City of Oregon City

2021—2041 Housing Needs Analysis

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Prepared for: City of Oregon City

Final Report

ECONorthwest
ECONOMICS · FINANCE · PLANNING

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Executive Summary

This report presents Oregon City's Housing Needs Analysis (HNA) for the 2021 to 2041 period. It is intended to comply with statewide planning policies that govern planning for housing and residential development, including Goal 10 (Housing), OAR 660 Division 7, and OAR 660 Division 8. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996).

Oregon City is currently in the process of updating the city's Comprehensive Plan as part of the OC2040 Comprehensive Plan Update. Part of this process includes updating the Housing Element with recent information about Oregon City's housing market and forecasted housing needs, along with data on Oregon City's demographic and socioeconomic trends. In 2019, Oregon City participated in a preliminary housing needs analysis process through the development of the Clackamas County HNA. This report builds on the information presented for Oregon City in that project and provides updated data where necessary.

Oregon City grew from 14,968 people in 1990 to 35,570 people in 2019. This is an addition of 19,242 people or 131% growth. During the 2015 to 2020 period, median housing prices in Oregon City increased from about $350,000 in 2015 to $545,000 in 2021, a 55% increase consistent with sales price growth in Clackamas County. Rates of cost burden in Oregon City varied from 28% for homeowners and 50% for renters (35% of overall) in the 2012-2016 American Community Survey (ACS) 5-year estimate period.

This report provides Oregon City with a factual basis to update the City's Comprehensive Plan and zoning code, and to support future planning efforts related to housing as well as options for addressing unmet housing needs in Oregon City. This report provides information to inform future planning efforts, including development and redevelopment. This report provides the City with information about the housing market in Oregon City and describes the factors that will affect future housing demand in Oregon City, such as changing demographics. This analysis will help decision makers understand whether Oregon City has enough land to accommodate growth over the next 20 years.

What are the key housing needs in Oregon City?

- **Demographic and economic trends will drive demand for affordable and diverse housing in Oregon City.** Key demographic and economic trends affecting Oregon City's future housing needs are the aging of the baby boomers, the aging of the Millennials and Generation Z, and the continued growth in the Latino population and other communities of color.
- **Housing affordability is a growing challenge in Oregon City.** Housing affordability is a challenge in most of the Portland Metro region in general, and Oregon City is affected by these regional trends. Housing prices are increasing faster than incomes in Oregon City and Multnomah County, which is consistent with state and national challenges. Oregon City has a modest supply of multifamily housing with 5 or more units (about 13% of the city's housing stock), but half of renter households are cost burdened (50%). The households who are most likely to be cost burdened[1] are those with an income below 50% of Clackamas County's median family income (MFI) for a family of four ($92,000).
  - Oregon City's key challenge over the next 20 years is providing opportunities for the development of relatively affordable housing (both for households with an income below 60% of MFI ($55,200), who will need income-restricted housing, and for households with incomes of 60% to 120% of MFI ($55,200 to $110,000), who can afford some market-rate housing) of all types, such as lower-cost single-family housing, cottage, townhouses and duplexes, tri- and quadplexes, market-rate multifamily housing, and government-subsidized affordable multifamily housing.
- **Oregon City lacks enough housing that is affordable, both for renter and homeowners.** About 35% of Oregon City's households are cost burdened (paying 30% or more of their household income on housing costs). About 50% of Oregon City's **renters** are cost burdened and about 28% of Oregon City's **homeowners** are cost burdened. Oregon City's level of cost burden is similar to other communities in Clackamas County. Oregon City is one of the less affordable cities for homeownership in the Portland region, households at middle and high incomes (between $74,000 to $110,000) are less able to afford housing in Oregon City.
- **About 33% of Oregon City's households are renters, 58% of whom live in multifamily housing.** Median rents in Oregon City in 2021 are $1,350 per month, compared to the $1,426 median rent for Clackamas County as a whole.
  - A household earning 50% of Clackamas County's median family income ($46,000) could afford about $1,150 per month in rent, compared with the average effective rent of $1,350. However, about 20% of Oregon City's housing stock is multifamily

[1] The Department of Housing and Urban Development's guidelines indicate that households paying more than 30% of their income on housing experience "cost burden," and households paying more than 50% of their income on housing experience "severe cost burden."

(including duplexes, triplexes and quadplexes), compared to 32% of the housing in the Portland Region. The comparatively small share of multifamily units may constrain opportunities to rent in Oregon City.

- **Housing sales prices increased in Oregon City over the last five years at a slightly faster rate than entire County.** A household earning 100% of Clackamas County's median family income could afford a home valued between about $322,000 to $368,000, which is less than the median home sales price of about $545,000 in Oregon City. A household can start to afford median home sale prices at about 148% of Oregon City's median household income.

How much household growth is Oregon City planning for?

Oregon City's number of households within its city limits and UGB area (i.e., Planning Area) is projected to grow by over 7,435 households between 2021 and 2041, at an annual growth rate of 372 units per year.

Exhibit 1. Forecast of Household Growth, Oregon City Planning Area, 2021 to 2041
Source: Metro's *2050 Household Distributed Forecast*, 2021.

14,778	22,213	7,435
Households in 2021	Households in 2041	New households 2021-2041

How much housing will Oregon City need?

The housing types used in this analysis are consistent with needed housing types as defined in ORS 197.303:

- **Single-family detached** includes single-family detached units, manufactured homes on lots and in mobile home parks, cottage clusters, and accessory dwelling units.
- **Single-family attached** is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.
- **Duplexes, Triplexes, and Quadplexes** are a subset of multifamily attached structures that contain two, three or four living units generally on the same lot.
- **Multifamily** is all other attached structures with five or more units, other than single-family detached units, manufactured units, duplexes, triplexes, quadplexes, or single-family attached units.

To accommodate the city's forecasted household growth, Oregon City needs to plan for 7,435 new dwelling units between 2021 and 2041. About 3,717 units of new housing will be single-family detached (50%); 1,487 units of new housing will be single-family attached (20%); 744 units of new housing will be duplexes, triplexes, or quadplexes (10%); and about 1,487 units will be multifamily housing with five or more units per structure (30%).

How much land will be required for housing?

In total, Oregon City is forecast to grow by 7,435 dwelling units and has capacity for 7,266 dwelling units. Exhibit 2 shows a comparison of Oregon City's land capacity within the planning area with demand for new units by plan designation. It shows that Oregon City has no surplus or deficit of capacity in the low and medium density residential and mixed-use plan designations, and a deficit of 169 dwelling units (or 8 acres) of high density residential land.

Exhibit 2. Comparison of Capacity of Existing Residential and Selected Commercial Land with Demand for New Dwelling Units and Land Surplus or Deficit, Oregon City Planning Area, 2021 to 2041
Source: Buildable Lands Inventory; Calculations by ECONorthwest.

Plan Designation	Capacity (Dwelling Units)	Demand (Dwelling Units)	Comparison (Capacity minus Demand)	Land Surplus or Deficit (Gross Acres)
Low Density Residential	2,116	2,116	0	0
Medium Density Residential	3,159	3,159	0	0
High Density Residential	1,108	1,277	(169)	(8)
Mixed Use	883	883	0	0
Total	**7,266**	**7,435**		

What are the key findings of the Housing Needs Analysis?

The key findings of the Oregon City Housing Needs Analysis are that:

- **Finding: Growth in housing will be driven by growth in households.** The number of households in Oregon City's Planning Area is forecast to grow from 14,778 households to 22,213 households, an increase of 7,435 households between 2021 and 2041.
- **Finding: Oregon City is planning for growth of 7,435 new dwelling units.** To accommodate the 7,435 dwelling units over the 20-year planning period, Oregon City will average 372 new dwelling units annually, and will plan for more single-family attached and multifamily dwelling units in the future to meet the city's housing needs. Historically, about 73% of Oregon City's housing was single-family detached. New housing in Oregon City is forecast to be 50% single-family detached, 20% single-family attached, 10% duplexes, triplexes, and quadplexes, and 20% multifamily. This housing mix both meets the requirements for housing mix for cities in Metro (OAC 660-007) and is supported by the changes in the housing market described below.

  The factors driving the shift in types of housing needed in Oregon City include changes in demographics and decreases in housing affordability. The aging of senior populations and the household formation of young adults will drive demand for renter and owner-occupied housing, such as small single-family detached housing, townhouses, duplexes, and apartments/condominiums. Both groups may prefer housing in walkable neighborhoods, with access to services.

  - **Recommendation**: Oregon City should monitor land available in all plan designations, as there is no surplus (or deficit) of land in the low and medium density residential plan designations. Additionally, the City may look for opportunities for redevelopment on underutilized land to address the deficit of high density residential land and limited capacity of mixed use land.
- **Oregon City is meeting Metro's requirements for net density and housing mix.** OAR 660-007-0035 sets specific density targets for cities in the Metro UGB. Oregon City's average density target is eight dwelling units per net buildable acre. Based on the findings in Chapter 6, Oregon City is exceeding this average density target at an average net density of 9.5 dwelling units per net acre.

  OAR 660-007 also requires that cities within the Metro UGB "provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing." Chapter 5 shows that for the 2021-2041 planning period Oregon City is assuming that 20% of new dwelling units will be single-family attached, 10% of new units will be duplexes, triplexes, or quadplexes, and 20% of new units will be multifamily.

- **Recommendation:** Oregon City should continue to monitor future development to evaluate resulting densities and housing mix in comparison to the planned units described in this report.

- **Finding: Oregon City has unmet need for affordable housing.** About 34% of Oregon City's households are cost burdened, with 50% of renters cost burdened and 28% of owners cost burdened. Oregon City's level of cost burden is similar to other communities in Clackamas County. Oregon City's unmet housing needs include:

  Renter housing. The average asking rent for multifamily housing in Oregon City in 2021 was about $1,350, which is affordable to households earning about 60% of the median family income (about $55,200). About one-third of Oregon City's households have incomes below this level and cannot afford the average rent. As shown in the rates of cost burden, many of these renter households are cost burdened. Oregon City will continue to have unmet renter housing needs, both for existing households and for new households.

  Owner-occupied housing. The median home sales price in April 2021 was about $545,000, which is affordable to households earning about 148% of the median family income (about $136,300). Oregon City is one of the less affordable cities for homeownership in the Portland region, households at middle and high incomes (between $74,000 to $110,000) are less able to afford housing in Oregon City. One way to increase the supply of affordable owner-occupied housing is to increase opportunities for development of the middle-income housing described above.

  - **Recommendation**: Without diversification of housing types, lack of affordability will continue to be a problem, possibly growing in the future if incomes continue to grow at a slower rate than housing costs. Under the current conditions, 1,545 of the forecasted new households will have incomes of $46,000 (in 2020 dollars) or less (50% of MFI income or less). These households cannot afford market-rate housing without government subsidy. Another 1,228 new households will have incomes between $46,000 and $74,000 (50% to 80% of MFI).

    Oregon City will need to provide opportunities for affordable housing development for both rental and ownership over the 20-year period, and the City should look for opportunities for affordable housing development for all housing types.

- **Finding: Oregon City will need to meet the requirements of House Bill 2001.** The legislature passed House Bill 2001 in the 2019 Legislative Session. The bill requires cities within the Metro UGB to allow "middle" housing types in low-density residential zones. The bill defines middle housing types as duplexes, triplexes, quadplexes, cottage clusters, and townhouses.

  - **Recommendation**: The City should continue the process of developing and adopting zoning code to comply with these requirements.

- **Finding: Oregon City is currently in the process of a Comprehensive Plan Update.** This 2021 HNA report presents updated information related to Oregon City's Housing

Element of the Comprehensive Plan. Additionally, changes in Oregon City's demographics have presented a need for a greater variety of housing types. In 2019, Oregon City participated in a preliminary housing needs analysis process through the development of the Clackamas County Housing Needs Analysis. This report builds on the information presented for Oregon City in that project and provides updated data where necessary.

- **Recommendation**: Oregon City should adopt this HNA report as an appendix to the Comprehensive Plan. HB 2003 requires that Oregon City update its HNA every six years to analyze what housing is needed for current and future residents for a 20-year period.

  Oregon City has identified a project to start within a year to look at non-zoning strategies to support the development of housing (including affordable housing). This initial study will allow the consideration of additional tools and partnerships in advance of a Housing Production Strategy (HPS) according to the guidance in HB 2003. An HPS includes consideration of additional information about the housing needs of underserved communities and engagement with underserved communities about potential approaches to meeting their needs.

1. Introduction

This report presents Oregon City's Housing Needs Analysis (HNA) for the 2021 to 2041 period. It is intended to comply with statewide planning policies that govern planning for housing and residential development, including Goal 10 (Housing), OAR 660 Division 7, and OAR 660 Division 8. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996).

Oregon City is currently in the process of updating the city's Comprehensive Plan as part of the OC2040 Comprehensive Plan Update. Part of this process includes updating the Housing Element with recent information about Oregon City's housing market and forecasted housing needs, along with data on Oregon City's demographic and socioeconomic trends. In 2019, Oregon City participated in a preliminary housing needs analysis process through the development of the Clackamas County HNA. This report builds on the information presented for Oregon City in that project and provides updated data where necessary.

This document presents a forecast of housing growth in Oregon City for the 2021 to 2041 period. Oregon City will be required to update this analysis in six years, by December 31, 2027, per the requirements of OAR 660-008. The information in this report is intended to provide Oregon City with a factual basis to update the Housing Element of the City's Comprehensive Plan and Development Code and support future planning efforts related to housing and options for addressing unmet housing needs in Oregon City. This report provides information that informs future planning efforts, including development and redevelopment. It provides the City with information about the housing market in Oregon City and describes the factors that will affect future housing demand in Oregon City, such as changing demographics. This analysis will help decision makers understand whether Oregon City has enough land to accommodate growth over the next 20 years.

Framework for a Housing Needs Analysis

Economists view housing as a bundle of services for which people are willing to pay, including shelter, proximity to other attractions (job, shopping, parks and recreation), amenities (type and quality of fixtures and appliances, landscaping, views), prestige, and access to a range of services (i.e., public, medical, transportation). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make trade-offs. What they can get for their money is influenced both by economic forces and government policy. Moreover, different households will value what they can get differently. They will have different preferences, which in turn are a function of many factors like income, age of head of household, number of people and children in the household, number of workers and job locations, number of transportation vehicles, and so on.

Thus, housing choices of individual households are influenced in complex ways by dozens of factors. The housing markets in Clackamas County and Oregon City are the result of the individual decisions of thousands of households. These points help to underscore the complexity of projecting what types of housing will be built in Oregon City between 2021 and 2041. These housing types include single-family detached, single-family attached, and multifamily (including duplexes, triplexes, and quadplexes, in addition to buildings with more than five units). This report discusses these housing types in detail, as well as the range of affordability issues that will affect Oregon City households in the 2021 to 2041 period.

The complex nature of the housing market, demonstrated by the unprecedented boom-and-bust during the past decade, does not eliminate the need for some type of forecast of future housing demand and need. This includes resulting implications for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need. Thus, we start our housing analysis with a framework for thinking about housing and residential markets and how public policy affects those markets.

Statewide Planning Goal 10

The passage of the Oregon Land Use Planning Act of 1974 (ORS Chapter 197) established the Land Conservation and Development Commission (LCDC) and the Department of Land Conservation and Development (DLCD). The Act required the Commission to develop and adopt a set of statewide planning goals. Goal 10 addresses housing in Oregon and provides guidelines for local governments to follow in developing their local comprehensive land use plans and implementing policies.

At a minimum, local housing policies must meet the requirements of Goal 10 and the statutes and administrative rules that implement it (ORS 197.295 to 197.314, ORS 197.475 to 197.490, and OAR 600-008).[2] Goal 10 requires incorporated cities to complete an inventory of buildable residential lands. Goal 10 also requires cities to encourage the numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households. Jurisdictions located in the Metro Urban Growth Boundary (UGB) are also required to comply with Metropolitan Housing in OAR 660-007 and Title 7 of Metro's Urban Growth Management Functional Plan in the Metro Code (3.07 Title 7).

Goal 10, through ORS 197.303, defines needed housing types as "all housing on land zoned for residential use or mixed residential and commercial use that is determined to meet the need shown for housing within an urban growth boundary at price ranges and rent levels that are affordable to households within the city with a variety of incomes, including but not limited to households with low incomes, very low incomes and extremely low incomes." ORS 197.303 defines needed housing types:

(a) Housing that includes, but is not limited to, attached and detached single-family housing and multiple family housing for both owner and renter occupancy.

[2] ORS 197.296 only applies to cities with populations over 25,000.

(b) Government-assisted housing.[3]

(c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490.

(d) Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.

(e) Housing for farmworkers.

Oregon City must identify needs for all of the housing types listed above as well as adopt policies that increase the likelihood that needed housing types will be developed. This housing needs analysis was developed to meet the requirements of Goal 10 and its implementing administrative rules and statutes.

The Metropolitan Housing Rule

OAR 660-007 (the Metropolitan Housing rule) is designed to "assure opportunity for the provision of adequate numbers of needed housing units and the efficient use of land within the Metropolitan Portland (Metro) urban growth boundary." OAR 660-0070-005(12) provides a Metro-specific definition of needed housing:

> "Needed Housing" defined. Until the beginning of the first periodic review of a local government's acknowledged comprehensive plan, "needed housing" means housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels.

The Metropolitan Housing Rule also requires cities to develop residential plan designations:

> (1) Plan designations that allow or require residential uses shall be assigned to all buildable land. Such designations may allow nonresidential uses as well as residential uses. Such designations may be considered to be "residential plan designations" for the purposes of this division. The plan designations assigned to buildable land shall be specific so as to accommodate the varying housing types and densities identified in OAR 660-007-0030 through 660-007-0037.

OAR 660-007 also specifies the mix and density of new residential construction for cities within the Metro UGB:

> "Provide the <u>opportunity</u> for at least 50 percent of new residential units to be attached single family housing or multiple family housing or justify an alternative percentage based on changing circumstances" (OAR 660-007-0030 (1).

OAR 660-007-0035 sets specific density targets for cities in the Metro UGB. Oregon City's average density target is eight dwelling units per net buildable acre.[4]

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[3] Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

[4] OAR 660-024-0010(6) defines net buildable acres as "43,560 square feet of residentially designated buildable land after excluding future rights-of-way for streets and roads."

Metro Urban Growth Management Functional Plan

The Metro Urban Growth Management Functional Plan describes the policies that guide development for cities within the Metro UGB to implement the goals in the Metro 2040 Plan.

Title 1: Housing Capacity

Title 1 of Metro's Urban Growth Management Functional Plan is intended to promote efficient land use within the Metro UGB by increasing the capacity to accommodate housing capacity. Each city is required to determine its housing capacity based on the minimum number of dwelling units allowed in each zoning district that allows residential development and maintain this capacity.

Title 1 requires that a city adopt minimum residential development density standards by March 2011. If the jurisdiction did not adopt a minimum density by March 2011, the jurisdiction must adopt a minimum density that is at least 80% of the maximum density.

Title 1 provides measures to decrease development capacity in selected areas by transferring the capacity to other areas of the community. This may be approved as long as the community's overall capacity is not reduced.

Metro's *2017 Compliance Report* concludes that Oregon City is in compliance for the City's Title 1 responsibilities.

Title 7: Housing Choice

Title 7 of Metro's Urban Growth Management Functional Plan is designed to ensure the production of affordable housing in the Metro UGB. Each city and county within the Metro region is encouraged to voluntarily adopt an affordable housing production goal.

Each jurisdiction within the Metro region is required to ensure that their comprehensive plans and implementing ordinances include strategies to:

- Ensure the production of a diverse range of housing types;
- Maintain the existing supply of affordable housing, increase opportunities for new affordable housing dispersed throughout their boundaries; and
- Increase opportunities for households of all income levels to live in affordable housing (3.07.730).

Metro's *2017 Compliance Report* concludes that Oregon City is in compliance for the City's Title 7 responsibilities.

Title 11: Planning for New Urban Areas

Title 11 of Metro's Urban Growth Management Functional Plan provides guidance on the conversion of land from rural to urban uses. Land brought into the Metro UGB is subject to the provisions of section 3.07.1130 of the Metro Code, which requires lands to be maintained at rural densities until the completion of a concept plan and annexation into the municipal boundary.

The concept plan requirements directly related to residential development are to prepare a plan that includes:

(1) A mix and intensity of uses that make efficient use of public systems and facilities;

(2) A range of housing for different types, tenure, and prices that addresses the housing needs of the governing city; and

(3) Identify goals and strategies to meet the housing needs for the governing city in the expansion area.

Organization of This Report

The rest of this document is organized as follows:

- **Chapter 2. Residential Buildable Lands Inventory** presents the methodology and results of Oregon City's inventory of residential land.
- **Chapter 3. Historical and Recent Development Trends** summarizes the state, regional, and local housing market trends affecting Oregon City's housing market.
- **Chapter 4. Demographic and Other Factors Affecting Residential Development in Oregon City** presents factors that affect housing need in Oregon City, focusing on the key determinants of housing need: age, income, and household composition. This chapter also describes housing affordability in Oregon City relative to the larger region.
- **Chapter 5. Housing Need in Oregon City** presents the forecast for housing growth in Oregon City, describing housing need by density ranges and income levels.
- **Chapter 6. Oregon City's Residential Land Sufficiency** estimates Oregon City's residential land sufficiency needed to accommodate expected growth over the planning period.

2. Buildable Lands Inventory

This chapter provides a summary of the residential buildable lands inventory (BLI) for Oregon City. This buildable lands inventory analysis complies with statewide planning Goal 10 policies that govern planning for residential uses. The detailed methodology used to complete the buildable lands inventory is presented in Appendix A.

Oregon Administrative Rules provide guidance on conducting residential BLIs:

> **OAR 660-008-0005(2):**
>
> *"Buildable Land" means residentially designated land within the urban growth boundary, including both vacant and developed land likely to be redeveloped, that is suitable, available and necessary for residential uses. Publicly owned land is generally not considered available for residential uses. Land is generally considered "suitable and available" unless it:*
>
> > *(a) Is severely constrained by natural hazards as determined under Statewide Planning Goal 7;*
> >
> > *(b) Is subject to natural resource protection measures determined under Statewide Planning Goals 5, 6, 15, 16, 17 or 18;*
> >
> > *(c) Has slopes of 25 percent or greater;*
> >
> > *(d) Is within the 100-year flood plain; or*
> >
> > *(e) Cannot be provided with public facilities.*

First, the analysis established the residential land base (parcels or portion of parcels with appropriate zoning), then it classified parcels by buildable status, identified/deducted environmental constraints, and lastly summarized total buildable area by plan designation. The results of the BLI presented in this chapter reflect updates since the 2019 analysis completed for Oregon City as part of the Clackamas County Regional Housing Need Analysis.

