estate, revealed the following; in 1970, total employment was 19,240, and in 1976 it was 21,519.

Median family income for 1974 was approximately \$11,000; this rose to \$12,109 in 1975 and to \$12,751 in 1976. Per capita personal income in Oregon, 1974-1975, is estimated to have risen 6.25 percent from \$5,284 to \$5,610. Wage and salary rates in manufacturing (primarily wood products) and agriculture tend to be roughly equivalent to statewide averages. Entry rates in the lumber and wood products industry currently average approximately \$5.75 per hour (May 1977), while those in agriculture average \$2.75 to \$3.50. Price rates are not as important a factor in agricultural wages as they are in many other Oregon agricultural areas. Basin wages for clerical and service occupations are generally lower than in other Oregon metropolitan areas due to competition stemming from a labor surplus created by the growing number of women entering the labor force, and by youth and military personnel seeking part-time work. Summer employment for youth is limited, because the area's agriculture does not employ large numbers of seasonal labor.

#### Economy - Current Conditions (4)

##### Urban Area Economy

During the summer of 1977, the City of Klamath Falls surveyed some 2,200 county business firms. The Economy map shows existing and undeveloped commercial and industrial sites. Those in the urban area who replied ranked manufacturing the number one business of economic importance, general retail next important, followed by wholesale supply and financial services. Forty-seven and one half percent felt that their businesses depended to some extent on tourists. Within the urban area, over one third felt they would expand their operation sometime within the next decade, presenting the possibility of over 475 new jobs. Only 5.5 percent of the urban businesses responding to the survey felt they might reduce or curtail present activities. Well over half felt they could hire local people with necessary skills.

In early 1980, a new shopping complex was opened at South Sixth Street and Washburn Way. The center has 125,000 square feet of shopping area with approximately 600 parking spaces on 15 acres. Also the county is considering another shopping complex on South Sixth between Homedale and Madison. This center would have 190,000 square feet of shopping area with 950 parking spaces on approximately 17 acres. The urbanization element has a complete analysis of commercial land needs including retail shopping.

The City of Klamath Falls is the residential and employment center of the County. Currently, substantial land within the City is vacant and suitable for residential development. In fact, there is enough suitable vacant land inside the City to accommodate the urban area's expected growth. However, land within the City that is vacant and suitable for commercial and industrial development may not be sufficient if the City is to maintain its position as the employment and business center of the County. The Urbanization Element contains an assessment of the current availability of commercial and industrial lands, and the future need for commercial and industrial development within the City. The needs analysis indicates that some 122 acres of additional commercial lands will be needed in the City while 201 acres are provided in the plan. Similarly, 362 acres of industrial lands are needed, while 480 acres are provided. These needs are based on the limited population growth projected for the City. Considerably greater population levels can be accommodated by the City's vacant residential lands, which would generate the need for considerably more commercial and industrial lands within the City. The need for these types of land is to be met by designating appropriate lands inside and outside the City limits for commercial and industrial development. In short the urban area economy transcends the political boundary of the City and is regional in nature. The County Comprehensive Plan should designate commercial and industrial lands to accommodate employment needs of future city and urban area residents. The Urbanization Element has a complete analysis of future residential land needs.



## Economy - Current Conditions (5)

Because of the regional nature of employment, and land needed for future employment, Klamath County clearly has a significant responsibility to coordinate planning for future employment and commercial and industrial lands. The Urbanization Element has a complete analysis of lands needed for commercial and industrial employment.

### City Fiscal Analysis

#### Local Government Economics

The purpose of this subsection is to analyze the City's past and current financial condition, and to review the future abilities of the City to obtain funds for the capital improvement program which will be adopted within the Comprehensive Plan, and interlaced with the operational programs that have been provided as a basic level of services to City occupants.

Historically, Klamath Falls has depended to a great extent on the property tax as the principal revenue source for financing its services. Within recent times this dependence has fallen off because of the generation of other revenue sources. In 1940 the City of Klamath Falls' dependence on property tax for general services was 57.9 percent. In 1977, the percentage of dependence on property tax was 28.7 percent, indicating a decrease of 29.2 percent of dependence on property tax in 37 years.

The approach of using property tax as a chief revenue source can be logically explained in that services historically provided by the City such as police, fire protection, and street services were directly related to real, tangible property improvements. In recent years, there has been a move away from such a great dependence on property tax because services required by City occupants have moved into such other areas as parks and recreation, sanitation, airport, and public restroom levies which do not directly correlate with real property values. Also, the City's moving away from a large dependence on property tax can be explained by the limited amount of property tax dollars available for distribution between other local governments, such as the County and school districts. The growth of education is financed largely by property tax and is crowding the City's taxing ability from the overall view of total property tax dollars available.

#### Financial Policies and Methods Regarding Capital Improvements

Historically, the City has provided for sewer, storm sewer, and water improvements by the issuance of general obligation bonds. The general obligation bonds traditionally have been retired with utility revenues and grants received from various special agencies rather than property tax. The dependence upon obtaining Federal grants to accomplish the goals outlined in the Comprehensive Plan will become more and more necessary in the future.

## Economy - Current Conditions (6)

As of June 30, 1977, the City had no outstanding utility bonds because the early retirement of the 1968 sewer bond was accomplished through the obtaining of EPA grants paying for approximately 50 percent of the project. The City of Klamath Falls is in the enviable position of having no net debt. The explanation of no City debt can be seen in the reluctance of past City Councils and Budget Committees to ask the citizens of Klamath Falls for funding outside of its general revenue sources.

### Property Tax Trends - The Assessed Valuation

Property valuations for Klamath Falls adjusted to 100 percent of assessment remain relatively stable for the period of 1940 to 1960. From 1960 to 1970 the assessed valuation of the City rose dramatically from over \$70 million to \$112 million. During the period from 1970 to 1977, the property valuations continued rapid acceleration, increasing in a seven-year period by \$74 million in comparison to the period from 1940 to 1969 where the assessed valuation increased by approximately \$31 million.

### Tax Rate and Tax Revenue

Revenues to City government from the property tax have changed substantially as indicated above.

In 1940 the City of Klamath Falls boasted a population of 16,497 people living in the City with 100 percent assessed valuation of \$38,867,000. The tax rate adjusted for the County assessment ratio was \$6.98/\$1,000 assessed valuation. Since 1940 the City of Klamath Falls has grown substantially. Throughout that period of time, the tax rate has fluctuated a great extent, from a high of \$9.94 in 1973 to the 1977 levy of \$7.18 in comparison to \$6.98 in 1940.

While the tax rate has fluctuated with the assessed valuation, the income from the property tax has dramatically changed. The City has increased revenue from property tax in the amount of \$1,020,000 from the \$271,099 collected in 1940 to the 1977 collection of \$1,344,500.

Distribution of total tax levy collected per capita in City tax and the distribution of local property tax to various governmental units has dramatically changed since 1940. In 1940 there was somewhat of an even distribution between the City and County schools of the total property tax levy. That even distribution was approximately 30 percent. Since 1940 the City and County have had to come to rely on other sources of the property tax, while the school districts have increased their share of property tax allocation from 29 percent in 1940 to 56 percent in 1977. The school districts have come to rely heavily upon the property tax since it is their major revenue source other than Federal and State grants.

In summary, tax rate and property tax valuation are the two factors which determine local tax revenues. The valuation of property has

### Economy - Current Conditions (7)

skyrocketed in recent years due to inflation, annexation of property and services rendered which directly relate to property value. There has been a relative reduction in the City tax rate over the period 1940 to 1977, but there has been an overall increase in revenues collected by the City. This is an indication of the spreading of the tax base between more users of the services provided by the City and substantiates to the theory that the spreading of the tax base provides a more economical and efficient use of Klamath Falls revenue sources.

### Trends in Klamath Falls Revenue Sources

In the period 1940 through 1960, all revenue sources with the exception of County revenues were to the greatest extent stable. For the period 1960 to 1977, the areas of local tax revenues (which include not only property tax but franchise taxes, payments in lieu of taxes, business licenses and occupational taxes), local non-tax revenues and Federal revenues have increased dramatically. It should be pointed out, that the City has continued to increase its reliability on revenue from non-tax resources in the last 37 years. The accelerated increase of non-tax revenue sources in 1977 amounted to over \$1,600,000 while local tax revenues amounted to \$1,300,000. This is in comparison to 1940 where local non-tax revenues were \$200,000 and local tax revenues were just under \$300,000, again indicating a change of revenue sources available to the City.

The most dramatic increase from the period 1970 to 1977 can be seen in the City's dependence on Federal sources for the providing of continuing services in capital improvement projects. It is especially critical to look at the trend of increased revenue from the Federal source in light of future capital improvement projects and services to be rendered. In 1970 the City received from the Federal government \$12,808. In 1977 the City received \$572,844 in revenue. In 1978 the City will receive \$3,998,236, with the main use going to capital improvement projects in the area of geothermal development, sewer development, street projects, and airport construction. The 1978 figure indicates a per capita amount returned to the City by the Federal government of \$231.31, in relationship to the 1977 per capita amount which is \$.81. The major trends regarding future revenue for future capital improvement are again non-tax revenue sources and sources from the Federal government.