Definitions

ECONorthwest completed the BLI for Oregon City and relied on the following key definitions. Detailed descriptions of these definitions are included in the methodology for each study area but are based on the general definitions below.

- **Vacant land.** Tax lots that have no structures or have buildings with very little improvement value are considered vacant. The status of vacant lots was verified in aerial imagery and City and County staff review.
- **Partially vacant land.** Partially vacant tax lots are those occupied by a use, but which contain enough land to be developed further. Generally, these are lots that have more

than a half-acre of buildable land, after removing constraints and developed land from the total acreage. This was refined through visual inspection of recent aerial photos.

- **Public land.** Lands in public ownership are considered unavailable for residential development.[5] This includes lands in federal, state, county, or city ownership, These lands are identified using Metro's definitions and categories.
- **Developed land.** Lands not classified as vacant, partially vacant, or public are considered developed. Developed land includes lots with redevelopment capacity, which are also included in BLI. The unit capacity of redevelopable lots is based on Metro's estimates.
- **Buildable land.** As described in the statute definition above, buildable residential land is the portions of vacant or partially vacant lots that have development capacity, less development constraints.

Development Constraints

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

- *Lands within floodplains and floodways*. Flood Insurance Rate Maps from the Federal Emergency Management Agency (FEMA) were used to identify lands in floodways and 100-year floodplains, as well as lands identified in Metro's Title 3 Stream and Floodplain Protection Plan.
- *Land within natural resource protection areas*. The combined regional and national wetlands shapefile, available from Metro RLIS, was used to identify areas within wetlands. Riparian corridors and other natural resource areas identified in Oregon City's Natural Resource Overlay District were considered undevelopable for the purposes of this inventory.
- *Land with slopes over 25%*. Lands with slopes over 25% were considered unsuitable for residential development.
- *Land in geologic hazard areas.* Lands in areas designated within Oregon City's Geologic Hazards Overlay were considered undevelopable for the purposes of this inventory.

[5] Other exempt lands owned by semi-public entities, such as churches, private schools, and other non-profit organizations, were not included in the Public land classification. These lands were classified using the same method as other residential lands and were classified as vacant, partially vacant, developed, or unbuildable. Lands with a cemetery use and owned by a semi-public entity (e.g., church) were classified as developed.

Buildable Lands Inventory Results

Land Base

The land base for the Oregon City residential BLI includes all tax lots in the city limits and the city's UGB areas in residential plan designations. Per Goal 10, this includes all lots (or portions of lots) with residential and other nonemployment plan designations where residential uses are planned for and allowed by the implementing zones. This BLI includes lands in the following generalized plan designations:

- Residential – Low Density
- Residential – Medium Density
- Residential – High Density
- Mixed Use – Corridor
- Mixed Use – Downtown
- General Commercial

Exhibit 3 shows the land base by generalized plan designation in city limits and UGB areas. There are 12,350 tax lots in the land base, accounting for 5,206 acres.

Exhibit 3. Residential Tax Lots and Acres by Plan Designation, Oregon City, City Limits and UGB Areas, 2020
Source: Metro BLI; ECONorthwest analysis.

Generalized Plan Designation	Number of taxlots	Percent	Total taxlot acreage	Percent
Residential				
Residential - Low Density	9,528	77%	3,206	62%
Residential - Medium Density	1,379	11%	1,006	19%
Residential - High Density	606	5%	294	6%
Mixed Use/Commercial				
Mixed Use - Corridor	501	4%	267	5%
Mixed Use - Downtown	265	2%	300	6%
General Commercial	71	1%	133	3%
Total	**12,350**	**100%**	**5,206**	**100%**

Development Status

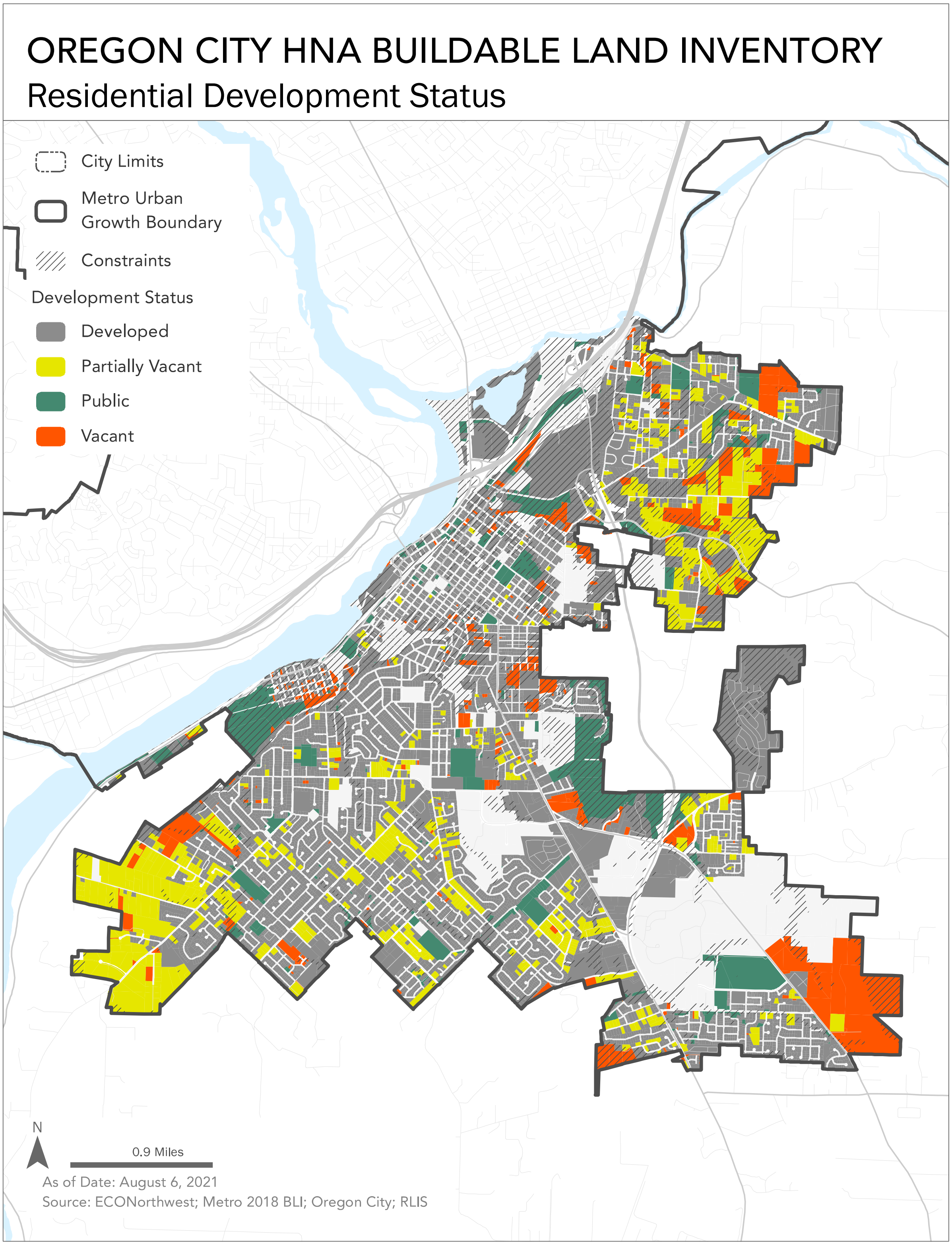
This analysis relied on Metro BLI's classifications (defined in the methods and definitions above) to define an initial development status. ECONorthwest then used a rapid visual assessment method to confirm this development status using aerial imagery. After city staff reviewed the classifications, ECONorthwest applied the development constraints to calculate unconstrained buildable land. Exhibit 4 shows development status with constraints applied and resulting in buildable acres. Of the 5,206 total acres in the land base, 2,710 are committed acres, 1,563 are constrained acres, and 933 are buildable acres.

Exhibit 4. Development Status with Constraints by Plan Designation, Oregon City, City Limits and UGB Areas, 2020
Source: Metro BLI; ECONorthwest analysis.

Generalized Plan Designation	Total Acres	Committed Acres	Constrained Acres	Buildable Acres
Residential				
Residential - Low Density	3,206	1,876	877	453
Residential - Medium Density	1,006	388	276	342
Residential - High Density	294	151	81	62
Mixed Use				
Mixed Use - Corridor	267	137	55	75
Mixed Use - Downtown	300	37	262	1
General Commercial	133	121	12	-
Total	**5,206**	**2,710**	**1,563**	**933**

Exhibit 5 shows residential land by development status with constraints overlaid.

Exhibit 5. Residential Land by Development Status, Oregon City, City Limits and UGB Areas, 2020



Vacant Buildable Land

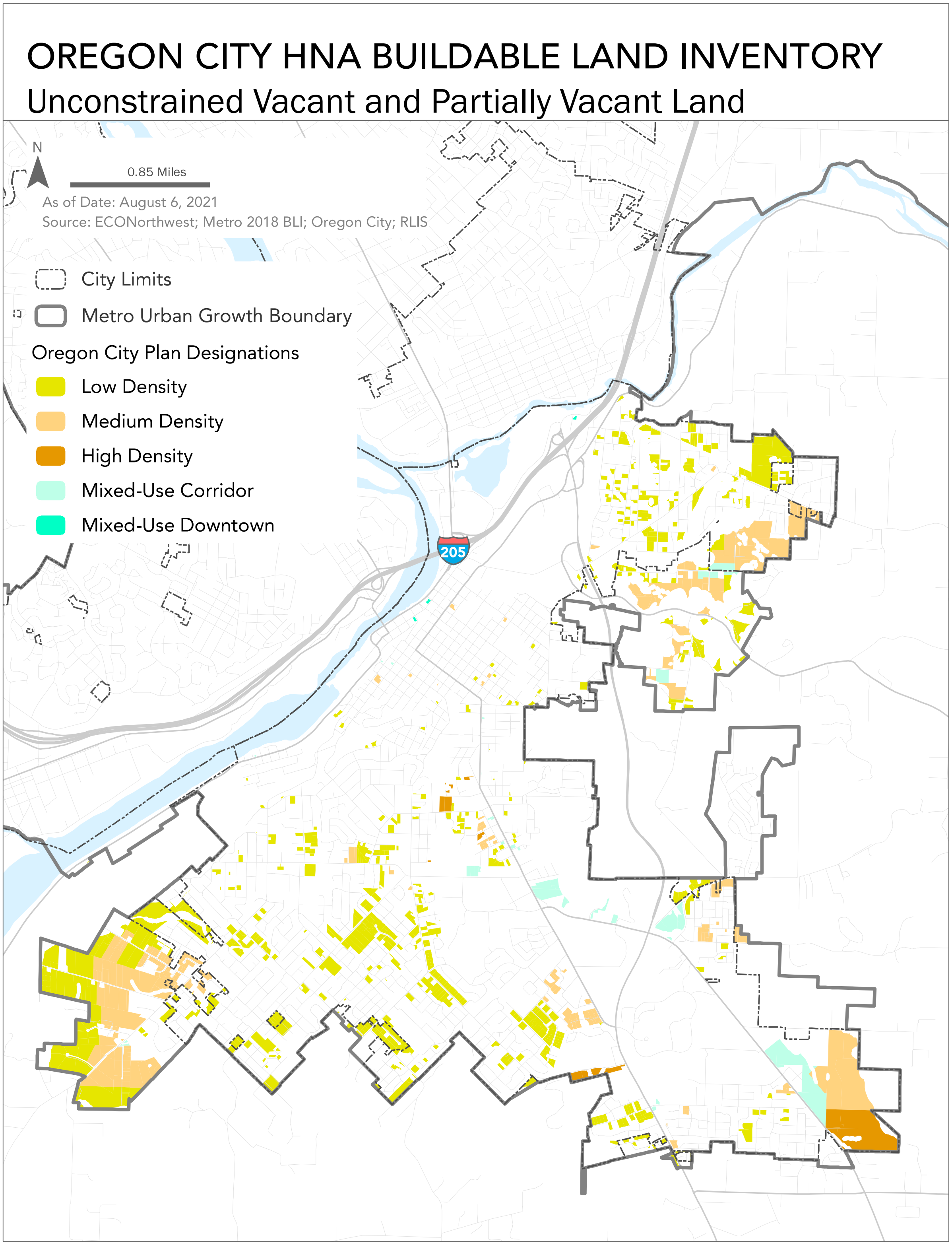
Exhibit 6 shows buildable acres (i.e., acres in tax lots after constraints are deducted) for vacant and partially vacant land by plan designation. Of Oregon City's 933 unconstrained buildable residential acres, about 36% are in tax lots classified as vacant and 64% are in tax lots classified as partially vacant.

Exhibit 6. Buildable Acres in Vacant and Partially Vacant Tax Lots by Plan Designation, Oregon City, City Limits and UGB Areas, 2020
Source: Metro; ECONorthwest analysis.

Generalized Plan Designation	Buildable Acres on Vacant Lots	Buildable Acres on Partially Vacant Lots	Total Buildable Acres
Residential			
Residential - Low Density	97	356	453
Residential - Medium Density	120	222	342
Residential - High Density	52	10	62
Mixed Use			
Mixed Use - Corridor	63	12	75
Mixed Use - Downtown	1	-	1
Total	**333**	**600**	**933**

Exhibit 7 shows Oregon City's buildable vacant and partially vacant residential land.

Exhibit 7. Unconstrained Vacant and Partially Vacant Residential Land, Oregon City, City Limits and UGB Areas, 2020



Redevelopment Potential

Over the 20-year study period a share of developed lots is likely to redevelop within new buildings. To account for the development capacity on these developed lots, Metro identifies a subset of developed lots as "redevelopable." Metro has created two "filters" to identify lots with the potential to redevelop—a threshold method and historic probability method. For the Oregon City BLI, ECONorthwest used the estimate of redevelopable units on developed lots, as identified based on the threshold method,[6] which is based on discussion with Metro staff.[7]

The result of this analysis for Oregon City is presented in Exhibit 8.

Exhibit 8. Estimate of housing units on potentially redevelopable lots by plan designation, Oregon City, City Limits and UGB Areas, 2019

Source: Metro BLI, using 2016 data to calculate redevelopment potential.

Plan Designation	Estimated Redevelopment Units
Residential	
Low Density Residential	660
Medium Density Residential	233
High Density Residential	733
Commercial	
Central Commercial	1,496
General Commercial	2,604
Total	**5,726**

[6] Threshold Method. This method identifies lots where redevelopment would result in a net increase of 50% more than the current number of units on the site. The method uses property value thresholds where it is economically viable to for a lot to redevelop at this intensity. For suburban areas in the regional UGB the threshold is $10 per square foot of property value for multifamily structures and $12 per square foot for mixed use structures. If a lot's current property value is below these thresholds, it is assumed to have the potential to redevelop.

[7] The capacity of partially vacant lots (where the lot could be further developed under current development standards without demolishing existing structures) is accounted for in the unconstrained buildable acres.

3. Historical and Recent Development Trends

Analysis of historical development trends in Oregon City provides insight into the functioning of the local housing market. The mix of housing types and densities, in particular, are key variables in forecasting the capacity of residential land to accommodate new housing and to forecast future land need. The specific steps are described in Task 2 of the DLCD *Planning for Residential Growth: A Workbook for Oregon's Urban Areas* as:

1. Determine the time period for which the data will be analyzed.
2. Identify types of housing to address (all needed housing types).
3. Evaluate permit/subdivision data to calculate the actual mix, average actual gross density, and average actual net density of all housing types.

This Housing Needs Analysis examines changes in Oregon City's housing market from 2000 to 2017, as well as residential development from 2000 to 2018. We selected this time period because (1) the period provides information about Oregon City's housing market before and after the national housing market bubble's growth and deflation, as well as the more recent increase in housing costs and (2) data about Oregon City's housing market during this period was readily available from sources such as the Census and RLIS.

The Housing Needs Analysis presents information about residential development by housing type. There are multiple ways that housing types can be grouped. For example, they can be grouped by:

1. Structure type (e.g., single-family detached, apartments, etc.).
2. Tenure (e.g., distinguishing unit type by owner or renter units).
3. Housing affordability (e.g., subsidized housing or units affordable at given income levels).
4. Some combination of these categories.

For the purposes of this study, we grouped housing types based on (1) whether the structure is stand-alone or attached to another structure and (2) the number of dwelling units in each structure. The housing types used in this analysis are consistent with needed housing types as defined in ORS 197.303:

- **Single-family detached** includes single-family detached units, manufactured homes on lots and in mobile home parks, and accessory dwelling units.
- **Single-family attached** is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.
- **Multifamily** is separated into two subgroups of attached structures other than single-family detached units, manufactured units, or single-family attached units. The two

subgroups are defined as: (1) duplexes, triplexes, and quadplexes and (2) multifamily buildings with five or more units.

In Oregon City, government-assisted housing (ORS 197.303[b]) and housing for farmworkers (ORS 197.303[e]) can be any of the housing types listed above, as these housing types are regulated in the Oregon City Development Code in the same manner as any other housing type.

Data Used in This Analysis

Throughout this report, we used data from multiple well-recognized and reliable data sources. One of the key sources for housing and household data is the U.S. Census. This report primarily uses data from two Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of *all* households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.
- The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2012 to 2016, the ACS sampled an average of 3.5 million households per year, or about 3% of the households in the nation. The ACS collects detailed information about households, such as: demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.
- Metro's **RLIS** database, which provides tax lot data for jurisdictions within the three-county Metro Area (including Clackamas County). We use RLIS data tax lot data for as a proxy for building permit data for Oregon City.
- Metro's **2050 Distributed Forecast** for household and population growth was updated in March 2021 for Oregon City. We used this information to report projected population growth and as the basis for the household forecast in Chapter 5.
- **Property Radar and Redfin** databases, which are online platforms providing real estate and property owner data. We use these sources to collect housing sale price data in aggregate and by property.

In general, this report uses data from the 2012-2016 and 2014-2018 ACS 5-year estimates.[8] Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this report includes population, income, and housing price data from the Oregon Office of Economic Analysis, the Oregon Bureau of Labor and Industries, the United States Department of Housing and Urban Development, RLIS, Costar, Redfin, and Property Radar. It also uses the Oregon Department of Housing and Community Services affordable housing inventory and Oregon's Manufactured Dwelling Park inventory.

It is worth commenting on the methods used for the American Community Survey.[9] The American Community Survey (ACS) is a national survey that uses continuous measurement methods. It uses a sample of about 3.54 million households to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. It is also important to keep in mind that all ACS data are estimates that are subject to sample variability. This variability is referred to as "sampling error" and is expressed as a band or "margin of error" (MOE) around the estimate.

This report uses Census and ACS data because, despite the inherent methodological limits, they represent the most thorough and accurate data available to assess housing needs. We consider these limitations in making interpretations of the data and have strived not to draw conclusions beyond the quality of the data.

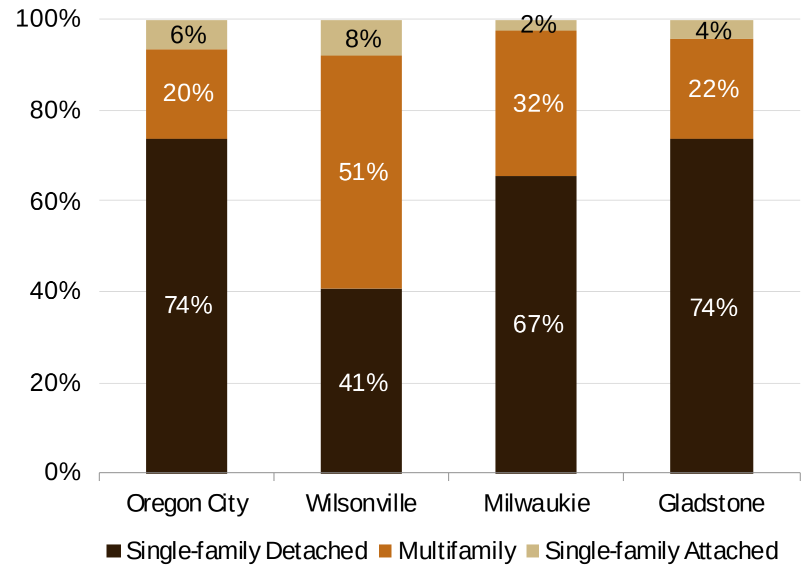
[8] For safe harbor assumptions, such as housing mix in Chapter 5, we use the most recent ACS 5-year estimates (2015-2019).

[9] A thorough description of the ACS can be found in the Census Bureau's publication "What Local Governments Need to Know." https://www.census.gov/library/publications/2009/acs/state-and-local.html

Trends in Housing Mix

About 74% of Oregon City's housing stock was single-family detached.

Exhibit 9. Housing Mix, Oregon City, Wilsonville, Milwaukie, Gladstone 2013-2017
Source: U.S. Census Bureau, 2013-2017 ACS Table B25024.



Seventy-five percent of Clackamas County's housing stock was single-family detached.

Clackamas County had a smaller share of multifamily housing than the Portland Region and Oregon, but a similar share of multifamily housing compared to Oregon City.

Exhibit 10. Housing Mix, Clackamas County, Portland Region, Oregon, 2013-2017
Source: U.S. Census Bureau, 2013-2017 ACS Table B25024.