### Per Capita Amounts of City Revenue

The situation involving per capita amounts of City revenues is very unique to the City of Klamath Falls because of the status of the incorporated area, the City itself, and the status of the huge non-incorporated area, commonly referred to as South suburbs. The Klamath Falls urban area is basically an area of approximately 35,000 people with urban services being financed by only 17,000 people. Compared to Oregon cities between 25,000 to 50,000 and 10,000 to 25,000 population the City of Klamath Falls derives more per capita revenue than cities in either category. Again, the basic reason is that the City of

## Economy - Current Conditions (8)

Klamath Falls taxpayer in essence provides services through the use of City streets, City parks and recreation programs, City airport and City police to a large non-incorporated area approximately the same size in population.

The same comparison indicates that as population increases, the cost for providing municipal services decreases on a per capita basis, again proving the theory of more cost effective services with a larger population or tax base providing the service. The City of Klamath Falls has continually relied more heavily upon other outside sources of revenue such as Federal, State and inter-local governments for revenue than other Oregon cities its size and also cities larger than itself.

### Evaluation of Present Local Government Economic Characteristics

The City's ability to raise revenue with the property tax is very limited. A major limiting factor is the overall increase in the last 25 years of the school districts' reliance on the property tax as a major revenue source. Historically, the school districts have gone to the voters yearly for an increase in property taxes over and above the 6 percent limitation. Because of the sharing of the total property tax levy, it becomes very difficult for other units of local government to proceed outside the 6 percent.

### Revenues From Other Governments

As indicated above, the City of Klamath Falls came to rely more and more on revenues from other governments, especially the Federal government, in order to finance capital improvements. At this point, it can be reiterated by looking at the percentage increases, not only from 1970 to 1977, but the years from 1977 to 1978. In 1970 the City received only 16 percent of its general revenues from other governmental sources. In 1977, the total was up to 26 percent. The year 1978 will be seen as a departure from a heavy reliance upon other governmental revenues for capital improvement programs. In 1978 the City of Klamath Falls received approximately \$3,988,236 in revenues from other governments for capital improvements.

### Local Non-Tax Revenue

Klamath Falls is apparently ahead of other Oregon communities in obtaining general revenue from local nontax sources such as user charges, fees, fines, forfeitures, interest payments, special assessments and utility revenues. According to a League of Oregon Cities study done in 1975 for Fiscal Year 1973-74, the City of Klamath Falls on a per capita basis has generated \$62.79 in local non-tax revenue versus cities of similar size generating \$58.34 in local non-tax revenues.

As a future revenue source for capital improvement programs, this type of revenue is not seen as a major contributor, because local non-tax

## Economy - Current Conditions (9)

revenue sources are in many instances generated for specific programs such as water and sewer services, and to a great extent will not generate sufficient revenue for an overall capital improvement program designated by the citizens of Klamath Falls.

### General Obligation and Revenue Bonds

The legal debt limit for Klamath Falls as of June 30, 1978, was \$5,550,000. The City has not in the past used general obligation revenue bonds as a method of financing capital improvements. The revenue or general obligation bond procedure would appear to be a viable method to raise revenue for capital improvements, limited mainly by the local taxpayer approval to increase his taxes or user fee.

### Implications of Future Government Financing: Major Capital Improvements

Klamath Falls for the most part may not be able to finance the total planned public improvements, that is, by property taxes and local non-tax revenues, because of the attrition of the City's share of the property tax, current state limitations placed on local government in reliance on the property tax and possible future, and more conservative and strict limitations on the use of property tax. Other sources of financial assistance from State and Federal governments and to a extent from the County, must be sought and utilized if its citizens desire to maintain a livable community as the area's population expands.

Among the many general methods used in financing capital outlay items, the four considered here seem to be the most common and desirable:

1. Payments in Advance. This may be made possible through a capital improvement fund or a capital reserve fund initiated by the City which calls for creation of an amount of revenue to be set aside to assure participation in future debt or future requirements. As of July 1, 1978, the City had within its capital reserve appropriated and unappropriated funds in the amount of \$925,835.
2. Pay as You Go Policy. This policy is generally considered the most desirable when the size of the capital outlay is relatively small, and when there are sufficient resources available to meet the expense without creating a burden on the City's general fund. This option appears to be less viable in the future because of the continuing escalation of capital outlay programs.
3. Borrowing. This may include the issuance of bonds or bond anticipating notes. Borrowing is the most commonly used method of financing capital outlay items in the State of Oregon, but has tended not to be used by the City of Klamath Falls. But, as more and more restrictions are placed on the general revenue sources of the City, borrowing may be a main source of revenue in which to initiate the capital improvement programs, again, if approved and desired by the City voters.