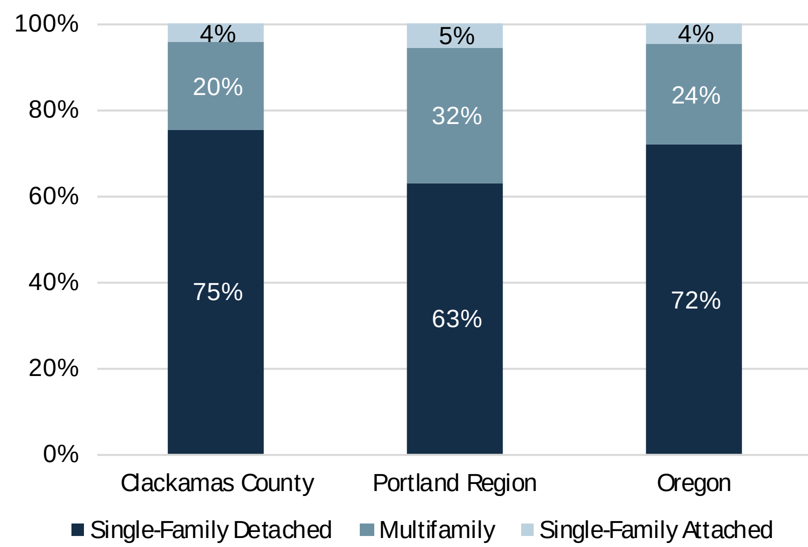
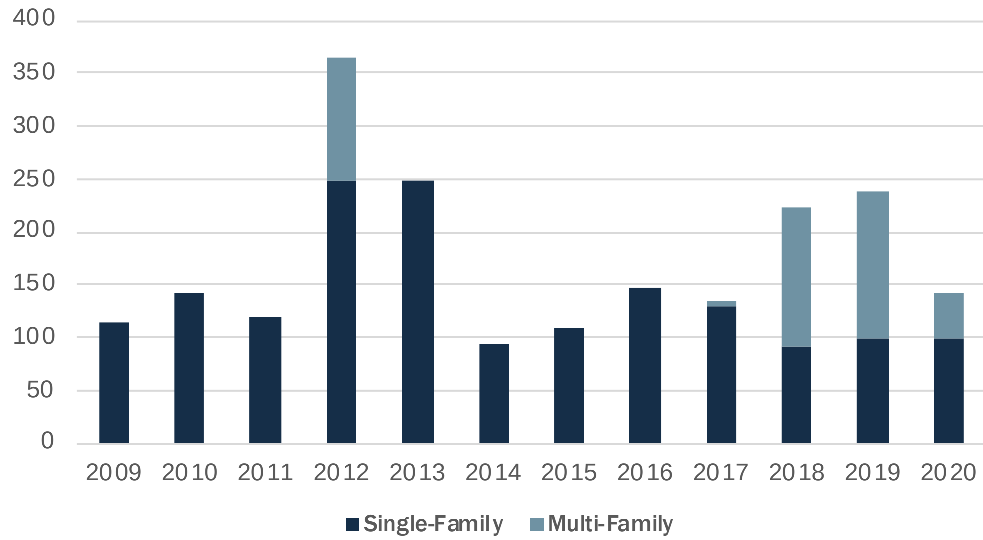


Exhibit 11 shows that over the 2009 to 2020 period, Oregon City had construction of 2,073 dwelling units, with an average of 173 units built per year. Of these units, about 79% were for single-family dwelling units.

Exhibit 11. New Residential Dwelling Units Built by Housing Type, Oregon City, 2009 through 2020
Source: Oregon City.



Trends in Housing Density

This section shows historic densities for new residential construction by housing type and by Plan Designation. To conduct the analysis, we used the RLIS database (a proxy for building permit data). Exhibit 12 shows that Oregon City's average housing density, of units built between 2000 to 2020, was 6.6 dwelling units per net acre. In this period, the average density for multifamily housing was 17.4 units per net acre with an average lot size of 0.77 acres; the average density for single family housing was 6.3 units per net acre with an average lot size of 0.16 acres.

Exhibit 12. Average Density of New Residential Construction Permitted by Type of Unit and Plan Designation, Oregon City, 2000 through 2020
Source: RLIS. Note: DU is dwelling unit.

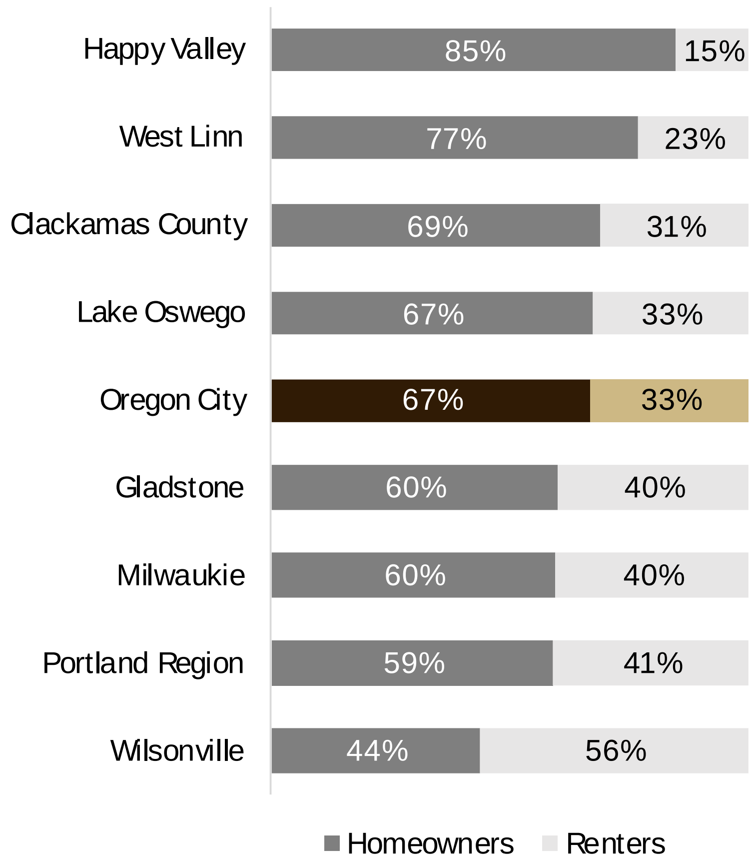
Plan Designations	Single Family Dwelling Units			Multifamily Dwelling Units			Total, Combined		
	Units	Acres	Net Density	Units	Acres	Net Density	Units	Acres	Net Density
Residential	**3,540**	**565**	**6.3**	**230**	**14**	**16.9**	**3,770**	**578**	**6.5**
Low Density	2,628	495	5.3	14	7	2.1	2,642	502	5.3
Medium Density	500	47	10.6	20	2	12.5	520	49	10.7
High Density	412	23	18.2	196	5	37.0	608	28	21.8
Commercial	**23**	**1**	**21.1**	**64**	**3**	**19.3**	**87**	**4**	**19.8**
Commercial	-	-	-	15	1	19.5	15	1	19.5
Mixed Use Corridor	23	1	21.1	49	3	19.3	72	4	19.8
Total	**3,563**	**566**	**6.3**	**294**	**17**	**17.4**	**3,857**	**583**	**6.6**

Trends in Tenure

Housing tenure describes whether a dwelling is owner- or renter-occupied.

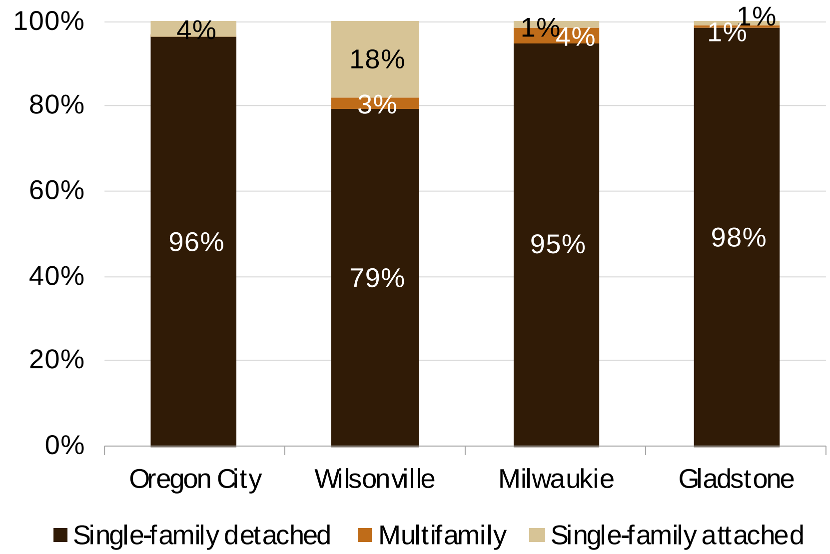
In the 2012-2016 period, Oregon City had a homeownership rate of 67%, which was slightly below Clackamas County's homeownership rate of 69%.

Exhibit 13. Housing Tenure, Oregon City and Comparison Areas, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25032.



Nearly all homeowners in Oregon City (96%) lived in single-family detached housing.

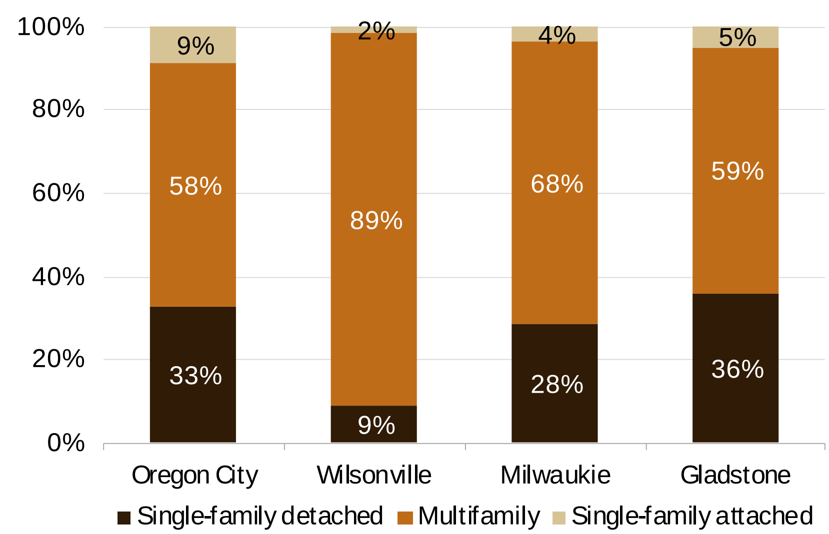
Exhibit 14. Types of units occupied by Homeowners, Oregon City, Wilsonville, Milwaukie, Gladstone, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25032.



Nearly 60% of renters in Oregon City lived in multifamily housing.

In Oregon City, a third of renters lived in single-family detached housing.

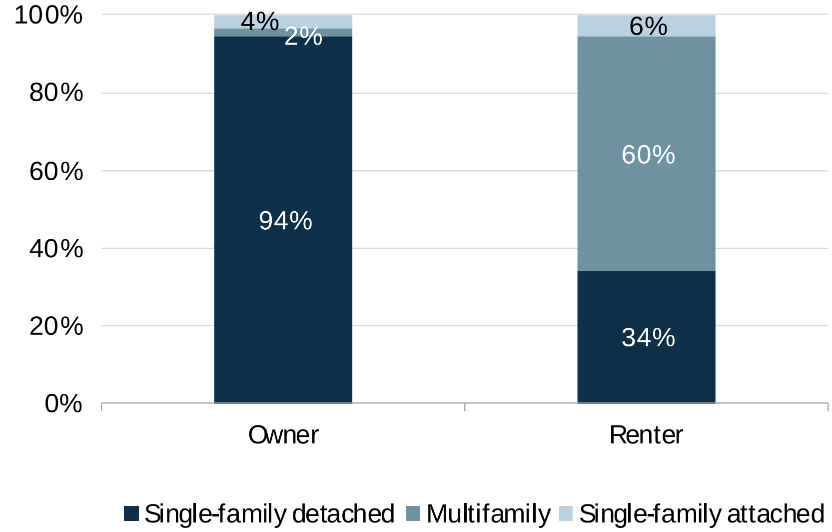
Exhibit 15. Types of Units Occupied by Renters, Oregon City, Wilsonville, Milwaukie, Gladstone, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25032.



Like Oregon City, most of Clackamas County's homeowners (94%) lived in single-family detached housing.

Exhibit 16. Types of Units Occupied by Homeowners and Renters, Clackamas County, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Table B25032.



Vacancy Rates

The Census defines vacancy as: "Unoccupied housing units… determined by the terms under which the unit may be occupied, e.g., for rent, for sale, or for seasonal use only." The 2010 Census identified vacancy through an enumeration, separate from (but related to) the survey of households. Enumerators are obtained using information from property owners and managers, neighbors, rental agents, and others.

According to the 2013-2017 Census, vacancy rates by jurisdiction were:[10]

- Oregon: 9.3%
- Portland Region 5.5%
- Clackamas County: 6.0%
- **Oregon City: 3.6%**

[10] Source: U.S. Census Bureau, 2013-2017 ACS, Table B25032.

Publicly Supported Housing

Oregon City had 634 publicly supported, affordable units. Most of these units were available for families.

Exhibit 17. Publicly Supported Housing, Oregon City, June 2020
Source: Oregon Housing and Community Services.

Development Name	Total Units	Restricted Units	Population Served
Birchwood Dr	6	6	Family
Hughes St	1	1	Family
Forest Ridge Ln	1	1	Family
Salmonberry Dr	1	1	Family
6th St	4	4	Family
Clairmont Way	1	1	Family
Molalla Ave	6	6	Family
S Redland Rd	1	1	Family
Lafayette Ave	2	2	Family
Whitney Ln	1	1	Family
Latourette St	1	1	Family
Hilda St	1	1	Family
Buchanan St	2	2	Family
Prospect St	1	1	Family
Clackamas Heights	100	99	Family
Fisher Ridge	19	18	Family
Kingsberry Heights	260	260	Family
Meadowlark	15	15	Family
Oregon City Terrace	47	47	Family
Oregon City View Manor	100	100	Family
Our Apartment	4	4	Family
Pleasant Avenue Veteran Housing	24	24	Veterans
Rosewood Terrace	38	38	Family
Totals	**636**	**634**	**-**

Manufactured Homes

Manufactured homes provide a source of affordable housing. They also provide a form of homeownership that can be made available to low- and moderate-income households. Cities are required to plan for manufactured homes—both on lots and in parks (ORS 197.475-492).

Generally, manufactured homes in parks (communities) are owned by the occupants who pay rent for the space. Monthly housing costs are typically lower for a homeowner in a manufactured home community for several reasons, including the fact that property taxes levied on the value of the land are paid by the property owner, rather than the manufactured homeowner. The value of the manufactured home generally does not appreciate in the way a conventional home would, however. Manufactured homeowners in communities are also subject to the mercy of the property owner in terms of rent rates and increases. It is generally not within the means of a manufactured homeowner to relocate to another manufactured home to escape rent increases. Homeowners living in a park is desirable to some because it can provide a more secure community with on-site managers and amenities, such as laundry and recreation facilities.

OAR 197.480(4) requires cities to inventory mobile home or manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial, or high-density residential development. In 2006, Oregon City adopted regulations related to manufactured home park closures.[11] This section presents the inventory of mobile and manufactured home communities for Oregon City as of May 2020.

Oregon City had four manufactured home communities within its UGB.

Within these parks, there were a total of 885 spaces, 9 of which were vacant as of May 2020.

Exhibit 18. Inventory of Mobile/Manufactured Home Communities, Oregon City, May 2020

Source: Oregon Manufactured Dwelling Park Directory.

Name	Location	Type	Total Spaces	Vacant Spaces	Zone
Char-Diaz Estates	13678 Char-Diaz Dr	55+	22	0	R 3.5
Cherry Lane	20248 Highway 213	55+	66	0	R 3.5
Clairmont Mtg Housing Park	13531 Clairmont Way	Family	189	0	R 3.5
Mount Pleasant Mobile Home Park	18780 Central Point Rd	Family	68	2	R 3.5
Country Village Estates	14630 South Village Court	Family	499	7	County
Forest Park Mobile Village	18830 S Hwy 99E	Family	41	0	County
Totals			885	9	

[11] OCMC 15.52.

4. Demographic and Other Factors Affecting Residential Development in Oregon City

Demographic trends are important for a thorough understanding of the dynamics of the Oregon City housing market. Oregon City exists in a regional economy; trends in the region impact the local housing market. This chapter documents demographic, socioeconomic, and other trends relevant to Oregon City at the national, state, and regional levels.

Demographic trends provide a context for growth in a region; factors such as age, income, migration, and other trends show how communities have grown and how they will shape future growth. To provide context, we compare Oregon City to Clackamas County, the Portland region (defined as Clackamas, Multnomah, and Washington Counties), and Oregon. We also compare Oregon City to nearby cities where appropriate. Characteristics such as age and ethnicity are indicators of how the population has grown in the past and provide insight into factors that may affect future growth.

A recommended approach to conducting a housing needs analysis is described in *Planning for Residential Growth: A Workbook for Oregon's Urban Areas*, the Department of Land Conservation and Development's guidebook on local housing needs studies. As described in the guidebook, the specific steps in the Housing Needs Analysis are:

1. Project the number of new housing units needed in the next 20 years.
2. Identify relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix.
3. Describe the demographic characteristics of the population and, if possible, the housing trends that relate to demand for different types of housing.
4. Determine the types of housing that are likely to be affordable to the projected households based on household income.
5. Determine the needed housing mix and density ranges for each plan designation and the average needed net density for all structure types.
6. Estimate the number of additional needed units by structure type.

This chapter presents data to address steps 2, 3, and 4 in this list. Chapter 5 presents data to address steps 1, 5, and 6 in this list.

Demographic and Socioeconomic Factors Affecting Housing Choice[12]

Analysts typically describe housing demand as the *preferences* for different types of housing (e.g., single-family detached or apartment) and *the ability to pay* for that housing (the ability to exercise those preferences in a housing market by purchasing or renting housing; in other words, income or wealth).

Many demographic and socioeconomic variables affect housing choice. However, the literature about housing markets finds that age of the householder, size of the household, and income are most strongly correlated with housing choice.

- **Age of householder** is the age of the person identified (in the Census) as the head of household. Households make different housing choices at different stages of life. This chapter discusses generational trends, such as housing preferences of Baby Boomers, people born from about 1946 to 1964, Millennials, people born from about 1980 to 2000, and Generation Z, people born between 1997 and 2012.[13] (Generation X, the generation between Baby Boomers and Millennials, is a smaller age group and does not generally drive housing demand.)
- **Size of household** is the number of people living in the household. Younger and older people are more likely to live in single-person households. People in their middle years are more likely to live in multi-person households (often with children).
- **Household income** is probably the most important determinant of housing choice. Income is strongly related to the type of housing a household chooses (e.g., single-family detached, duplex, or a building with more than five units) and to household tenure (e.g., rent or own).

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[12] The research in this chapter is based on numerous articles and sources of information about housing, including:

Davis, Hibbits & Midghal Research, "Metro Residential Preference Survey," May 2014.

D. Myers and S. Ryu, *Aging Baby Boomers and the Generational Housing Bubble*, Journal of the American Planning Association, Winter 2008.

George Galster. People Versus Place, People and Place, or More? New Directions for Housing Policy, Housing Policy Debate, 2017.

Herbert, Christopher and Hrabchak Molinsky. "Meeting the Housing Needs of an Aging Population," 2015.

J. McIlwain, *Housing in America: The New Decade*, Urban Land Institute, 2010.

L. Lachman and D. Brett, *Generation Y: America's New Housing Wave*, Urban Land Institute, 2010.

Schuetz, Jenny. Who is the new face of American homeownership? Brookings, 2017.

The American Planning Association, "Investing in Place; Two generations' view on the future of communities," 2014.

Transportation for America, "Access to Public Transportation a Top Criterion for Millennials When Deciding Where to Live, New Survey Shows," 2014.

[13] The range of years that define generations vary across sources. We have referenced the general age range for Millennials and Generation Z, and some years may overlap depending on the definition.

This chapter focuses on these factors, presenting data that suggests how changes to these factors may affect housing need in Oregon City over the next 20 years.

National Trends[14]

This brief summary on national housing trends builds on previous work by ECONorthwest as well as Urban Land Institute (ULI) reports and conclusions from *The State of the Nation's Housing* report from the Joint Center for Housing Studies of Harvard University. The Harvard report (2020) summarizes the national housing outlook as follows:

> Given the profound impact of the pandemic on how US households live and work, there is plenty of reason to believe that it could bring meaningful changes to housing markets. With millions of people forced to work remotely, employers and employees alike may find this an attractive option even after the pandemic ends. If so, demand would likely increase for homes large enough to provide office space, as well as easy access to outdoor spaces to exercise and socialize. And if long commutes are no longer everyday requirements, many households may move to lower-density areas where housing is less expensive. However, a major shift in residential development patterns is far from certain. What is certain is that the need for more housing of all types, locations, and price points will persist. In the near term, the outlook for housing markets is bright, fueled by very low interest rates as well as unabated demand from more affluent households. If the pandemic persists, however, it will remain a serious drag on the labor market and wage growth, and ultimately on household formations. Still, the pandemic's negative impact on markets should be relatively muted given historically tight conditions on the supply side.

However, challenges to a strong domestic housing market remain. Rising mortgage rates, the tight credit market, and limited inventory of entry-level homes make housing unaffordable for many Americans, especially younger Americans. In addition to rising housing costs, wages have also failed to keep pace, worsening affordability pressures. Single-family and multifamily housing supplies remain tight, which compound affordability issues. *The State of the Nation's Housing* report emphasizes the importance of government assistance and intervention to keep housing affordable moving forward. Several challenges and trends shaping the housing market are summarized below:

- **Bounce back in residential construction led by single-family starts.** New construction made a sharp comeback in summer 2020 led by single-family construction. Single-family starts in 2020 began at about a 900,000-unit annual rate (the fastest pace since the Great Recession), before dipping to a below 700,000-unit annual rate in April due to the COVID-19 pandemic. Then, single-family starts hit a 1.1-million-unit annual rate in September 2020—marking it as the strongest month for single-family homebuilding in

[14] These trends are based on information from (1) the Joint Center for Housing Studies of Harvard University's publication "The State of the Nation's Housing 2020," (2) Urban Land Institute, "2021 Emerging Trends in Real Estate," and (3) the U.S. Census.

over 13 years. Multifamily unit starts also continued to climb, increasing by 7.5% from about 374,000 units in 2018 to about 402,000 units in 2019. Notably, 2019 marked the first year since 1988 that multifamily starts topped 400,000. In 2019, home sales averaged 3.9 months which is below what is considered balanced (six months), with lower-cost and moderate-cost homes experiencing the tightest inventories. *The State of the Nation's Housing* report cited lack of skilled labor, rising construction costs, land use regulations (particularly density restrictions), and development fees as constraints on new construction.

- **Demand shift from renting to owning.** After years of decline, the national homeownership rate increased slightly from 64.4% in 2018 to 64.6% in 2019. Trends suggest the recent homeownership increases are among householders of all age groups; however, new growth in homeownership since the post-Great Recession low of 2013 resulted from households with higher incomes. About 88% of net new growth (2013 to 2019) was among households with incomes of $150,000 or more.
- **Housing affordability.** Despite a recent downward trend, 37.1 million American households spent more than 30% of their income on housing in 2019 which is 5.6 million more households than in 2001. Renter households experienced cost-burden at more than double the rate of homeowners (46% versus 21%) with the number of cost-burdened renters exceeding cost-burdened homeowners by 3.7 million in 2019. Affordability challenges continued to move up the income ladder, with the share of cost-burdened middle-income households increasing slightly from 2018 to 2019 even as the share of low-income households experiencing cost-burden declined slightly over the same period. Households under the age of 25 and over the age of 85 had the highest rates of housing cost-burden.
- **Long-term growth and housing demand.** The Joint Center for Housing Studies forecasts that, nationally, demand for new homes could total as many as 12 million units between 2018 and 2028[15]. Much of the demand will come from Baby Boomers, Millennials,[16] and immigrants. The Urban Land Institute cites the trouble of overbuilding in the luxury sector while demand is in mid-priced single-family houses affordable to a larger buyer pool.
- **Growth in rehabilitation market.**[17] Aging housing stock and poor housing conditions are growing concerns for jurisdictions across the United States. With almost 80% of the nation's housing stock at least 20 years old (and 40% at least 50 years old), Americans are spending in excess of $400 billion per year on residential renovations and repairs. As

[15] The Joint Center for Housing Studies of Harvard University. The State of the Nation's Housing 2019.

[16] According to the Pew Research Center, Millennials were born between the years of 1981 to 1996 and Generation Z were born between 1997 to 2012 (inclusive). Read more about generations and their definitions here: http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/.

[17] These findings are copied from: Joint Center for Housing Studies. (2019). Improving America's Housing, Harvard University. Retrieved from: https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_Improving_Americas_Housing_2019.pdf

housing rehabilitation becomes the go-to solution to address housing conditions, the home remodeling market has grown more than 50% since the recession ended—generating 2.2% of national economic activity (in 2017).

Despite trends suggesting growth in the rehabilitation market, rising construction costs and complex regulatory requirements pose barriers to rehabilitation. Lower-income households or households on fixed incomes may defer maintenance for years due to limited financial means, escalating rehabilitation costs. At a certain point, the cost of improvements may outweigh the value of the structure, which may necessitate new responses such as demolition or redevelopment.

- **Declining residential mobility.**[18] Residential mobility rates have declined steadily since 1980. Nearly one in five Americans moved every year in the 1980s, compared to one in ten Americans between 2018 and 2019. While reasons for decline in residential mobility are uncertain, contributing factors include demographic, housing affordability, and labor-related changes. For instance, as Baby Boomers and Millennials age, mobility rates are expected to fall as people typically move less as they age. Harvard University's Research Brief (2020) also suggests that increasing housing costs could be preventing people from moving if they are priced out of desired neighborhoods or if they prefer to stay in current housing as prices rise around them. Other factors that may impact mobility include: the rise in dual-income households (which complicates job-related moves), the rise in work-from-home options, and the decline in company-funded relocations. While decline in mobility rates span all generations, they are greatest among young adults and renters, two of the more traditionally mobile groups.
- **Changes in housing preference.** Housing preference will be affected by changes in demographics, most notably: the aging of Baby Boomers, housing demand from Millennials and Generation Z, and growth of immigrants.
  - *Baby Boomers.* In 2020, the oldest members of this generation were in their seventies and the youngest were in their fifties. The continued aging of the Baby Boomer generation may affect the housing market. In particular, Baby Boomers' may influence housing preference and homeownership trends. Preferences (and needs) may vary for Boomers' moving through their 60s, 70s, and 80s (and beyond). They will require a range of housing opportunities. For example, "aging baby boomers are increasingly renters-by-choice, [preferring] walkable, high-energy, culturally evolved communities."[19] Many seniors are also moving to planned retirement destinations earlier than expected as they experience the benefits of work-from-home trends (accelerated by COVID-19). Additionally, the supply of caregivers is decreasing as people in this cohort move from giving care to needing care, making more inclusive, community-based, congregate settings more important. Senior households earning different incomes may make distinct housing choices. For

[18] Frost, R. (2020). "Are Americans stuck in place? Declining residential mobility in the US." Joint Center for Housing Studies of Harvard University's Research Brief.

[19] Urban Land Institute. Emerging Trends in Real Estate, United States and Canada. 2019.

instance, low-income seniors may not have the financial resources to live out their years in a nursing home and may instead choose to downsize to smaller, more affordable units. Seniors living in proximity to relatives may also choose to live in multigenerational households.

Research shows that "older people in western countries prefer to live in their own familiar environment as long as possible," but aging in place does not only mean growing old in their own homes.[20] A broader definition exists which defines aging in place as "remaining in the current community and living in the residence of one's choice."[21] Some Baby Boomers are likely to stay in their home as long as they are able, and some will prefer to move into other housing products, such as multifamily housing or age-restricted housing developments, before they move into to a dependent living facility or into a familial home. Moreover, "the aging of the U.S. population, [including] the continued growth in the percentage of single-person households, and the demand for a wider range of housing choices in communities across the country is fueling interest in new forms of residential development, including tiny houses."[22]

- *Millennials.* Over the last several decades, young adults have increasingly lived in multigenerational housing—more so than older demographics.[23] However, as Millennials move into their early- to mid-thirties, postponement of family formation is ending and millennials are likely to prefer a wide range of housing types in urban or suburban areas, including detached, single family homes and multifamily housing types in walkable neighborhoods.

  At the beginning of the 2007–2009 recession, Millennials only began to form their own households. Today, Millennials are driving much of the growth in new households, albeit at slower rates than previous generations. As this generation continues to progress into their homebuying years, they may seek out affordable, modest-sized homes. This will prove challenging as the market for entry-level, single-family homes has remained stagnant. Although construction of smaller homes (< 1,800 sq. ft.) increased in 2019, they only represented 24% of single-family units.

  Millennials' average wealth may remain far below Boomers and Gen Xers, and student loan debt will continue to hinder consumer behavior and affect retirement savings. As of 2020, Millennials comprised 38% of home buyers, while Gen Xers

[20] Vanleerberghe, Patricia, et al. (2017). The quality of life of older people aging in place: a literature review.

[21] *Ibid.*

[22] American Planning Association. Making Space for Tiny Houses, Quick Notes.

[23] According to the Pew Research Center, in 1980, just 11% of adults aged 25 to 34 lived in a multigenerational family household, and by 2008, 20% did (82% change). Comparatively, 17% of adults aged 65 and older lived in a multigenerational family household, and by 2008, 20% did (18% change).

comprised 23% and Boomers 33%.[24] "By the year 2061, it is estimated that $59 trillion will be passed down from boomers to their beneficiaries," presenting new opportunities for Millennials (as well as Gen X and Gen Z).[25]

- *Generation Z.* In 2020, the oldest members of Generation Z were in their early 20s and the youngest in their early childhood years. By 2040, Generation Z will be between 25 and 40 years old. While they are more racially and ethnically diverse than previous generations, when it comes to key social and policy issues they look very much like Millennials. Generation Z was set to inherit a strong economy and record-low unemployment.[26] However, because the long-term economic impacts of COVID-19 are unknown, Generation Z may now be looking at an uncertain future.

  While researchers do not yet know how Generation Z will behave in adulthood, many expect they will follow patterns of previous generations. A segment is expected to move to urban areas for reasons similar to previous cohorts (namely, the benefits that employment, housing, and entertainment options bring when they are in close proximity). However, this cohort is smaller than Millennials (67 million vs. 72 million) which may lead to slowing real estate demand, including in city centers.

- *Immigrants.* Research on foreign-born populations shows that immigrants, more than native-born populations, live in multigenerational housing for a variety of reasons. Still, immigration and increased homeownership among minorities could also play a key role in accelerating household growth over the next 10 years. Current Population Survey estimates indicate that the number of foreign-born households rose by nearly 400,000 annually between 2001 and 2007, and they accounted for nearly 30% of overall household growth. Beginning in 2008, the influx of immigrants was staunched by the effects of the Great Recession. After a period of declines, the foreign-born population again began contributing to household growth, despite a decline in immigration rates in 2019. The Census Bureau's estimates of net immigration in 2019 indicate that 595,000 immigrants moved to the United States from abroad, down from 1.2 million immigrants in 2017–2018. However, as noted in *The State of the Nation's Housing* (2020) report, "because the majority of immigrants do not immediately form their own households upon arrival in the country, the drag on household growth from lower immigration only becomes apparent over time."

- *Diversity.* The growing diversity of American households will have a large impact on the domestic housing markets. Over the coming decade, minorities will make up a

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[24] National Association of Realtors. (2020). 2020 Home Buyers and Sellers Generational Trends Report, March 2020. Retrieved from: https://www.nar.realtor/research-and-statistics/research-reports/home-buyer-and-seller-generational-trends

[25] PNC. (n.d.). Ready or Not, Here Comes the Great Wealth Transfer. Retrieved from: https://www.pnc.com/en/about-pnc/topics/pnc-pov/economy/wealth-transfer.html

[26] Parker, K. & Igielnik, R. (2020). On the cusp if adulthood and facing an uncertain future: what we know about gen Z so far. Pew Research Center. Retrieved from: https://www.pewsocialtrends.org/essay/on-the-cusp-of-adulthood-and-facing-an-uncertain-future-what-we-know-about-gen-z-so-far/

larger share of young households and constitute an important source of demand for both rental housing and small homes. The growing gap in homeownership rates between White and Black households as well as the larger share of minority households that are cost burdened warrant consideration. White households had a 73% homeownership rate in 2019 compared to a 43% rate for Black households. This 30-percentage point gap is the largest disparity since 1983. Although homeownership rates are increasing for some minorities, Black and Latino households are more likely to have suffered disproportionate impacts of the pandemic and forced sales could negatively impact homeownership rates. This, combined with systemic discrimination in the housing and mortgage markets and lower incomes relative to White households, leads to higher rates of cost burden for minorities —43% for Black, 40% for Latino, 32% for Asian and 25% for White in 2019. As noted in *The State of the Nation's Housing (2020)* report, "the impacts of the pandemic have shed light on the growing racial and income disparities in the nation between the nation's haves and have-nots are the legacy of decades of discriminatory practices in the housing market and in the broader economy."

- **Changes in housing characteristics.** The U.S. Census Bureau's Characteristics of New Housing Report (2019) presents data that show trends in the characteristics of new housing for the nation, state, and local areas. Several long-term trends in the characteristics of housing are evident from the New Housing Report:[27]
  - *Larger single-family units on smaller lots.* Between 1999 and 2019, the median size of new single-family dwellings increased by 13% nationally, from 2,028 sq. ft. to 2,301 sq. ft., and 14% in the western region from 2,001 sq. ft. in 1999 to 2,279 sq. ft in 2019. Moreover, the percentage of new units smaller than 1,400 sq. ft. nationally decreased by more than half, from 16% in 1999 to 7% in 2019. The percentage of units greater than 3,000 sq. ft. increased from 17% in 1999 to 25% of new one-family homes completed in 2019. In addition to larger homes, a move toward smaller lot sizes was seen nationally. Between 2009 and 2019, the percentage of lots less than 7,000 sq. ft. increased from 25% to 33%.
  - *Larger multifamily units.* Between 1999 and 2019, the median size of new multifamily dwelling units increased by 3.4% nationally. In the western region, the median size decreased by 1.9%. Nationally, the percentage of new multifamily units with more than 1,200 sq. ft. increased from 28% in 1999 to 35% in 2019 and increased from 25% to 27% in the western region.
  - *Household amenities.* Across the United States since 2013, an increasing number of new units had air-conditioning (fluctuating year by year at over 90% for both new single-family and multifamily units). In 2000, 93% of new single-family houses had two or more bathrooms, compared to 96% in 2019. The share of new multifamily units with two or more bathrooms decreased from 55% of new multifamily units to

[27] U.S. Census Bureau, Highlights of Annual 2019 Characteristics of New Housing. Retrieved from: https://www.census.gov/construction/chars/highlights.html

45%. As of 2019, 92% of new single-family houses in the United States had garages for one or more vehicles (from 89% in 2000). Additionally, if work from home dynamics become a more permanent option, then there may be rising demand for different housing amenities such as more space for home offices or larger yards for recreation.

- *Shared amenities*. Housing with shared amenities grew in popularity, as it may improve space efficiencies and reduce per-unit costs and/or maintenance costs. Single-room occupancies (SROs), cottage clusters, cohousing developments, and multifamily products are common housing types that take advantage of this trend.[28] Shared amenities may take many forms and include shared bathrooms, kitchens, other home appliances (e.g., laundry facilities, outdoor grills), security systems, outdoor areas (e.g., green spaces, pathways, gardens, rooftop lounges), fitness rooms, swimming pools, tennis courts, and free parking.[29]

State Trends

In August 2019, the State of Oregon passed statewide legislation -- Oregon House Bill 2001 and 2003. **House Bill 2001 (HB2001)** required many Oregon communities to accommodate middle housing within single-family neighborhoods. "Medium Cities"—those with 10,000 to 25,000 residents outside the Portland metro area—are required to allow duplexes on each lot or parcel where a single-family home is allowed. "Large Cities"—those with over 25,000 residents and nearly all jurisdictions in the Portland metro urban growth boundary (UGB)—must meet the same duplex requirement as well as allow triplexes, fourplexes, townhomes, and cottage clusters in all areas that are zoned for residential use and allow single-family homes. Oregon City has recently made a variety of amendments to the development code to allow more housing types and is currently working through the process of making adjustment to comply with HB 2001 which will be implemented by July 2022.

> **Middle housing** is generally built at a similar scale as single- family homes but at higher residential densities. It provides a range of housing choices at different price points within a community.

House Bill 2003 (HB2003) envisions Oregon's housing planning system is reformed from a singular focus (on ensuring adequate available land) to a more comprehensive approach that also achieves these critical goals: (1) support and enable the construction of sufficient units to accommodate current populations and projected household growth and (2) reduce geographic

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28 Single-room occupancies are residential properties with multiple single-room dwelling units occupied by a single individual. From: U.S. Department of Housing and Urban Development. (2001). *Understanding SRO*. Retrieved from: https://www.hudexchange.info/resources/documents/Understanding-SRO.pdf

29 Urbsworks. (n.d.). Housing Choices Guidebook: A Visual Guide to Compact Housing Types in Northwest Oregon. Retrieved from: https://www.oregon.gov/lcd/Publications/Housing-Choices-Booklet_DIGITAL.pdf

Saiz, Albert and Salazar, Arianna. (n.d.). Real Trends: The Future of Real Estate in the United States. Center for Real Estate, Urban Economics Lab.

disparities in access to housing (especially affordable and publicly supported housing). In that, HB 2003 required the development of a methodology for projecting *regional* housing need and allocate that need to local jurisdictions. It also expanded local government responsibilities for planning to meet housing need by requiring cities to develop and adopt Housing Production Strategies.[30]

Prior to the passage of these bills, Oregon developed its *2016–2020 Consolidated Plan* which includes a detailed housing needs analysis as well as strategies for addressing housing needs statewide. The plan concluded that "a growing gap between the number of Oregonians who need affordable housing, and the availability of affordable homes has given rise to destabilizing rent increases, an alarming number of evictions of low- and fixed- income people, increasing homelessness, and serious housing instability throughout Oregon." It identified the following issues that describe housing need statewide:[31]

- For housing to be considered affordable, a household should pay up to one-third of their income toward rent, leaving money left over for food, utilities, transportation, medicine, and other basic necessities. Today, one in two Oregon households pays more than one-third of their income toward rent, and one in three pays more than half of their income toward rent.
- More school children are experiencing housing instability and homelessness. The rate of K–12 homeless children increased by 12% from the 2013–2014 school year to the 2014–2015 school year.
- Oregon has 28,500 rental units that are affordable and available to renters with extremely low incomes. There are about 131,000 households that need those apartments, leaving a gap of 102,500 units.
- Housing instability is fueled by an unsteady, low-opportunity employment market. Over 400,000 Oregonians are employed in low-wage work. Low-wage work is a growing share of Oregon's economy. When wages are set far below the cost needed to raise a family, the demand for public services grows to record heights.
- Women are more likely than men to end up in low-wage jobs. Low wages, irregular hours, and part-time work compound issues.
- People of color historically constitute a disproportionate share of the low-wage work force. About 45% of Latino, and 50% of African Americans, are employed in low-wage industries.
- The majority of low-wage workers are adults over the age of 20, many of whom have earned a college degree, or some level of higher education.

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[30] This Housing Needs Analysis is not required to comply with HB 2003 because it will be adopted prior to January, 2022. The City is expected to comply with HB 2003 at the next HNA which is anticipated in six years.

[31] These conclusions are copied directly from the report: Oregon's 2016–2020 Consolidated Plan. Retrieved from: http://www.oregon.gov/ohcs/docs/Consolidated-Plan/2016-2020-Consolidated-Plan-Amendment.pdf.

- In 2019, minimum wage in Oregon[32] was $11.25, compared to $12.50 in the Portland Metro, and $11.00 for nonurban counties.

Oregon developed its *Statewide Housing Plan* in 2018. The Plan identified six housing priorities to address in communities across the State over the 2019 to 2023 period (summarized below). In August 2020, Oregon Housing and Community Services (OHCS) released a summary of their progress.[33] The following section includes summaries and excerpts from their status report:

- **Equity and Racial Justice.** *Advance equity and racial justice by identifying and addressing institutional and systemic barriers that have created and perpetuated patterns of disparity in housing and economic prosperity.*

  OHCS built internal organizational capacity through staff trainings on Equity and Racial Justice (ERJ) and hired an Equity, Diversity and Inclusion Manager. OHCS established a workgroup to support equity in their data system and approved an internal organizational structure to advance and support ERJ within all areas of OHCS. Now, OHCS is developing funding mechanisms to encourage culturally specific organizations to increase services to underserved communities and to increase the number and dollar amounts of contracts awarded to minority, women, and emerging small businesses (MWESBs).

- **Homelessness.** *Build a coordinated and concerted statewide effort to prevent and end homelessness, with a focus on ending unsheltered homelessness of Oregon's children and veterans.*

  The Homeless Services Section (HSS) made progress in building a foundation for planning and engagement across intersecting economic, social, and health systems. The OHCS Veteran Leadership team established recurring information-sharing sessions with federal, state, and local partners. HSS convened Oregon Homeless Management Information System (HMIS) stakeholders to build recommendations and co-construct a path toward a new HMIS implementation and data warehouse. HSS established successful workflows to analyze demographic data of people entering/exiting the homeless service system.

- **Permanent Supportive Housing.** *Invest in permanent supportive housing (PSH), a proven strategy to reduce chronic homelessness and reduce barriers to housing stability.*

  OHCS funded 405 of their 1,000 PSH-unit targets. Almost half of these units were the result of the NOFA tied to the first PSH Institute cohort.

[32] The 2016 Oregon Legislature, Senate Bill 1532, established a series of annual minimum wage rate increases beginning July 1, 2016, through July 1, 2022. Retrieved from: https://www.oregon.gov/boli/whd/omw/pages/minimum-wage-rate-summary.aspx

[33] This section uses many direct excerpts from the OHCS Statewide Housing Plan Year One Summary August 2020 Report to HSC. Oregon Statewide Housing Plan, Status Reports. https://www.oregon.gov/ohcs/Documents/swhp/SWHP-Report-Y1-Summary.pdf

- **Affordable Rental Housing.** *Work to close the affordable rental housing gap and reduce housing cost burden for low-income Oregonians.*

  OHCS implemented a new electronic application and widespread adoption of system work modules. They also established a capacity building team to assess and recommend opportunities for growth in their development priorities and began training and technical assistance to potential PSH and rural developers. OHCS increased their units by 8,408 representing 22.8% of their 25,000 unit 5-year target.

- **Homeownership.** *Provide more low- and moderate-income Oregonians with the tools to successfully achieve and maintain homeownership, particularly in communities of color.*

  OHCS pursued a strategy to align programs with the needs of communities of color, improved their Homeownership Center framework and Down Payment Assistance product, began developing their TBA program and focused on low-cost homeownership through manufactured housing. Additionally, they began developing the Restore Health and Safety program and re-opening the Oregon Homeownership Stabilization Initiative (OHSI) program. OHCS also supported the Joint Task Force on Racial Equity in Homeownership and advocating for additional funds to support communities of color. OHCS provided 678 mortgage lending products of their 6,500 5-Year goal with 170 going to households of color.

- **Rural Communities.** *Change the way OHCS does business in small towns and rural communities to be responsive to the unique housing and service needs and unlock the opportunities for housing development.*

  OHCS focused on developing a better understanding of rural community needs and increasing rural capacity to build more affordable housing. OHCS hired a full-time capacity building analyst who has conducted outreach to key stakeholders across the state representing rural communities and developed a strategy to address those needs. OHCS has funded 532 units in rural communities, out of a total of 2,543 units in the 5-year goal (21% of target).

Regional and Local Demographic Trends that May Affect Housing Need in Oregon City

Demographic trends that might affect the key assumptions used in the analysis of housing need is (1) the aging population, (2) changes in household size and composition, and (3) increases in diversity.

An individual's housing needs change throughout their life, with changes in income, family composition, and age. The types of housing needed by a 20-year-old college student differ from the needs of a 40-year-old parent with children, or an 80-year-old single adult. As Oregon City's population ages, different types of housing will be needed to accommodate older residents. The housing characteristics by age data below reveal this cycle in action in Oregon City.

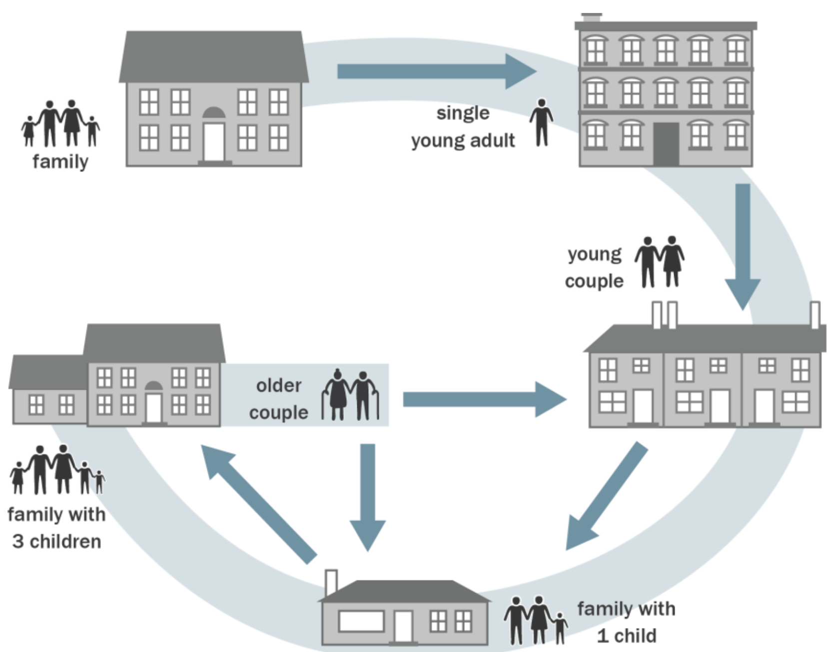
Housing needs and preferences may change over time, such as with changes in marital status and size of family. Changes in income, which may change over a person's life with age, strongly influence the types of housing selected.

Families of different sizes need different types of housing. Changes in income is also a key factor in housing demand.