#### Economy - Current Conditions (10)

4. Subsidies or Grants-in-Aid: As has been indicated throughout this portion of the Plan, subsidies and grants-in-aid have become a major portion of revenue available to finance capital improvements. Subsidies and grants-in-aid may become in the future a more intensified action program as the City attempts to obtain the competitive funds available through the State and Federal governments for various improvement programs.

These four methods of financing are primarily used with the following objectives in line: the lowest possible cost; a stable tax rate; and a low debt in relation to resources. It is quite possible that Klamath Falls might and should utilize all four methods of financing capital programs as identified in the Comprehensive Plan.

#### Potential New General Revenue Sources

Even if the City is able to finance capital improvements with its limited revenue sources, the continuing and on-going maintenance and operation and up-keep of those projects represent a large fiscal hurdle for the community in the future. The sources listed below have been reviewed by the City administration and review potential new revenue sources for the City. Listed below are only a potential list of revenue sources which would have to receive approval of the City Council, and in some cases a Charter amendment approved by the voters of the City.

Income Tax. In 1939 the City of Philadelphia passed an income tax which was applied to the earnings of all the residents regardless of whether their employment was in the City or not, and upon the salaries and wages of all non-residents who work within the City.

Utilizing previously obtained figures and some assumptions, it would appear that the adjusted gross income from within the City of Klamath Falls is somewhat in excess of \$124,000,000 annually. Therefore, a tax of one half of 1 percent of that income derives an annual sum of \$620,000 to the City. The State of Oregon is empowered to collect such taxes for local government and will do so on a formal request payment of an administrative charge. The advantages of a municipal income tax are:

1. Taxation of those who use City services, but who may not directly contribute financially otherwise to the service provided;
2. The great revenues it produces to the City;
3. High response to inflation and growth;
4. Low administrative costs; and
5. It is relatively simple, direct and non-regressive.

## Economy - Current Conditions (11)

**Retail Sales Tax.** The first local sales taxes to be levied in the United States were in New York City in 1934 and New Orleans in 1936. In other states in which a local sales tax is levied, excepting Alaska, there is also a State sales tax. The Oregon legislature has authorized the Department of Revenue to enter into agreements with local governments to collect, enforce, administer and distribute the local sales tax. The sales tax is generally levied on most retail sales at a uniform rate, collected from the purchaser at the time of purchase, and identified as such when the purchase is made. Often, general sales tax excluded certain sales such as drugs, repair services, and local transportation.

Based on estimates generated from the 1977 Editors and Publishers Market Guide, retail sales in 1977 within the City of Klamath Falls were slightly over \$126,000,000. Assuming certain exemptions from these sales and other possible exclusions or reductions, this would indicate a 1 percent sales tax and the City of Klamath Falls would yield \$1,100,000 to \$1,200,000 annually. The benefit of a sales tax is:

1. Primarily, it produces a substantial yield;
2. It truly catches the community service user such as tourists and others who did not otherwise provide any resource for the services utilized;
3. Payment being made in small increment does not develop emotional reaction of a once-a-year substantial payment such as a property tax or income tax;
4. Its flexibility in respect to community growth, increased sales and inflation;
5. The administrative costs of such tax are traditionally low, ranging from .8 percent to 2.5 percent.

A detriment of a general sales tax is the pioneering aspect and also the regressive feature of the tax and actual, psychological City Limits barrier in relationship to businesses outside the City. Finally, the retailers involved would heartily resist such a tax obligation, listing the administrative detail costs as a detriment along with the appearance of driving customers out of the City.

**Utility Surtax.** The utility user surtax is extensively used in the State of California and many other states. The tax rate imposed in California varies from 1 to 5 percent, the majority utilizing the 5 percent rate.

The benefits of a utility tax are substantial in that it is a stable tax and it follows the growth of the economy and inflation. Additionally, it is economical to administer, it is paid a bit at a time and receives less resistance, and would include renters and lessees

#### Economy - Current Conditions (12)

heretofore exempt, along with other property tax exemptions. It would also invoke a direct charge on institutional facilities within the City that have traditionally enjoyed exemption from tax payment, but at the same time have benefited from certain services.

The disadvantage of the utility tax is that it is regressive in nature; however, this can be mitigated. Finally, it is a pioneering tax effort in the State of Oregon that would most likely be bitterly contested by the utility companies, as well as tax paying citizens.