This graphic illustrates an example of changes in housing needs across a person's life

Exhibit 19. Effect of Demographic Changes on Housing Need

Source: ECONorthwest, adapted from Clark, William A.V. and Frans M. Dieleman. 1996. Households and Housing. New Brunswick, NJ: Center for Urban Policy Research.



Growing Population

Oregon City, like Wilsonville, has grown quickly over the last 30 years with its population more than doubling from 1990 to 2019.

Exhibit 20. Population, Oregon City, Gladstone, Wilsonville, Milwaukie, 1990-2019

Source: U.S. Decennial Census 1990, and Portland State University, Population Research Center.

			Change 1990 to 2019		
	1990	2019	Number	Percent	AAGR
Oregon City	14,698	35,570	19,242	131%	3.4%
Gladstone	10,152	11,905	1,353	13%	0.5%
Wilsonville	7,106	25,635	15,764	222%	4.8%
Milwaukie	18,692	20,535	1,813	10%	0.4%

Oregon City's population within the urban growth boundary is projected to grow by 6,410 people between 2019 and 2039, at an average annual growth rate of 0.8%.

Exhibit 21. Forecast of Population Growth, Oregon City city limits, 2021–2041[34]

Source: 2020-2050 Distributed Forecast (March 2021) Oregon Metro Research Center.

36,891	**46,743**	**9,852**	27% increase
Residents in 2021	Residents in 2041	New residents 2021-2041	1.19% AAGR

[34] Metro develops population forecasts for Oregon City's city limits, as shown in Exhibit 21. The dwelling unit forecast shown in Exhibit 60 includes the forecast for Oregon City's planning area, which includes the city limits and urban growth management area. Metro does not develop a population forecast for the urban growth management areas, so they are not included in Exhibit 21.

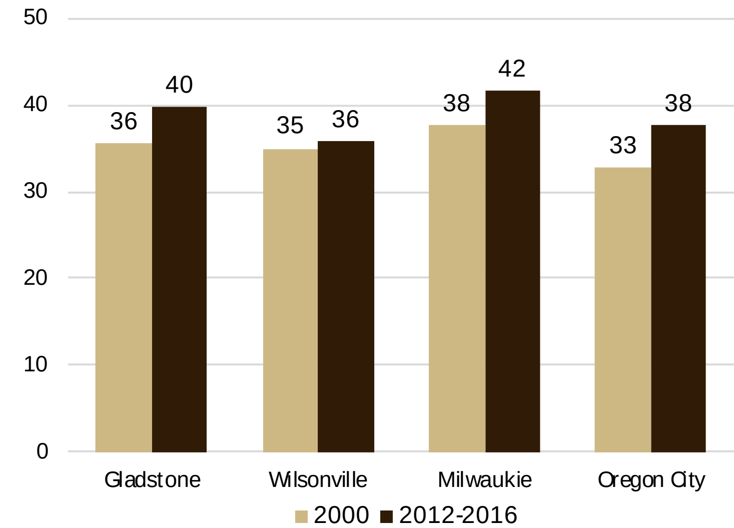
The reason for inclusion forecast of new dwelling units in these TAZ (in Exhibit 60) is that Oregon City has large areas that are currently planned for housing growth that are outside the city limits and will be annexed into the city. These include the South End Concept Plan area and the Park Place Concept Plan. These areas are included in the buildable land inventory, requiring including the growth expected in these areas in the forecast for new dwelling units in Exhibit 60.

To compare the forecast of new population forecast for the 2021-2041 period with forecast of new dwelling units, one must compare the number of population growth within the city limits (9,852 new residents) with the new dwelling unit forecast in Exhibit 60 for the city limits (5,792 new dwelling units). A comparison of the two suggests an average household size of about 1.7 persons per dwelling unit, reflecting decreases in household size in the future with expected growth of more single-person households.

Aging Population

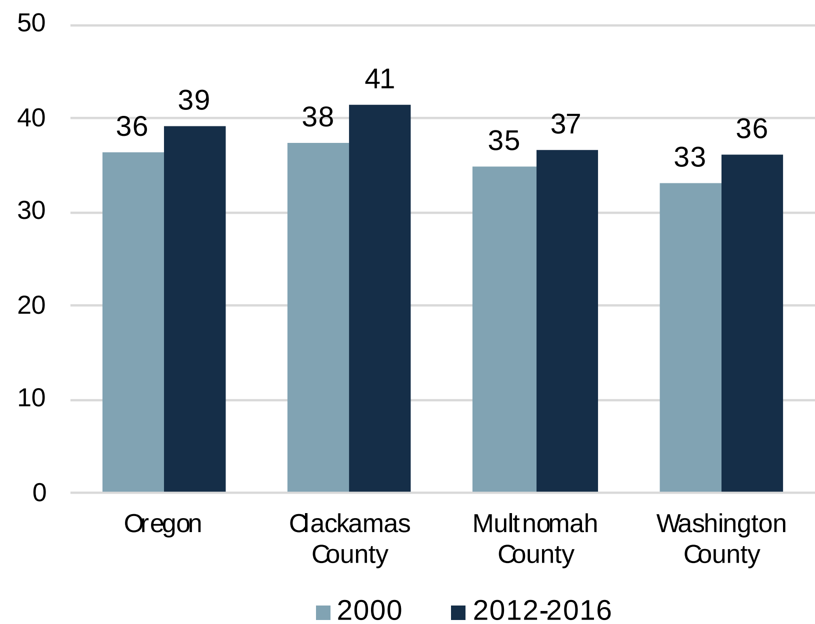
From 2000 to 2012-2016, Oregon City's median age increased by five years from 33 to 38.

Exhibit 22. Median Age, Years, Oregon City, Gladstone, Wilsonville, Milwaukie, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table B01002, 2012-2016 ACS, Table B01002.



From 2000 to 2012-2016, Clackamas County's median age increased by three years. The median age of Clackamas County residents is slightly higher than the media age of nearby regions (Clackamas and Washington County).

Exhibit 23. Median Age, Years, Oregon, Clackamas County, Multnomah County, Washington County, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table B01002, 2012-2016 ACS, Table B01002.

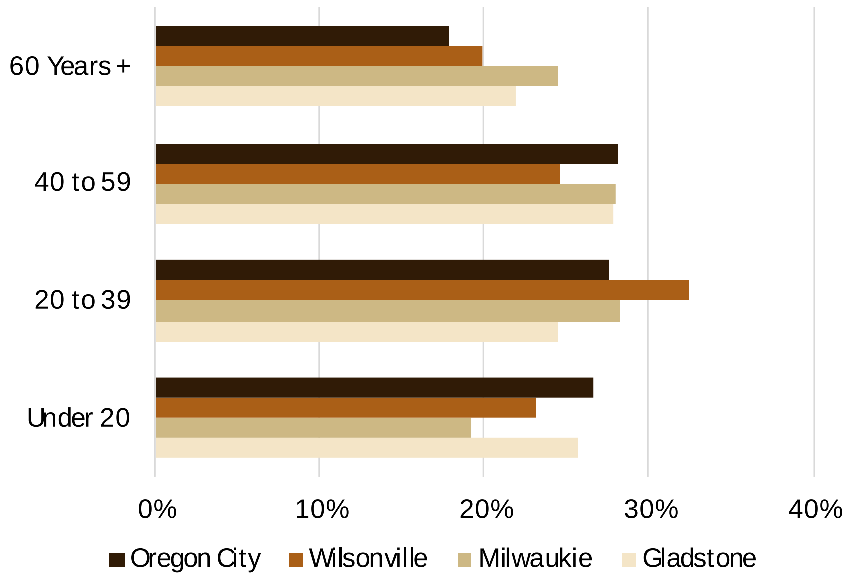


The majority of residents in Oregon City were between 20 to 59 years old.

Oregon City had a lower share (18%) of residents over 60 years of age than other comparator cities.

Exhibit 24. Population Distribution by Age, Oregon City, Gladstone, Wilsonville, Milwaukie, 2012-2016

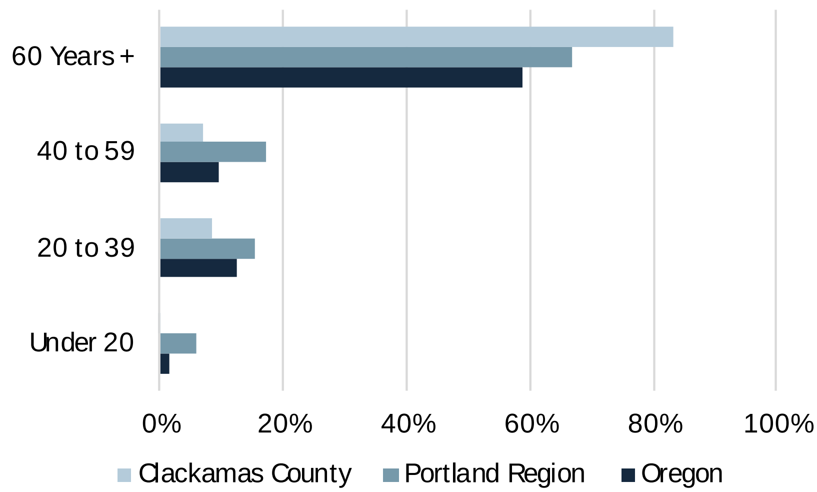
Source: U.S. Census Bureau, 2012-2016 ACS, Table B01001.



The senior population in Clackamas County (those aged 60 and older) grew faster than any other age cohort. From 2000 to the 2012-2016 period, the population aged 60 and older grew by 83% in Clackamas County, compared to 67% in the Portland Region, and 59% in Oregon. By 2040, people over 60 in Clackamas County will account for 27% of the population.

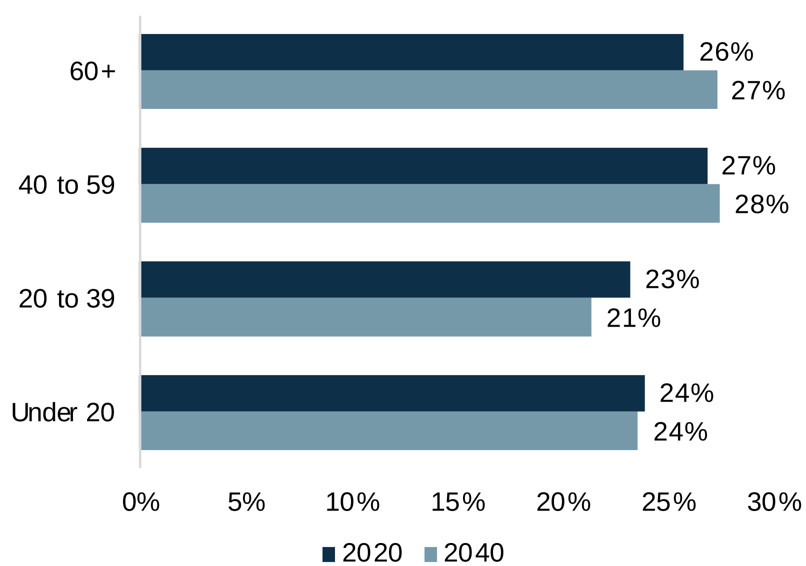
Between 2000 and 2012-2016, all age groups in Clackamas County grew in size. The most substantial change was growth in residents aged 60 and older.

Exhibit 25. Population Growth by Age, Clackamas County, Portland Region, Oregon, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table P012 and 2012-2016 ACS, Table B01001.



By 2040, Clackamas County residents over the age of 40 will make up 55% of the County's total population.

Exhibit 26. Population Growth by Age Group, Clackamas County, 2020 to 2040
Source: Portland State University, Population Research Center, Clackamas County Forecast, June 2017.



Growth in Latino Population

The U.S. Census Bureau forecasts that at the national level, the Latino (e.g., Latino/a and Hispanic) population will continue growing faster than most other non-Latino population over the planning period. The Latino population will increase 93% from 2016 to 2060 and foreign-born Latino population will increase by about 40% in that same time.[35]

Continued growth in the Latino population will affect Oregon City's housing needs in a variety of ways. Growth in first and, to a lesser extent, second and third generation Latino immigrants, will increase demand for larger dwelling units to accommodate the, on average, larger household sizes for these households. In that, Latino households are twice likely to include multiple generations households than the general populace.[36] In third and later generations of Hispanic or Latino immigrant households, size typically decreases and housing needs become similar to overall housing needs for households within the community.

According to the *State of Hispanic Homeownership* report from the National Association of Hispanic Real Estate Professionals,[37] the Latino population accounted for 31.4% of the nation's net new household formations in 2019, up 2.8 percentage points from 2017. The rate of homeownership for Latino households increased from 45.6% in 2015 to 47.5% in 2019. In that time (2015 to 2019), Latino households were the only demographic that increased their rate of homeownership.

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[35] U.S. Census Bureau, *Demographic Turning Points for the United States: Population Projections for 2020 to 2060*, pg. 7, https://www.census.gov/content/dam/Census/library/publications/2018/demo/P25_1144.pdf

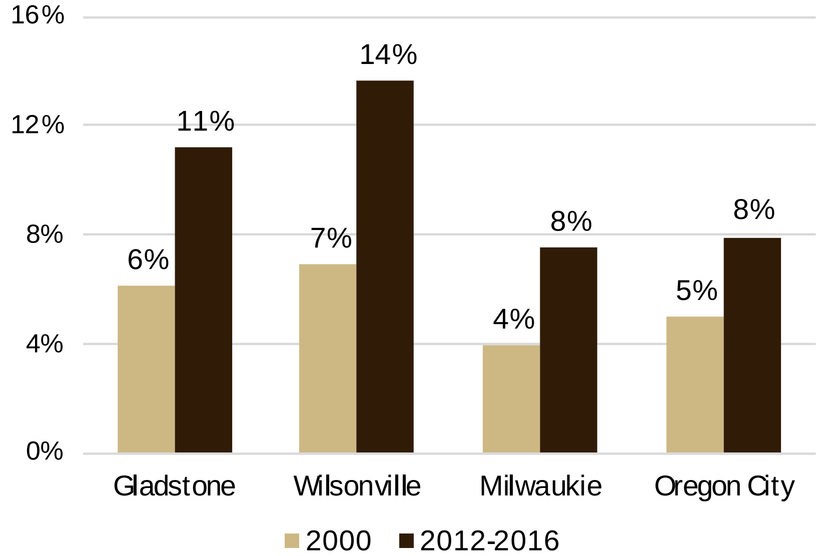
[36] Pew Research Center. *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, February 7, 2013, Appendix 8. Retrieved from: http://www.pewsocialtrends.org/2013/02/07/appendix-1-detailed-demographic-tables/.

National Association of Hispanic Real Estate Professionals (2019). *2019 State of Hispanic Homeownership Report*. Retrieved from: https://nahrep.org/shhr/

[37] National Association of Hispanic Real Estate Professionals (2019). *2019 State of Hispanic Homeownership Report*. Retrieved from: https://nahrep.org/downloads/2018-state-of-hispanic-homeownership-report.pdf

Between 2000 and 2012-2016, the share of the population that identified as Latino increased by 3% in Oregon City.

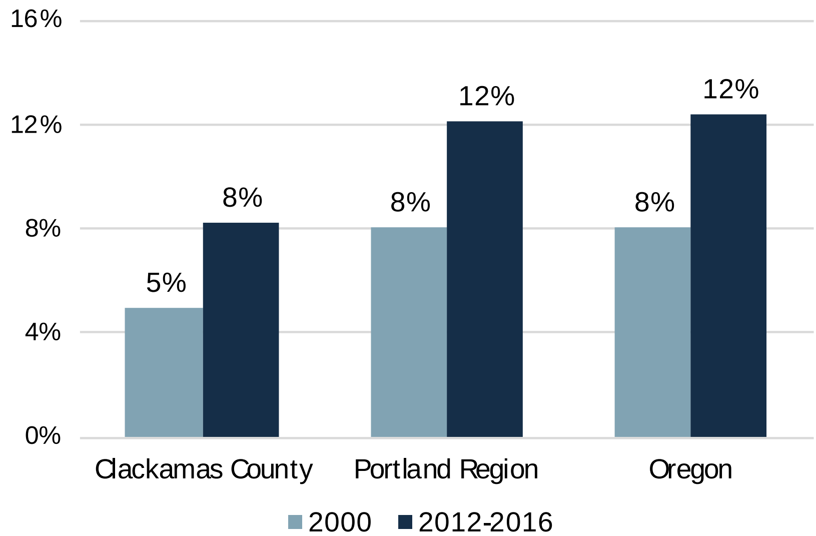
Exhibit 27. Latino Population as a Percent of the Total Population, Oregon City, Gladstone, Wilsonville, Milwaukie, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table P008, 2012-2016 ACS Table B03002.



The share of Clackamas County's population that was Latino increased by 3% between 2000 and 2012-2016.

Comparatively, the share of Latino increased by 4% in the Portland Region and in Oregon.

Exhibit 28. Latino Population as a Percent of the Total Population, Clackamas County, Portland Region, Oregon, 2000 to 2012-2016
Source: U.S. Census Bureau, 2000 Decennial Census Table P008, 2012-2016 ACS Table B03002.



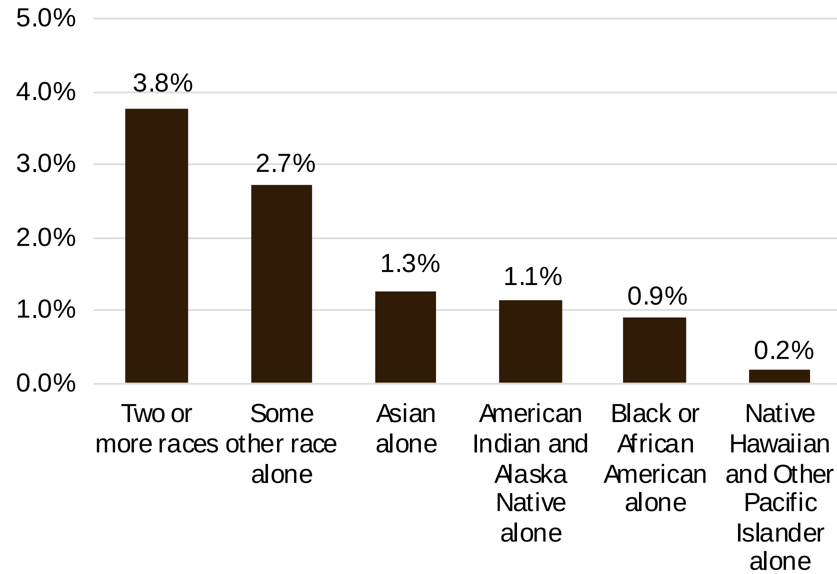
Racial Diversity

About 90% of Oregon City's population identified as White-alone.

The next largest population group identified as Two or More Races (3.8%).

Exhibit 29. Population by Race (excluding White Alone) as a Percent of Total Population, Oregon City, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Table B02001.

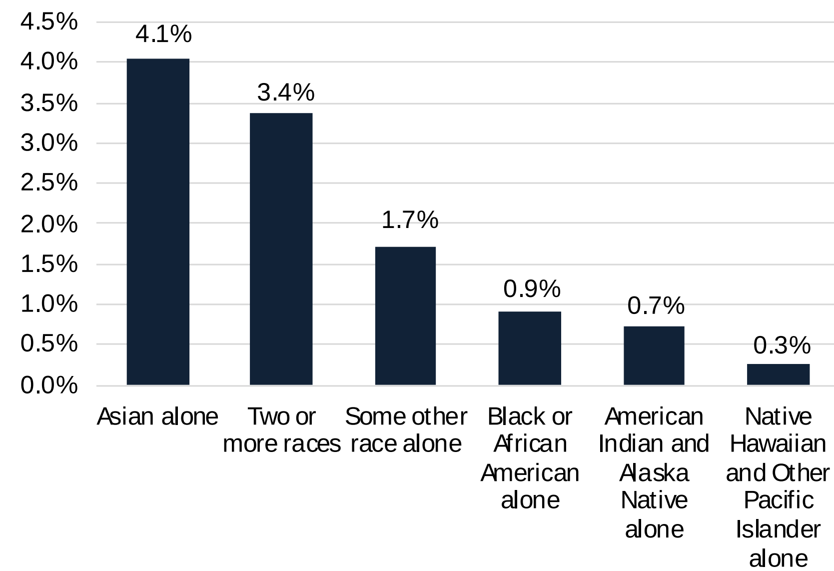


About 89% of Clackamas County's population identified as White-alone.

The next largest population group identified as Asian-alone (4.1%).

Exhibit 30. Population by Race (excluding White Alone) as a Percent of Total Population, Clackamas County, 2012-2016

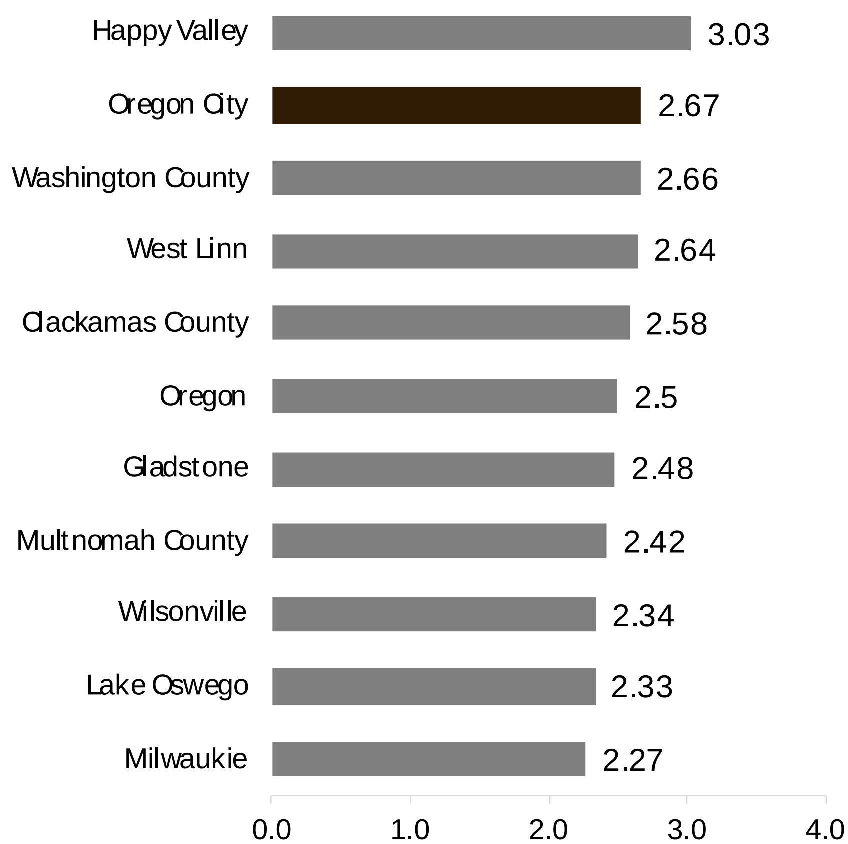
Source: U.S. Census Bureau, 2012-2016 ACS Table B02001.