In Lieu of Taxes. In lieu of taxes is a relatively new concept that refers to payment by the Federal government, state, counties and other non-tax supporting institutions. Federal in lieu of taxes payment has been revenue sent to certain counties in the State of Oregon. In lieu of taxes is funding which the county would have otherwise received on land if it were not held in Federal ownership.

From the municipal financing standpoint, it would seem to be a direct correlation that services provided to such Federal and other governmental buildings as post offices, county courthouses, state office buildings, college campuses in the way of police and fire protection and parks and recreation programs, should be revenues transferred for use of such municipal services.

Real Estate Transfer Tax. The mechanics of the real estate transfer tax can be very complex, utilizing such features as exemption of the mortgage portion, and exemption of everything except property appreciation. However, most examples of the real estate transfer tax utilize the direct gross price approach excluding contracts and escrow agreements. In Oregon where the county records property transactions, any tax effort would have to be negotiated with the county. The potential yield of such a resource is variable, with the best information available indicating 1977 deeded real estate transactions within the City were over \$34,800,000. A tax rate could raise up to roughly \$120,000 annually on such transactions. The administrative costs of such tax procedures would be approximately 2 percent.

In summary, it should be reiterated that the above information is substantially superficial and all figures quoted should be taken as very rough approximations; also, that any establishment of the above revenue programs would be done through Council action with appropriate public hearings and the possibility of voter approval. It should also be noted that any move toward implementation of the above will meet opposition from one or more special interest groups in the eventual levy of the revenue source.

#### Summary of City Fiscal Analysis

The future financial situation of local government of the City of Klamath Falls is at a turning point. The turning point evolves around the successful implementation of capital improvement programs through borrowing and future use of grants from other governments.



**Economy - Current Conditions (13)**

As has been indicated throughout this portion of the Plan, the property tax can no longer be seen as a viable avenue for operational funding and will be extremely limited in funding any proposed capital improvements. Through the voter's box tax paying citizens will determine the level of services which they will require and indicate the capital improvements they deem necessary for the community in light of the standards developed by consensus of the voting population.

Economy - Problems and Future Alternatives (1)

84. The lack of adequately serviced and suitable vacant land is a handicap to industrial expansion.
85. Most of the job market supply is by immigration from other population areas.
86. Erratic zoning in the urban area inhibits economic growth.
87. Inflation is affecting land values and supply costs.
88. Roughly 90 percent of manufacturing employment is in lumber and wood products, creating need for diversification.
89. There is a surplus labor force, particularly of women and youths, and continued mechanization in such fields as agriculture will reduce the number of jobs.
90. The phase-out of Kingsley Field, which contributes about \$10 million to the local economy, may have temporary adverse effects.
91. Urban sprawl has led to a rising property tax burden for City residents.
92. Tax reforms may change local taxation and cause a loss of jobs and services that are tax supported.
93. Rising energy costs create increased transportation, utility and other costs and will greatly restrict available industry and jobs.
94. There is limited conflict between industrial, agricultural and water uses of Upper Klamath Lake, Link River, Lake Ewauna and Klamath River.
95. Commercial and industrial development will have to expand to meet future growth needs, although there may be adverse effects on small local businesses if commercial chain stores continue to expand in the area.
96. Industrial use of geothermal water may accelerate rapidly.
97. Tourism and recreation continue their moderate growth as part of the area's economic base.
98. There is a possibility of one of the major industries having to shut down due to an economic or energy crisis.

DETAILED ASSESSMENT NOTE

ELEMENT: ECONOMY

THE CONTENT OF THIS ELEMENT IS SUPPLEMENTED BY THE FOLLOWING DETAILED ASSESSMENTS WHICH WILL BE ADOPTED BY REFERENCE WITH THE COMPREHENSIVE PLAN:

KLAMATH COUNTY OVERALL ECONOMIC DEVELOPMENT PLAN  
OREGON EMPLOYMENT DIVISION ANNUAL COUNTY STATUS REPORT

COPIES OF THESE ASSESSMENTS MAY BE AVAILABLE FROM THE ORIGINATING AGENCY OR CAN BE INSPECTED AT THE CITY PLANNING DEPARTMENT OFFICES.