Household Size and Composition

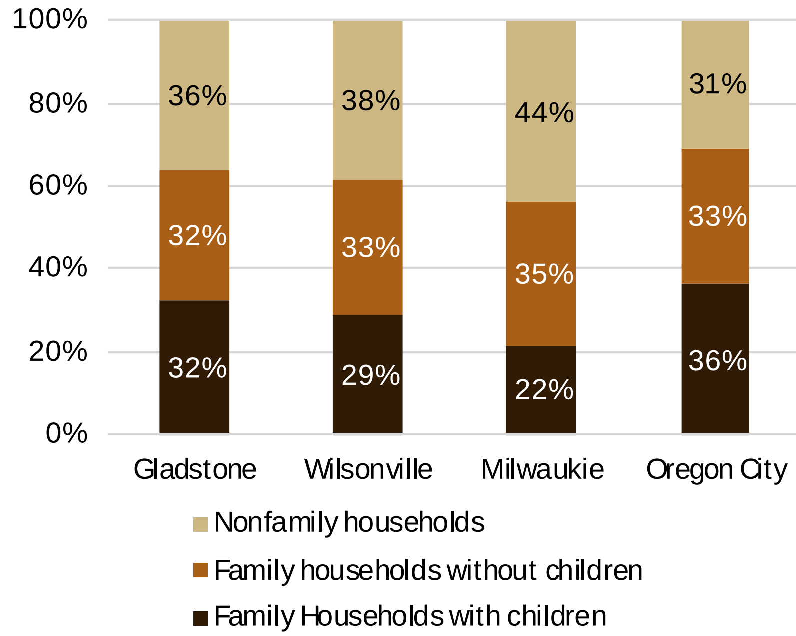
In the 2013-2017 period, Oregon City's average household size was 2.67 persons per household.

Exhibit 31. Average Household Size, 2013-2017
Source: U.S. Census Bureau, 2013-2017 ACS 5-year estimate, Table B25010.



In the 2012-2016 period, 36% of Oregon City households were non-family households (e.g., single-person households or households composed of roommates).

Exhibit 32. Household Composition, Oregon City, Wilsonville, Milwaukie, Oregon City, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table DP02.



Income of Residents

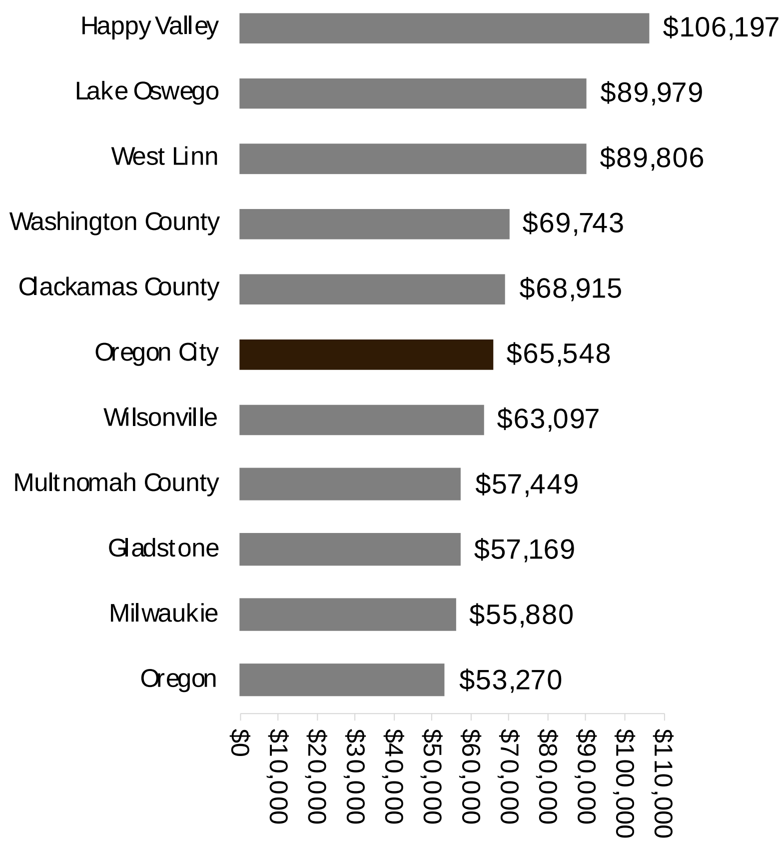
Income is a key determinant in housing choice and households' ability to afford housing.

In the 2012-2016 period, Oregon City's median household income (MHI) was $65,548.

Oregon City's MHI was slightly below Clackamas County's MHI of $68,915.

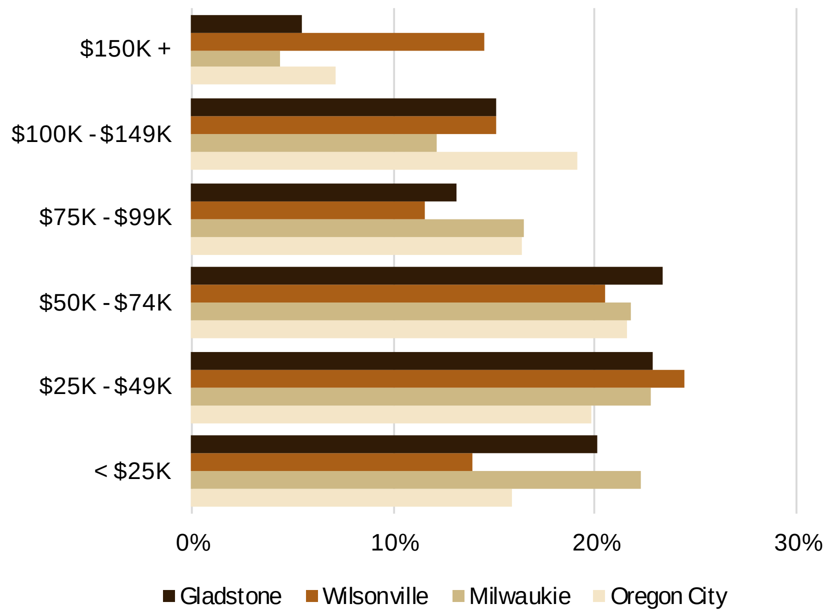
Exhibit 33. Median Household Income, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B25119.



In Oregon City, 26% of households earned $100,000 or more.

Exhibit 34. Household Income, Oregon City, Gladstone, Wilsonville, Milwaukie, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B19001.



Commuting Trends

Oregon City is part of the complex, interconnected economy of Clackamas County and the greater Portland region.

Oregon City is part of an interconnected regional economy.

More than 12,000 people commute into Oregon City for work, and almost 14,000 people living in Oregon City commute out of the city for work.

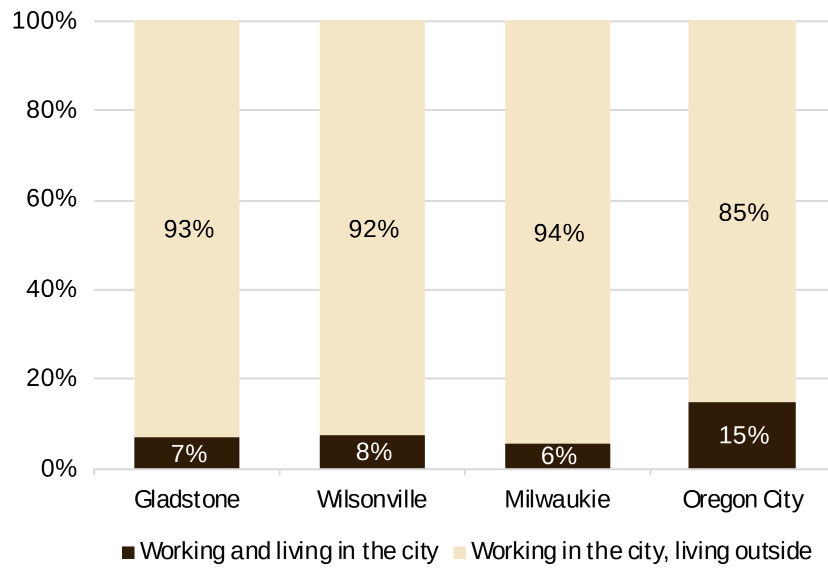
About 2,000 people both live and work in the City.

Exhibit 35. Commuting Flows, Oregon City, 2015
Source: U.S. Census Bureau, Census On the Map.

Of the people who work in Oregon City, 85% live outside of the city.

Exhibit 36. Commuting Flows of People Who Work in Oregon City, Gladstone, Wilsonville, Milwaukie, 2015

Source: U.S. Census Bureau, Census On the Map.

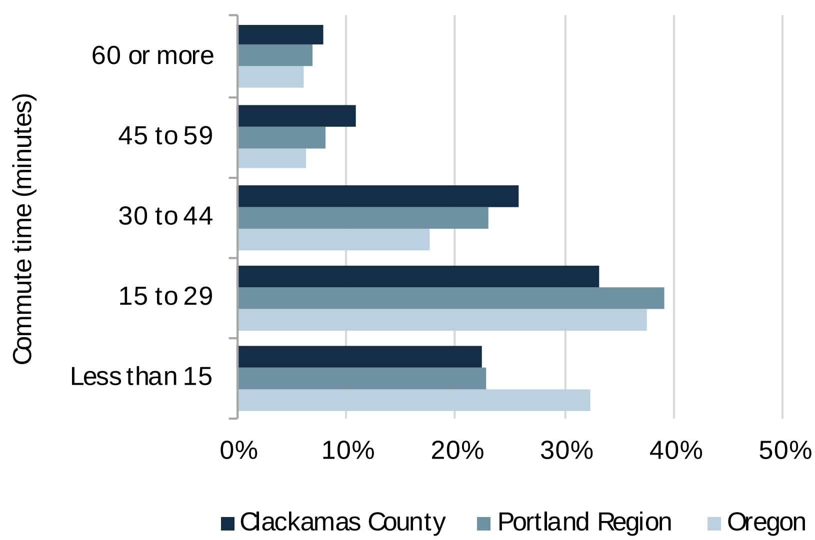


The majority of residents in Clackamas County, the Portland Region, and Oregon had a commute time that took less than 30 minutes.

In Clackamas County, 56% of residents had a commute time of less than 30 minutes, compared to 62% for the Portland Region and 70% for Oregon.

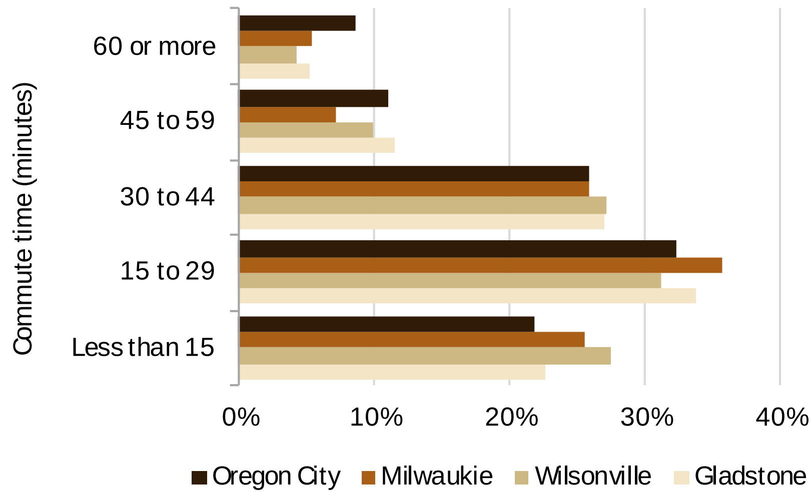
Exhibit 37. Commute Time by Place of Residence, Clackamas County, Portland Region, Oregon, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B08303.



The majority of residents in Oregon City had commute times of less than 30 minutes.

Exhibit 38. Commute Time by Place of Residence, Oregon City, Gladstone, Wilsonville, Milwaukie, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS 5-year estimate, Table B08303.



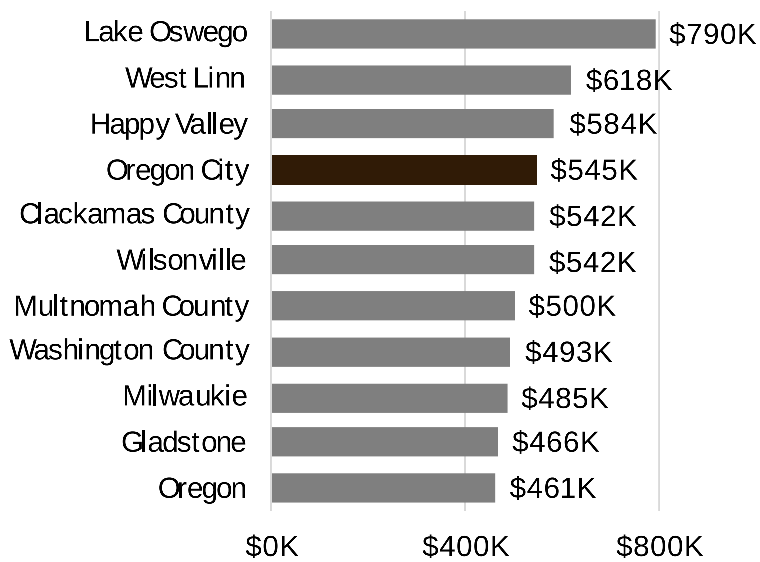
Regional and Local Trends Affecting Housing Affordability

This section describes changes in sales prices, rents, and housing affordability by jurisdiction.

Changes in Housing Costs

In April 2021, Oregon City had a median home sales price of $545k, which was below that of some other city comparators and similar to Clackamas County ($542k), but well above the state's median of $461k.

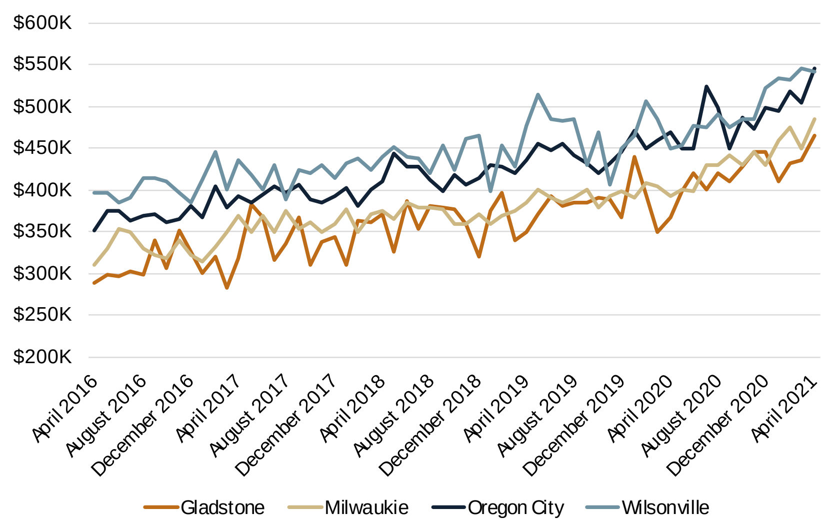
Exhibit 39. Median Home Sale Price, April 2021
Source: Redfin.



Median home sales prices in Oregon City have increased since April 2016.

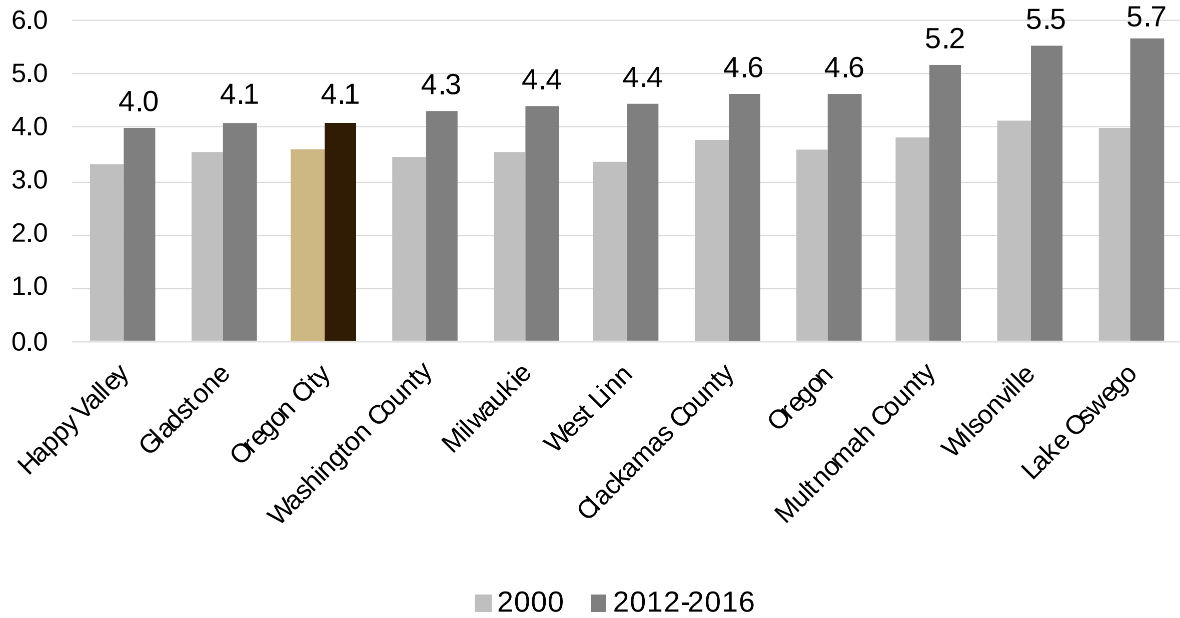
In April of 2021, Oregon City had a median home sales price of $545k.

Exhibit 40. Median Sales Price, Gladstone, Wilsonville, Milwaukie, Oregon City, April 2016 – April 2021
Source: Redfin.



Since 2000, housing costs in nearly all Clackamas County geographies increased faster than incomes. Oregon City's median housing value to household income increased from 3.6 to 4.1.

Exhibit 41. Ratio of Median Housing Value to Median Household Income, 2000 to 2012-2016[38]
Source: U.S. Census Bureau, 2000 Decennial Census, Tables HCT012 and H085, and 2012-2016 ACS, Tables B19013 and B25077.



[38] This ratio compares the median value of housing in Clackamas County (and other places) to the median household income.

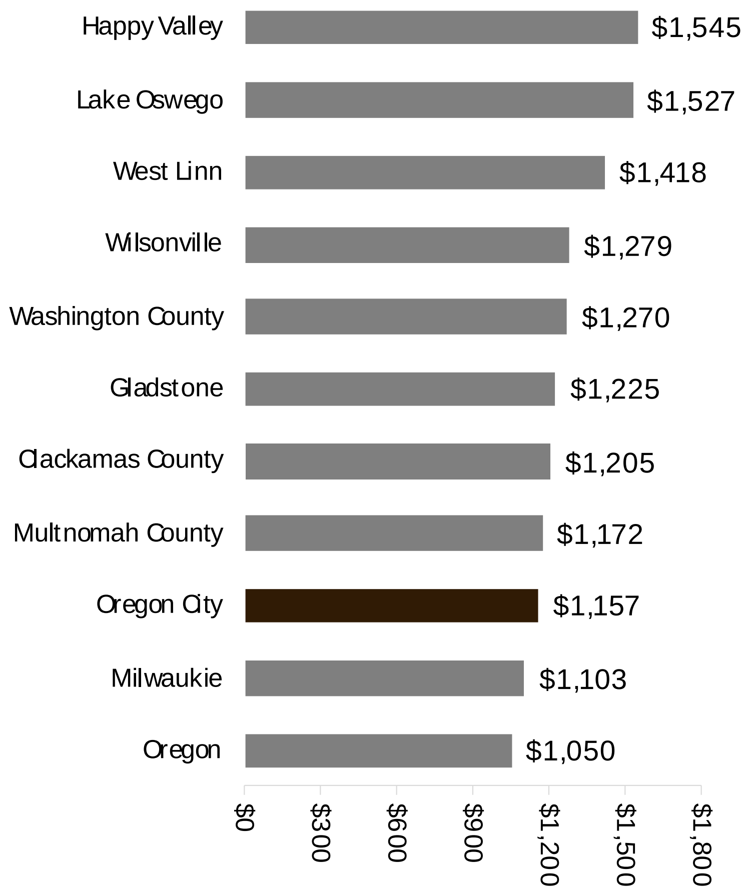
Rental Costs

The median gross rent in Oregon City was $1,157.

In the 2014-2018 period, rent in Oregon City was comparable to the median rent for Clackamas County as a whole.

Exhibit 42. Median Gross Rent, Oregon City and Comparison Areas, 2014-2018

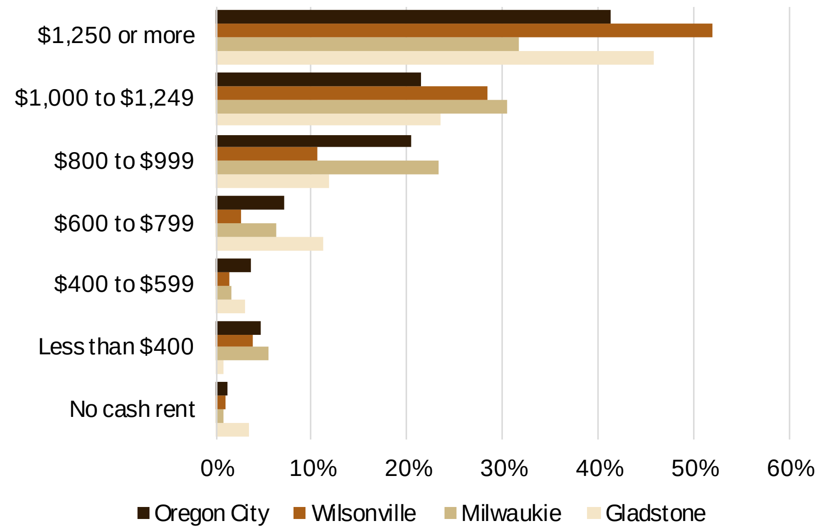
Source: U.S. Census Bureau, 2014-2018 ACS 5-year estimate, Table B25064.



In Oregon City, nearly two-thirds of renters paid more than $1,000 a month in rent.