Economy - Goals (1)

20. To diversify and improve the local economy.

Economy - Policies (1)

68. Tax reforms that would reduce dependence on property taxes will be supported.
69. Research to increase diversification within the lumber and agricultural industries will be supported.
70. Adequate public facilities and services for industrial and commercial areas will be ensured.
71. New, non-polluting industry that can use O.I.T. students during their education and O.I.T. graduates will be sought.
72. Klamath Falls' position as the retail center for south-central Oregon and northern California will be strengthened wherever possible.
73. Existing and planned commercial and industrial areas will be protected from encroachment by incompatible land uses.
74. The comparative economic advantages of Klamath Falls as contrasted with other areas will be identified and promoted.
75. Appropriate improvements in local conditions will be made in order to attract private capital investment.
76. In developing City regulations, careful consideration will be given to resulting adverse economic impacts, and appropriate mitigating measures will be attempted.
77. Development which will assure the City of an adequate tax base will be encouraged and supported.
78. State and Federal financial assistance policies that recognize the special needs of small, rural communities with high unemployment and limited base economies will be supported.
79. Appropriate commercial and industrial reuse of Kingsley Field will be investigated and promoted.
80. Development will be controlled to provide maximum efficient use of public services and facilities. Also adequate public facilities, especially sewer and water, will be provided within the capabilities of the City to permit commercial and industrial development.
81. Public facilities and services will be consolidated wherever feasible.
82. Programs will be pursued to increase the quantity of water so that economic development is not constrained.
83. The City will coordinate with and encourage the County to designate sufficient land appropriately located for industrial development outside the City.

Economy - Implementation Measures (1)

65. The public will have access to education and involvement.
66. The City will support and cooperate with the Klamath County Economic Development Association, including the maintaining of a complete inventory of community resources and information for use in attracting non-polluting industries.
67. Review of the land use needs of the urban areas will continue.
68. Grant support of geothermal heating district will continue.
69. A broader tax base will be sought to help reduce the property tax base.
70. Public services and utilities will be provided at a minimum cost in face of continuing population demands.

For implementation also see City Code, Chapter 7, Business.

## Exhibit "C"



### CITY OF KLAMATH FALLS AND KLAMATH COUNTY GOALS AND POLICIES FOR THE KLAMATH FALLS URBAN AREA

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**GOAL 1: TO ACTIVELY STIMULATE ECONOMIC DEVELOPMENT AND GROWTH THAT WILL DIVERSIFY AND STRENGTHEN THE MIX OF ECONOMIC ACTIVITY IN THE LOCAL MARKETPLACE AND PROVIDE EMPLOYMENT OPPORTUNITIES FOR LOCAL RESIDENTS.**

**Policy 1-1: The City of Klamath Falls and Klamath County will continually strive to strengthen the community's its industry, business, financial, medical, tourist and retail activities and to capitalize on its comparative advantages in the local and regional marketplace.**

- Implementation 1-1(a)** Identify opportunities and incentives to encourage value-adding, family-wage business to expand or locate in the community.
- Implementation 1-1(b)** Support the retention and attraction of firms with high wage rates for all industries, but also encourage the attraction and retention of firms with high wage rates within their respective industry classifications.
- Implementation 1-1(c)** Participate in a joint public/private business development program to provide retention services and identify opportunities for the growth of existing businesses and the attraction of new firms to the community, in order to diversify the mix of employment opportunities.
- Implementation 1-1(d)** In recruiting new companies to the area, market comparative advantages, such as City-owned utilities, renewable energy, sales tax benefits, enterprise zone and education/research infrastructure.
- Implementation 1-1(e)** Work with O.I.T and Klamath Community College to strategically encourage labor-training programs that match personnel needs of firms now operating in the community and those industries which City aspires to bring in.
- Implementation 1-1(f)** Work with O.I.T and Klamath Community College to encourage retraining programs to transitions the current workforce to match skills needed in the firms operating in the community and those industries which City aspires to bring in.
- Implementation 1-1(g)** Maintain good relations and frequent contact with to market the Klamath Falls Airport and Kingsely Air Base, in effort to identify companies seeking to locate in the area.
- Implementation 1-1(h)** Foster regional economic development relationships to identify spill-over opportunities from economic growth in targeted industries in Bend and/or Medford which cannot be accommodated.
- Implementation 1-1(i)** Target medium-scale general manufacturers as part of a comprehensive recruiting plan.
- Implementation 1-1(j)** Foster relationships with the medical community to create opportunities for additional local health care services.
- Implementation 1-1(k)** Coordinate the City's economic development program with the citizen of the City of Klamath Falls, and community development based organizations, Klamath County and other local regional, state and federal agencies.



**GOAL 2: TO RETAIN AND SUPPORT THE EXPANSION OF EXISTING BUSINESSES IN KLAMATH FALLS.**

**Policy 2-1: The City of Klamath Falls and Klamath County shall seek ways to partner with the business, medical and educational communities to implement the Economic Element and advance common objectives.**

- Implementation 2-1(a)** Identify opportunities and incentives to encourage industry related to the area's competitive advantages.
- Implementation 2-1(b)** Increase the retention of retail commerce by providing opportunities and incentives to increase the diversity of the City's retail landscape.
- Implementation 2-1(c)** Partner with regional and State agencies as well as National industry groups to identify new potential for an emerging renewable energy industry.

**Policy 2-2: The City of Klamath Falls and Klamath County recognizes that the expansion and/or redevelopment of existing employment sites is often more challenging than the development of vacant sites and shall consider ways to encourage the expansion and/or redevelopment of existing employment sites.**

- Implementation 2-2(a)** Consider adopting regulations that differentiate between the development of vacant sites and the expansion and/or redevelopment of existing sites.

**Policy 2-3: The City and County will coordinate with federal and state agencies and other stakeholders to plan its employment land base in ways that best balance the needs of business, other stakeholders and the environment.**

**GOAL 3: ASSURE AN ADEQUATE COMMERCIAL AND INDUSTRIAL LAND BASE TO ACCOMMODATE THE TYPES AND AMOUNT OF ECONOMIC DEVELOPMENT AND GROWTH ANTICIPATED IN THE FUTURE, WHILE ENCOURAGING EFFICIENT USE OF LAND AND PUBLIC FACILITIES WITHIN THE KLAMATH FALLS URBAN AREA.**

**Policy 3-1: The City of Klamath Falls and Klamath County will rely upon its Medium Employment Growth Scenario in the City's Economic Element 20-year Employment Projections, Land Demand Projections, and Site Demand Projections when planning its employment land base.**

**Policy 3-2: The City and County considers short-term (five-year) employment land demand to be equal to one quarter (25 percent) of the amount of land projected to be demanded over the twenty-year planning horizon.**

- Implementation 3-2(a)** Update the buildable lands inventory every five years to ensure adequate employment sites are available.

**Policy 3-3: The City of Klamath Falls and Klamath County will maintain a Short-Term Supply of employment land consistent with the Economic Opportunities Analysis in the Economic Element.**

**Policy 3-4: The City of Klamath Falls and Klamath County will meet subregional land needs by maintaining a Short-Term Supply of employment land consistent with subregional demand estimates.**

**Policy 3-5: The City of Klamath Falls and Klamath County recognizes important differences among sites with respect to the site characteristics demanded by respective industry.**





- Implementation 3-5(a)** Assure demand projections for medium and large Commercial, Industrial and Office sites are captured in aggregate land demand projections.
- Implementation 3-5(b)** The City and County shall protect large commercial and industrial sites by limiting land divisions except where part of larger development.
- Implementation 3-5(c)** Consider the transportation infrastructure needs of target industry opportunities when preparing Transportation System Plan updates and corridor plans to implement the City's Goal 9 objectives.

**Policy 3-6:** The City of Klamath Falls and Klamath County may assist in the identification of sites for businesses that have unique requirements.

**Policy 3-7:** The City of Klamath Falls and Klamath county shall place limits on commercial uses that are or can be permitted in industrial zones.

**Policy 3-8:** The City of Klamath Falls and Klamath County shall encourage higher density industrial and/or commercial development forms than has historically been exhibited in the city and better reflect emerging targeted industries and businesses.

**Policy 3-9:** The City of Klamath Falls and Klamath County shall designate lands in the vicinity of the Airport for uses that will take advantage of services.

**GOAL 4: TO DEVELOP LOCATION CRITERIA AND SITE DEVELOPMENT STANDARDS FOR COMMERCIAL AND INDUSTRIAL DEVELOPMENT WHICH ENCOURAGE EFFICIENT USE OF PUBLIC FACILITIES, PARTICULARLY THE CITY AND COUNTY'S TRANSPORTATION SYSTEMS**

**Policy 4-1:** The City of Klamath Falls and Klamath County shall encourage integrated commercial centers, rather than individual linear developments.

- Implementation 4-1(a)** Encourage the creation of master planned employment districts that integrate industrial and/or commercial uses.
- Implementation 4-1(b)** Encourage utilizing Special Area Plans, master planned employment districts, Neighborhood Plans and Planned Unit Development to integrate and mix residential development with employment development patterns. This may take the form of mixed-use overlay zones.
- Implementation 4-1(c)** The City shall work with Basin Transit Service to increase level of service.