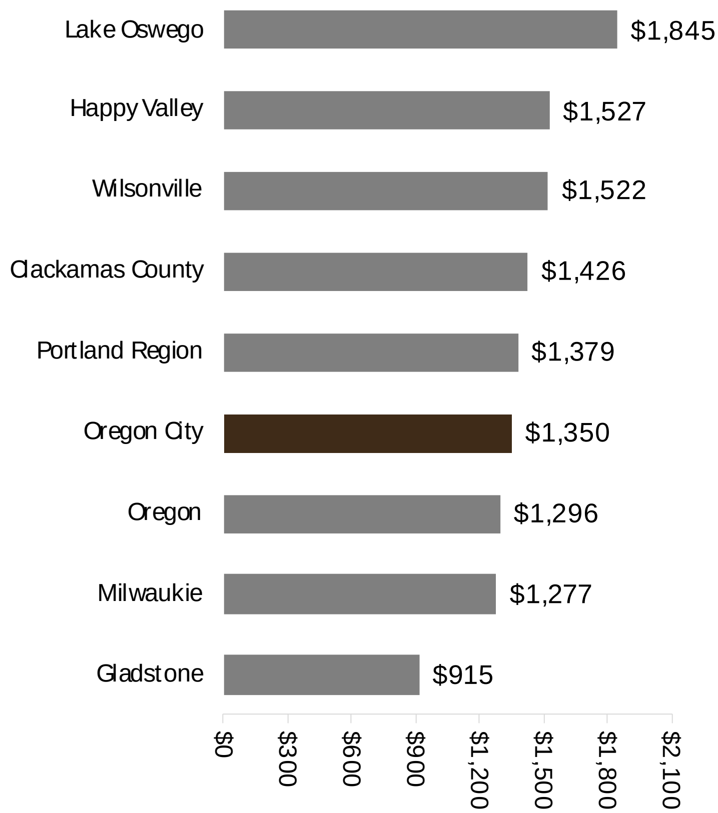
Exhibit 43. Gross Rent, Oregon City, Gladstone, Wilsonville, Milwaukie, 2014-2018

Source: U.S. Census Bureau, 2014-2018 ACS Table B25063.



Oregon City's average multifamily rent was slightly lower than Clackamas County's average rent.

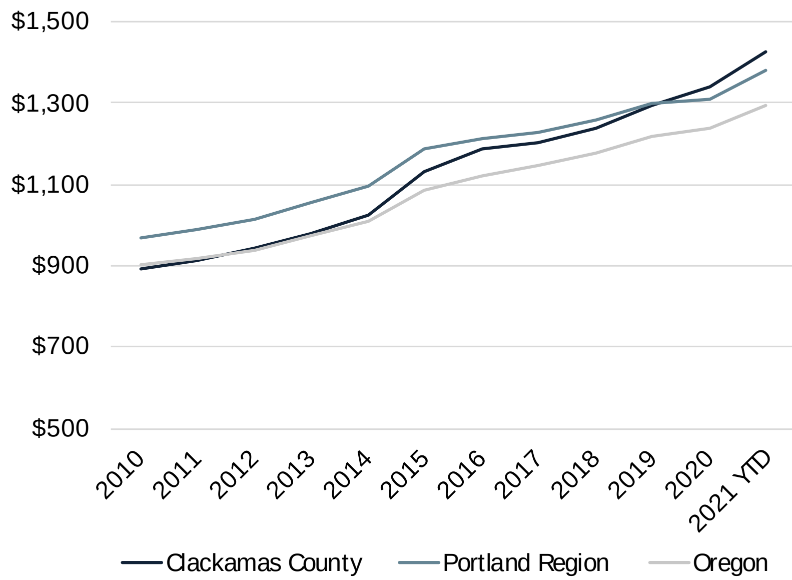
Exhibit 44. Average Effective Multifamily Rent, Oregon City and Comparison Areas, June 2021
Source: Costar.



From 2010 to June 2021, average effective rents per unit increased from $894 to $1,436 in Clackamas County, $970 to $1,379 in the Portland Region, and $903 to $1,296 in Oregon.

Exhibit 45. Average Effective Multifamily Rent, Clackamas County, Portland Region, Oregon, 2010 through June 2021

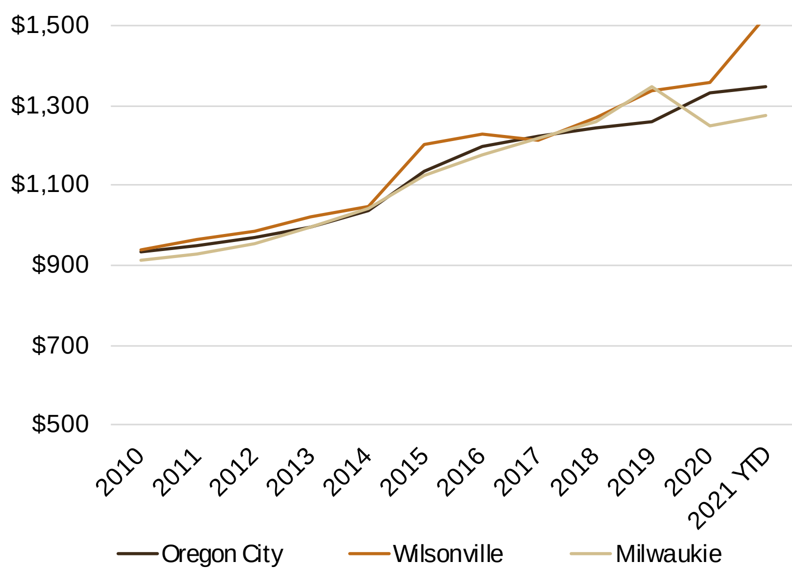
Source: Costar.



From 2010 to 2021, average effective rent per unit increased from $933 to $1,350 in Oregon City, $940 to $1,522 in Wilsonville, and $914 to $1,277 in Milwaukie

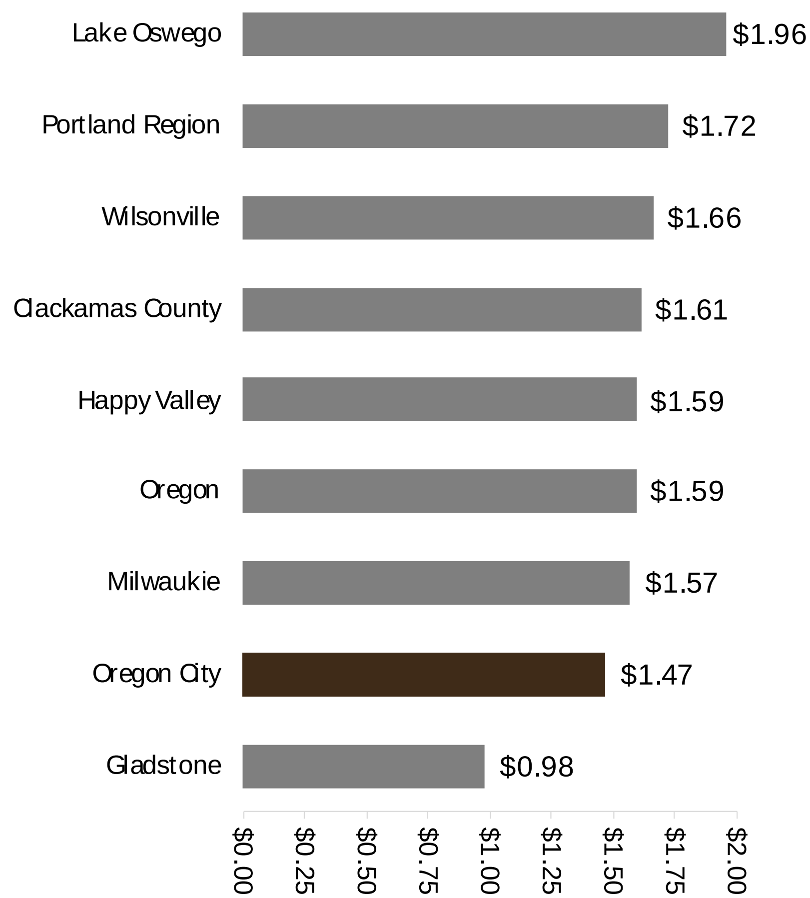
Exhibit 46. Average Effective Multifamily Rent, Oregon City, Wilsonville, Milwaukie, 2010 through June 2021

Source: Costar.



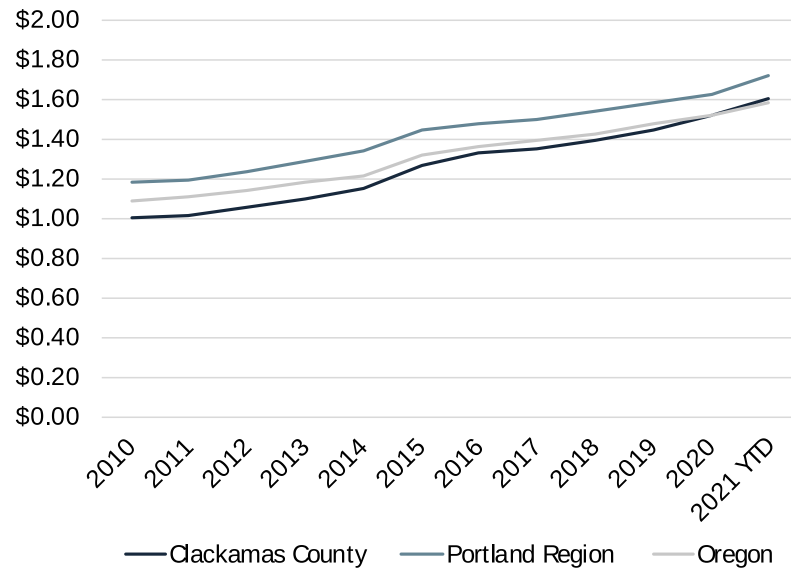
In June 2021, Oregon City's average effective multifamily rent per sq. ft. was $1.47.

Exhibit 47. Average Effective Multifamily Rent per Square Foot, Oregon City and Comparison Areas, June 2021
Source: Costar.



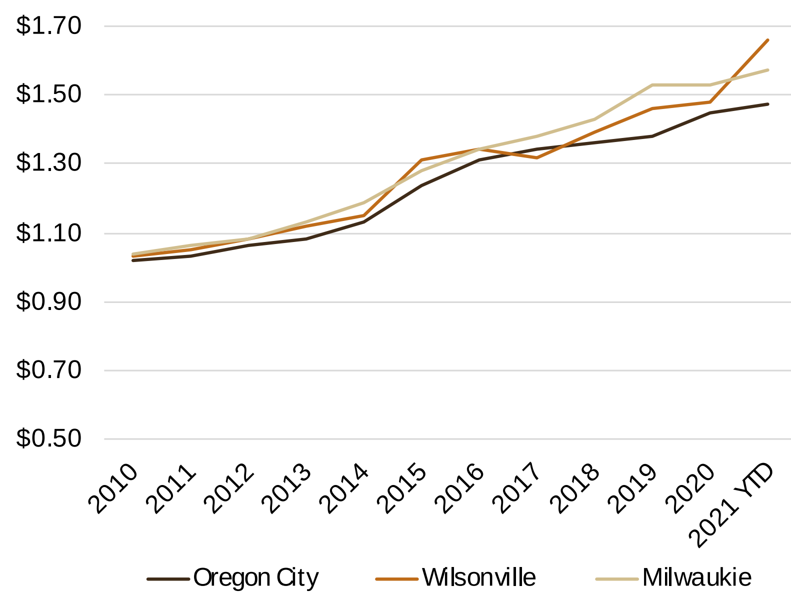
From 2010 to June 2021, average effective rent per square foot increased from $1.00 to $1.61 in Clackamas County, $1.18 to $1.72 in the Portland Region, and $1.09 to $1.59 in Oregon.

Exhibit 48. Average Effective Multifamily Rent per Square Foot, Clackamas County, Portland Region, Oregon, 2010 through June 2021
Source: Costar.



From 2010 to June 2021 average effective rent per square foot increased from $1.02 to $1.47 in Oregon City, $1.03 to $1.66 in Wilsonville, and $1.04 to $1.57 in Milwaukie.

Exhibit 49. Average Effective Multifamily Rent per Square Foot, Oregon City, Wilsonville, Milwaukie, 2010 through June 2021
Source: Costar.



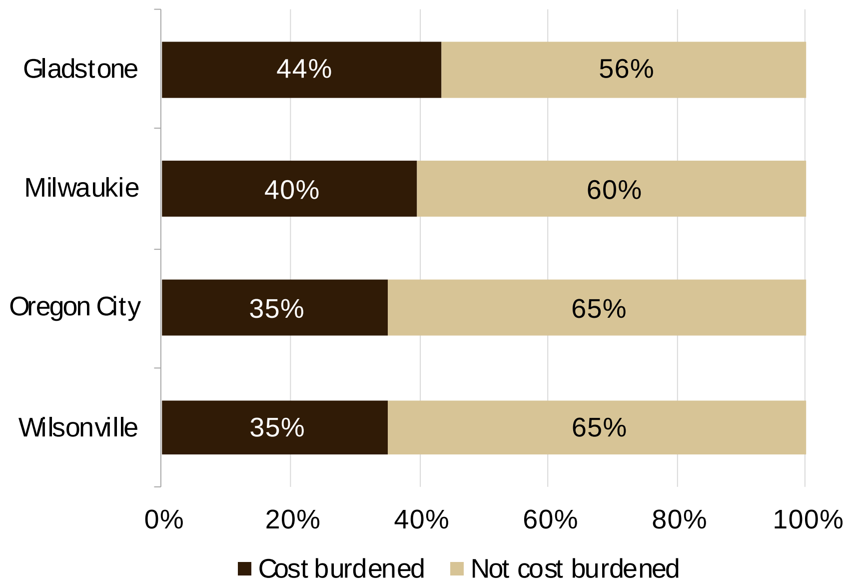
Housing Affordability

A typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of household income for housing, including payments and interest or rent, utilities, and insurance. The Department of Housing and Urban Development's guidelines indicate that households paying more than 30% of their income on housing experience "cost burden," and households paying more than 50% of their income on housing experience "severe cost burden." Using cost burden as an indicator for housing affordability is consistent with the Goal 10 requirement to provide housing that is affordable to all households in a community.

Over a third of Oregon City's residents were cost burdened in the 2012-2016 period.

Exhibit 50. Housing Cost Burden by Tenure, Oregon City, Gladstone, Wilsonville, and Milwaukie, 2012-2016

Source: U.S. Census Bureau, 2012-2016 ACS Tables B25091 and B25070.

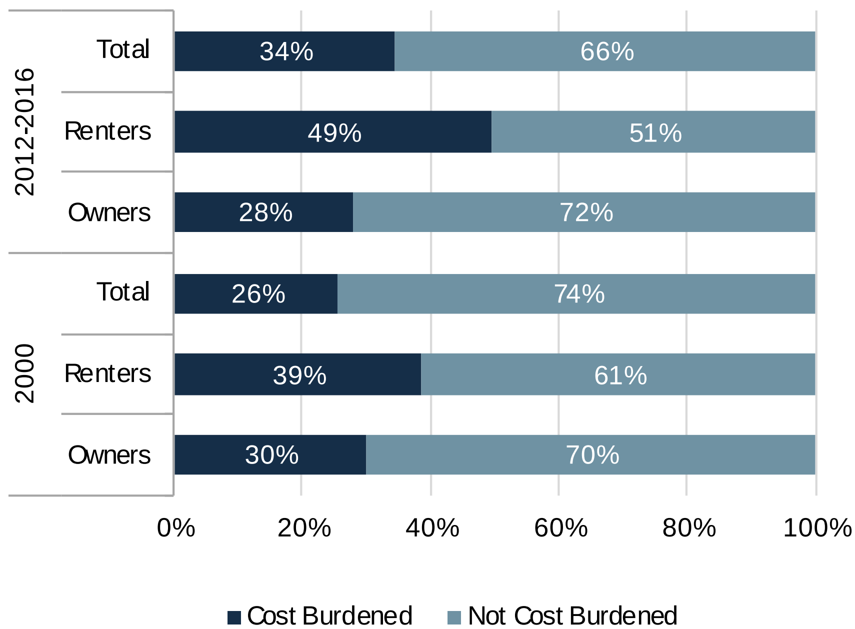


Across Clackamas County, renters were more likely to be cost burdened than homeowners.

Between the 2000 and 2012-2016 time period, the share of total cost-burdened households rose from 26% in 2000 to 34% in 2012-2016.

Exhibit 51. Housing Cost Burden by Tenure, Clackamas County, 2000, 2012-2016

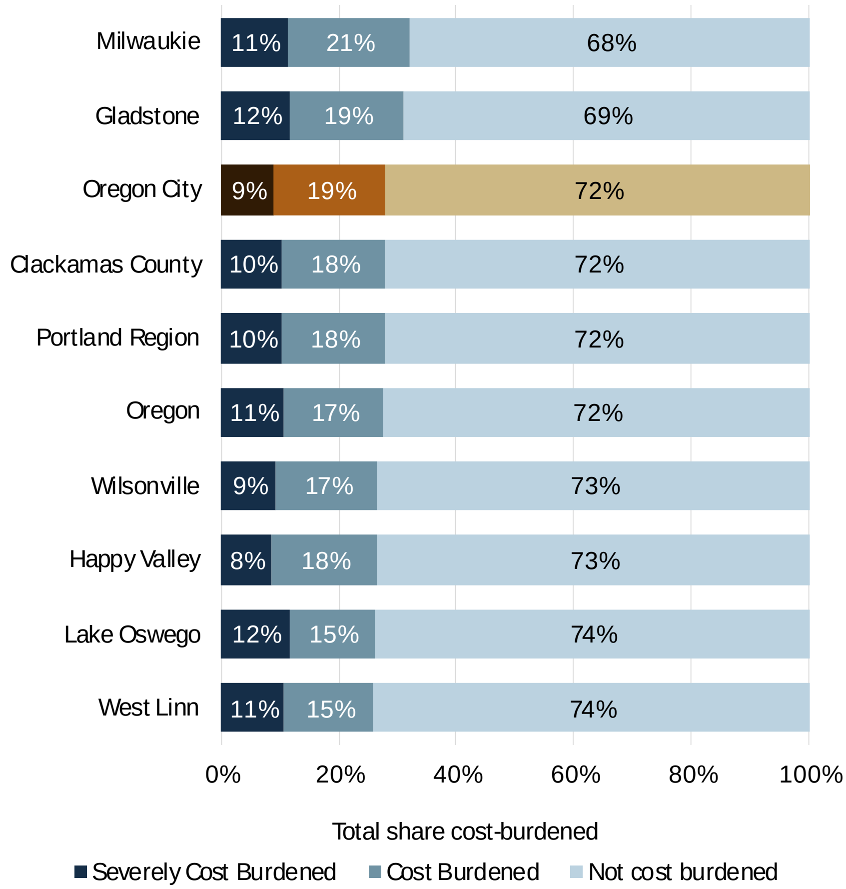
Source: U.S. Census Bureau, 2000 Census Table H069, 2012-2016 ACS Tables B25091 and B25070.



Nearly 30% of Oregon City's cost burdened homeowner households were cost burdened, spending more than 30% or more of their income on housing costs.

Nine percent of the city's homeowner households were *severely* cost burdened, spending 50% or more of their income on housing costs.

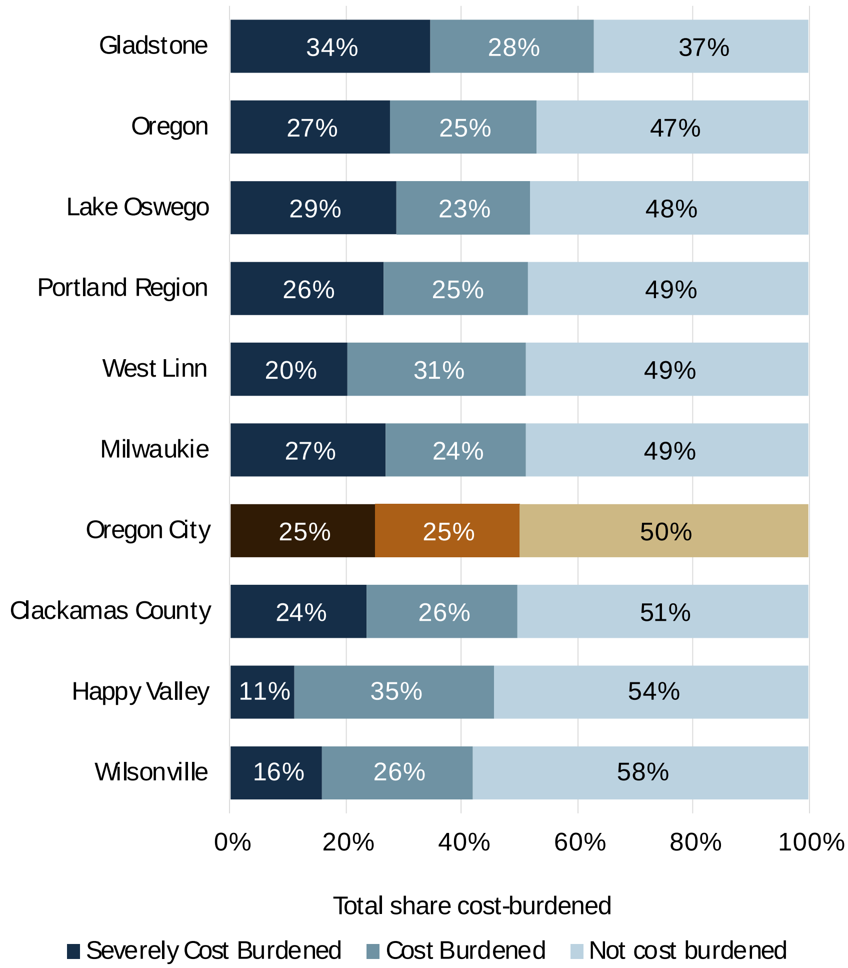
Exhibit 52. Cost Burden Rates for Homeowner Households, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25091.



Half of Oregon City's renter households were cost burdened, spending 30% of their income on housing costs.

Twenty-five percent of the city's renter households were *severely* cost burdened, spending 50% or more of their income on housing costs.

Exhibit 53. Cost Burden Rates for Renter Households, 2012-2016
Source: U.S. Census Bureau, 2012-2016 ACS Table B25070.



While cost burden is a common measure of housing affordability, it does have some limitations. Two important limitations are:

- A household is defined as cost burdened if the household's housing costs exceed 30% of the household's income. The remaining 70% of income is expected to be spent on non-discretionary expenses, such as food or medical care, and on discretionary expenses. Households with higher incomes may be able to pay more than 30% of their income on housing without impacting the household's ability to pay for necessary non-discretionary expenses.
- Cost burden compares income to housing costs and does not account for accumulated wealth. As a result, the estimate of how much a household can afford to pay for housing does not include the impact of a household's accumulated wealth. For example, a household of retired people may have relatively low income but may have accumulated assets (such as profits from selling another house) that allow them to purchase a house that would be considered unaffordable to them based on the cost burden indicator.