**GOAL 5: THE LIVABILITY OF A COMMUNITY IS AN IMPORTANT FACTOR IN THE LOCATION CHOICE OF BUSINESSES. THE CITY OF KLAMATH FALLS AND KLAMATH COUNTY SHALL CONTINUE TO STRIVE, MAINTAIN, AND ENHANCE THE LIVABILITY OF THE COMMUNITY.**

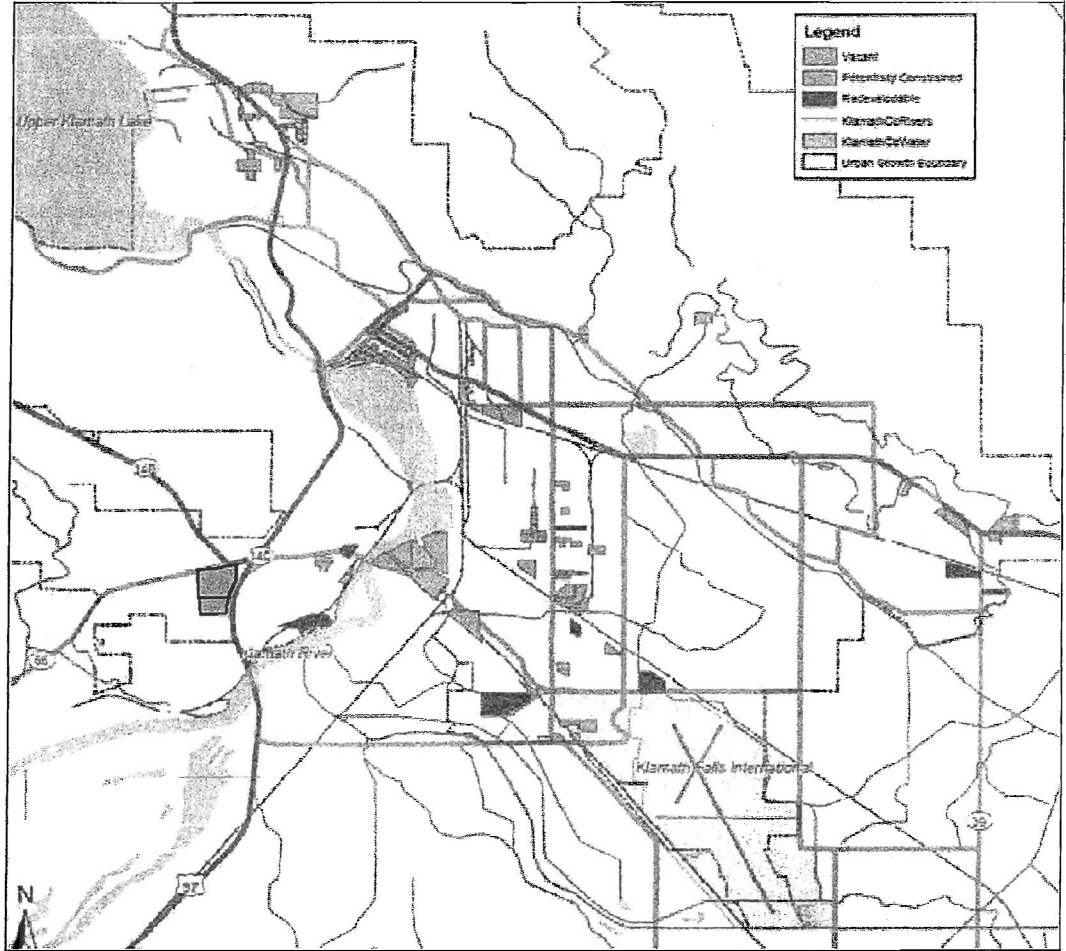
**Policy 5-1:** The City of Klamath Falls and Klamath County recognizes that community amenities and quality of life considerations factor highly into the site location choice of business seeking to start new or relocate.



- Implementation 5-1(a)** Support all School District's pursuit of improvements in excellence and learning.
- Implementation 5-1(b)** Continue collaboration with community organizations to enhance the City and County's image and quality of life.
- Implementation 5-1(c)** Encourage additional industrial and commercial development in areas that will not have a detrimental effect on living conditions.
- Implementation 5-1(d)** The City of Klamath Falls and Klamath County shall continue to promote and preserve open space within the Community and surrounding areas.
- Implementation 5-1(e)** The City of Klamath Falls and Klamath County recognizes the importance of child care and shall support efforts to develop child care services for the labor force.

Exhibit "D"

FIGURE 27: VACANT AND POTENTIALLY REDEVELOPABLE SITES IN KLAMATH FALLS' UGB



CITY OF KLAMATH FALLS  
PLANNING DEPARTMENT  
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SALEM, OREGON 97301-2540**