Another way of exploring the issue of financial need is to review housing affordability at varying levels of household income.

Fair Market Rent for a 2-bedroom apartment in Clackamas County is $1,495.

Exhibit 54. HUD Fair Market Rent (FMR) by Unit Type, Clackamas County,[39] 2020

Source: U.S. Department of Housing and Urban Development.

$1,192	$1,289	$1,495	$2,157	$2,625
Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom

A household must earn at least $28.75 per hour to afford a two-bedroom unit in Clackamas County.

Before taxes, a full-time job at $28.75 per hour is an annual salary of $59,800.

Exhibit 55. Affordable Housing Wage, Clackamas County, 2020

Source: U.S. Department of Housing and Urban Development. Oregon Bureau of Labor and Industries.

$28.75 per hour

Affordable Housing Wage for two-bedroom Unit in Clackamas County

[39] HUD reports 2020 fair market rents and median family income from the Portland-Vancouver-Beaverton MSA for Clackamas County.

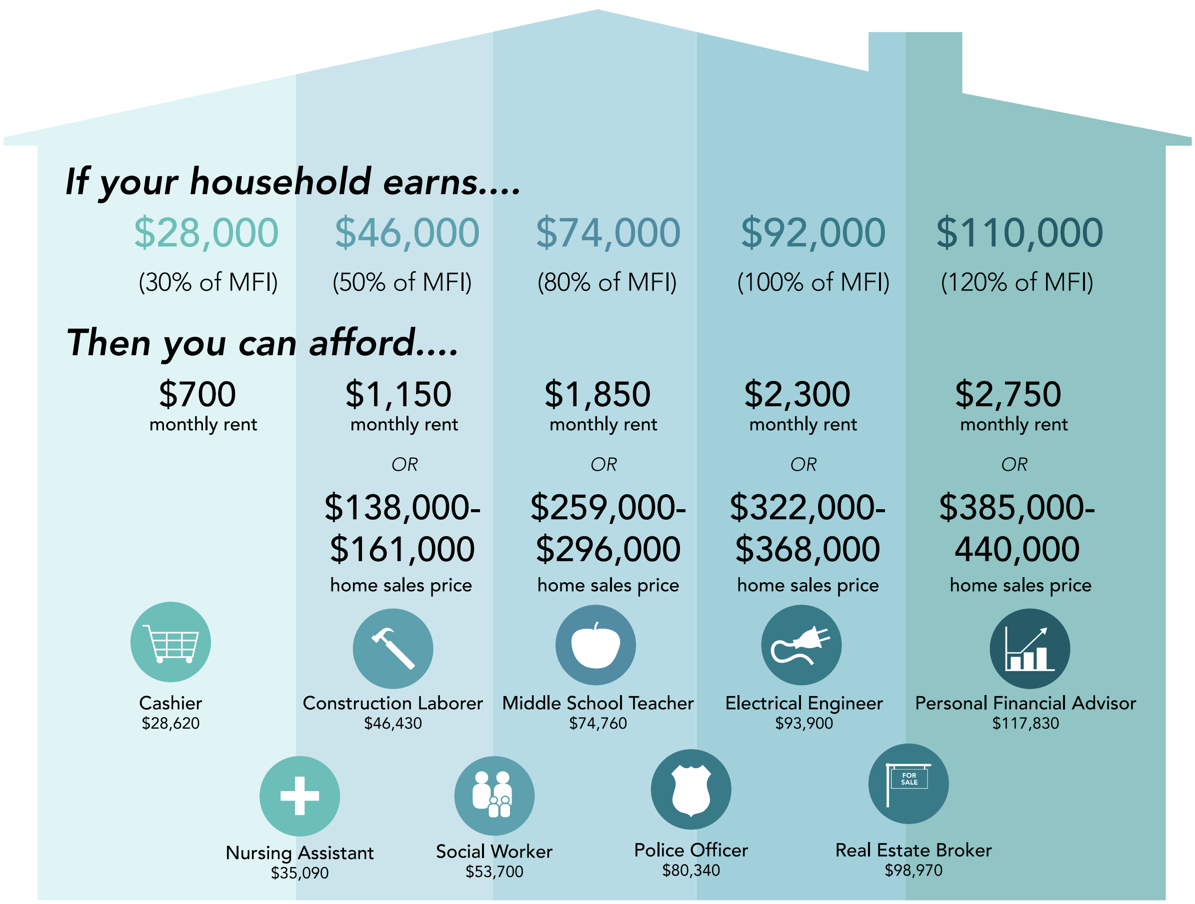
Exhibit 56 shows housing affordability based on incomes for Clackamas County. The regional Median Family Income (MFI) is used by HUD as a way to understand the differences in housing affordability in different places across the nation. In Clackamas County (and the rest of the Portland region), the MFI for a family of four is $92,000. A household earning the median family income ($92,000) can afford a monthly rent of about $2,300 or a home roughly valued between $322,000 and $368,000.

A household would need to have income of about $136,000, or 148% of MFI for Clackamas County to afford a house at the Oregon City's median home sale price of $545,000. About 18% of households in Oregon City can afford housing at this cost.

A household would need to have income of about $60,000 (about 65% of MFI) to afford the average asking rent for multifamily housing of nearly $1,350, plus basic utilities like power, heat, and water. About 64% of households in Oregon City can afford housing at this cost.

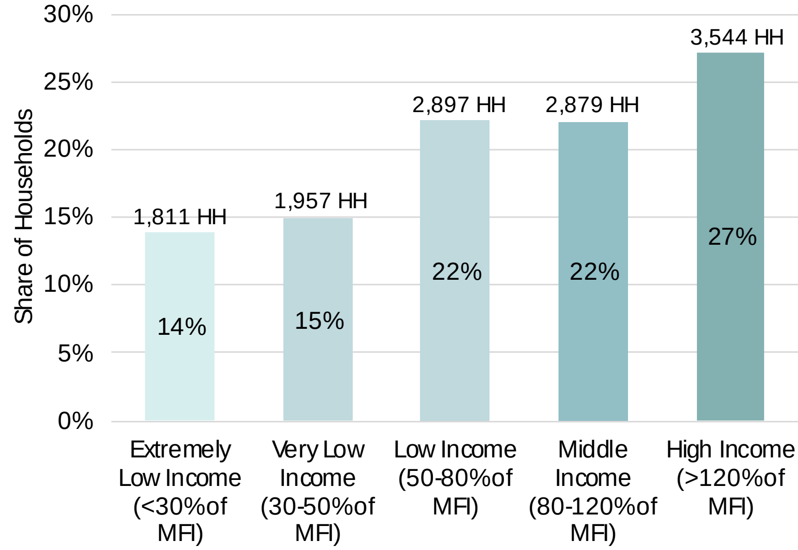
Exhibit 56. Financially Attainable Housing, by Median Family Income (MFI) for Clackamas County ($92,100), Clackamas County, 2020

Source: U.S. Department of Housing and Urban Development 2020. U.S. Census Bureau, 2014-2018 ACS Table 19001. *Note: MFI is Median Family Income; Clackamas County MFI is determined by HUD for the Portland MSA.*



In Oregon City, about half (51%) of all households in Oregon City earned 80% or more of Clackamas County's median family income.

Exhibit 57. Share of Households, by Median Family Income (MFI) for Clackamas County ($92,100), Oregon City, 2020
Source: U.S. Department of Housing and Urban Development, Clackamas County, 2020. U.S. Census Bureau, 2014-2018 ACS Table 19001.



Nearly a third (32%) of Clackamas County households earned 120% or more of median family income of $92,100.

Exhibit 58. Share of Households, by Median Family Income (MFI) for Clackamas County ($92,100), 2020
Source: U.S. Department of Housing and Urban Development, Clackamas County, 2020. U.S. Census Bureau, 2014-2018 ACS Table 19001.

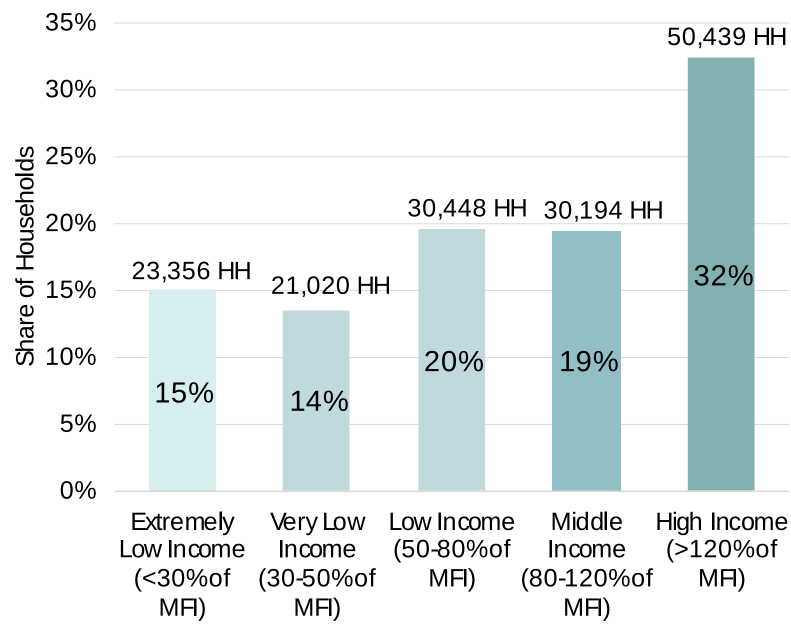
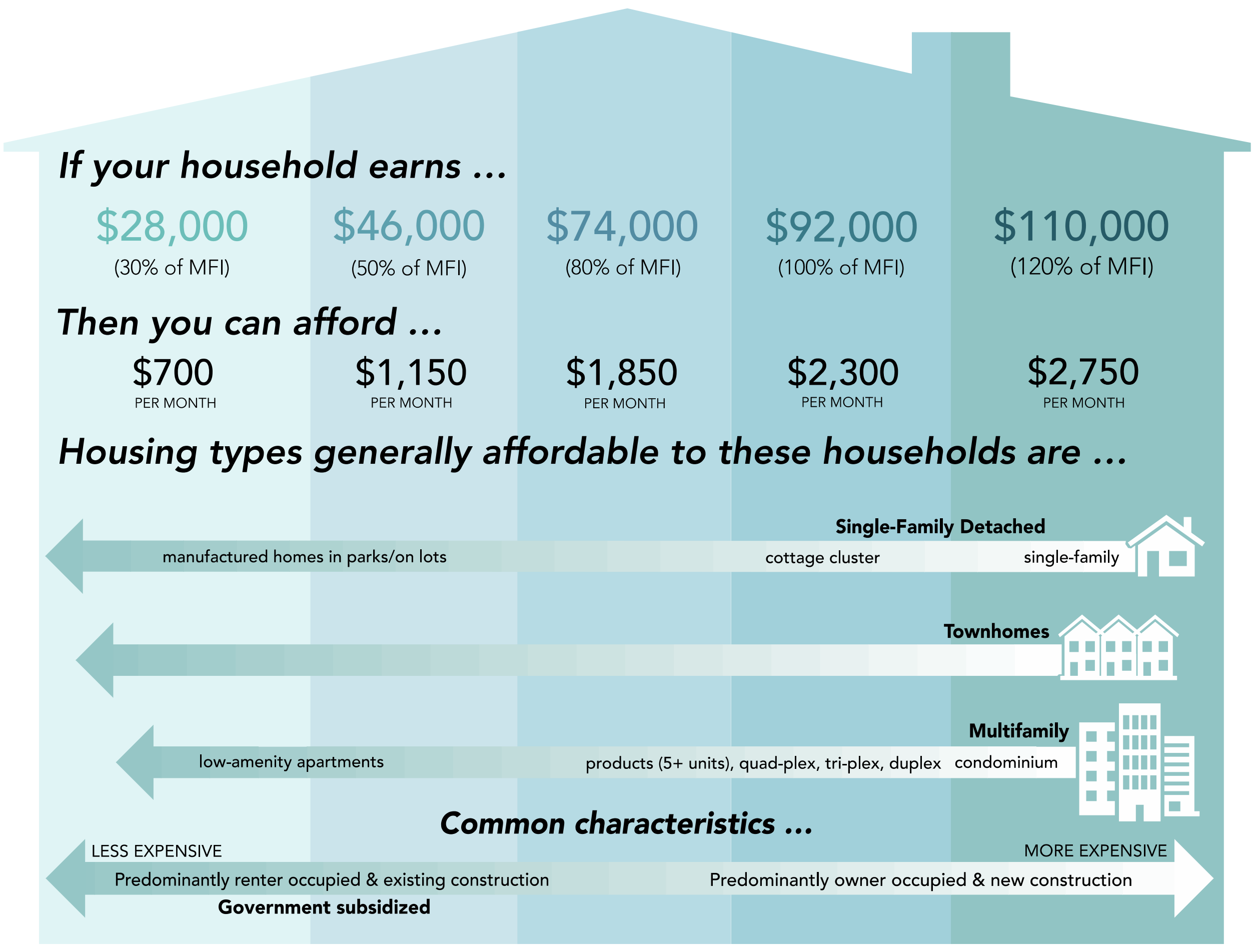


Exhibit 59 illustrates the types of financially attainable housing by income level. Generally speaking, lower-income households will be renters occupying existing housing. Newly built housing will be a combination of renters (most likely in multifamily housing) and homeowners. The types of housing affordable for the lowest-income households are limited to government-subsidized housing, manufactured housing, lower-cost single-family housing, and multifamily housing. The range of financially attainable housing increases with increased income.

Exhibit 59. Types of Financially Attainable Housing by Median Family Income (MFI) for Clackamas County ($92,100), Oregon City, 2020

Source: U.S. Department of Housing and Urban Development, Clackamas County, 2020. *Note: MFI is Median Family Income; Clackamas County MFI is determined by HUD for the Portland MSA.*



5. Housing Need in Oregon City

Project New Housing Units Needed in the Next 20 Years

The results of the Housing Needs Analysis are based on (1) Metro's official household forecast for growth in Oregon City over the 20-year planning period, (2) information about Oregon City's housing market relative to Clackamas County and the Portland region, and (3) the demographic composition of Oregon City's existing population and expected long-term changes in the demographics of Clackamas County.

Forecast for Housing Growth

A 20-year household forecast (in this instance for 2021 to 2041) is the foundation for estimating the number of new dwelling units needed. The forecast for Oregon City is based on Metro's 2050 Household Distributed Forecast, 2021. Oregon City's city limits and UGB areas[40] will grow from 14,778 households in 2021[41] to 22,213 households in 2041, an increase of 7,435 households.[42]

Oregon City will have demand for 7,435 new dwelling units over the 20-year period, with an annual average growth of 372 dwelling units.

Exhibit 60. Forecast of Demand for New Dwelling Units, Oregon City Planning Area, 2021 to 2041[43]

Source: Metro's *2050 Household Distributed Forecast*, March 2021. Calculations by ECONorthwest.

Variable	New Dwelling Units (2021-2041)		
	City Limits	UGB Areas	Oregon City Planning Area (Total)
Household Forecast 2021	13,796	982	14,778
Household Forecast 2041	19,588	2,625	22,213
Total New Dwelling Units (2021-2041)	**5,792**	**1,643**	**7,435**
Annual Average of New Dwelling Units	**290**	**82**	**372**

[40] The UGB areas include the forecasted household growth in TAZs 726, 733, and 740.

[41] Metro's *2050 Household Distributed Forecast* shows that in 2020 the Oregon City city limits and UGB areas had 14,492 households. The Metro forecast shows these areas growing to 24,207 households in 2045, an average annual growth rate of 2.1% for the 25-year period. Using this growth rate, ECONorthwest extrapolated the forecast to 2021 (14,778 households) and 2041 (22,213 households).

[42] This forecast is based on Oregon City city limits' and UGB areas' official household forecast from Metro for the 2021 to 2041 period.

[43] The dwelling unit forecast shown in Exhibit 60 includes the forecast for Oregon City's planning area, which includes the city limits and urban growth management area. The reason for inclusion forecast of new dwelling units in these TAZ is that Oregon City has large areas that are currently planned for housing growth that are outside the city limits and will be annexed into the city. These include the South End Concept Plan and the Park Place Concept Plan areas. These areas are included in the buildable land inventory, requiring including the growth expected in these areas in the forecast for new dwelling units in Exhibit 60.

Housing Units Needed

Exhibit 60 and Exhibit 61 presents a forecast of new housing in Oregon City's Planning Area for the 2021 to 2041 period. This section determines the mix and density needed to meet State requirements (OAR 660-007) and meet the housing needs of Oregon City residents.

The preliminary conclusion for Oregon City is that, over the next 20-years, the need for new housing developed in Oregon City will generally include a wider range of housing types and housing that is more affordable. This conclusion is based on the following findings:

- **Oregon City's housing mix, like Clackamas County's, is predominately single-family detached.** In the 2015-2019 period, 73% of Oregon City's housing was single-family detached, 7% was single-family attached, 6% was duplexes, triplexes, and quadplexes, and 13% was multifamily.
- **Demographic changes across the Portland Region (and in Oregon City) suggest increases in demand for single-family attached housing and multifamily housing.** The key demographic trends that will affect Oregon City's future housing needs are:
  - *The Baby Boomer's population is continuing to age.* The changes that affect Oregon City's housing demand as the population ages are that household sizes and homeownership rates decrease. The majority of Baby Boomers are expected to remain in their homes as long as possible, downsizing or moving when illness or other issues cause them to move. Demand for specialized senior housing, such as age-restricted housing or housing in a Continuum of Care from independent living to nursing home care, may grow in Oregon City.
  - *Millennials* and *Generation Z will continue to form households and make a variety of housing choices.* As Millennials and Generation Z age, generally speaking, their household sizes will increase, and their homeownership rates will peak by about age 55. Between 2020 and 2040, Millennials and Generation Z will be a key driver in demand for housing for families with children. The ability to attract these younger households will depend on the City's availability of affordable renter and ownership housing. It will also depend on the location of new housing in Oregon City as many Millennials prefer to live in more walkable neighborhoods.[44] The decline in homeownership among the Millennial generation has more to do with financial barriers rather than the preference to rent.[45] Housing preferences for Generation Z are not yet known but it is reasonable that they will also need affordable housing, both for rental and later in life for ownership.
  - *Latino population will continue to grow.* Latino population growth will be an important driver in growth of housing demand, both for owner- and renter-occupied housing.

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[44] Choi, Hyun June; Zhu, Jun; Goodman, Laurie; Ganesh, Bhargavi; Strochak, Sarah. (2018). Millennial Homeownership, Why is it So Low, and How Can We Increase It? Urban Institute. https://www.urban.org/research/publication/millennial-homeownership/view/full_report

[45] Ibid.

Growth in the Latino population will drive demand for housing for families with children. Latino households are disproportionately cost burdened when compared to the statewide average, in part because of lower household incomes. Growth in Latino households will also drive demand for affordable housing, both for ownership and renting, both for smaller units for one- and two-person households but also for larger family households, including multigenerational households.

- **About 35% of Oregon City's households are cost burdened (paying 30% or more of their household income on housing costs).**[46] About 50% of Oregon City's **renters** are cost burdened and about 28% of Oregon City's **homeowners** are cost burdened. Cost burden rates in Oregon City are very similar to those in the Portland Region.
- **About 33% of Oregon City's households are renters, 58% of whom live in multifamily housing.** Median rents in Oregon City are $1,053 per month, compared to the $1,091 median rent for Clackamas County as a whole.
  - A household earning 50% of Clackamas County's median family income ($46,000) could afford about $1,150 per month in rent, compared with the average effective rent of $1,350. However, about 19% of Oregon City's housing stock is multifamily (2+ units), compared to 32% of the housing in the Portland Region. The comparatively small share of multifamily units may constrain opportunities to rent in Oregon City.
- **Housing sales prices increased in Oregon City over the last three years at a slightly faster rate than entire County.** From April 2016 to April 2021, the median housing sale price increased by $194,600 (65%), from $352,000 to $545,000.[47] At the same time, the median housing home sale price in Clackamas County increased by $171,700 (56%), from $371,000 to $542,000.[48] Oregon City has a lower average rent than other nearby jurisdictions, but the city's home prices are higher than most jurisdictions, Clackamas County, and the Portland Region overall.
  - A household earning 100% of Clackamas County's median family income could afford a home valued between about $322,000 to $368,000, which is less than the median home sales price of about $545,000 in Oregon City. A household can start to afford median home sale prices at about 148% of Oregon City's median household income.

These factors suggest that Oregon City needs a broader range of housing types with a wider range of price points than are currently available in Oregon City's housing stock. This includes providing opportunity for development of housing types such as: smaller single-family

[46] The Department of Housing and Urban Development's guidelines indicate that households paying more than 30% of their income on housing experience "cost burden," and households paying more than 50% of their income on housing experience "severe cost burden."

[47] Redfin

[48] Redfin.

detached housing (e.g., cottages or small-lot single-family detached units), townhouses, duplexes and quad-plexes, small apartment buildings, and larger apartment buildings.

Exhibit 61 presents a forecast for housing growth in the Oregon City's city limits during the 2021 to 2041 period. The projection is based on the following assumptions:

- Metro's growth forecast show that Oregon City will need 7,435 new dwelling units over the 20-year period.
- The assumptions about the mix of housing in Exhibit 61 are consistent with the requirements of OAR 660-007[49]:
  - **About 50% of new housing will be single-family detached**, **in medium and low-density areas**, a category which includes manufactured housing and cottage clusters. In 2015-2019, 73% of Oregon City's housing was single-family detached. Single-family detached housing includes traditional single-family detached units, manufactured homes (on individual lots and in parks), accessory dwelling units, and other detached housing types such as cottage housing.
  - **Nearly 20% of new housing will be single-family attached units in low, medium, and high-density areas.** In 2015-2019, 7% of Oregon City's housing was single-family attached. Single-family attached housing includes townhouses and row houses.
  - **About 10% of new housing will be duplexes, triplexes, and quadplexes in low, medium, and high-density areas.** In 2015-2019, 6% of Oregon City's housing was duplexes, triplexes, and quadplexes.
  - **About 30% of new housing will be in multifamily buildings with five or more units in high density and mixed-use areas**. In 2015-2019, 13% of Oregon City's housing was multifamily in structures with five or more units.

The City recently updated its zoning code to allow for a greater variety of housing types and remove and reduce barriers within the development regulations for missing middle housing. Corner duplexes, internal conversions, accessory dwelling units, and cottage clusters are allowed outright in low density areas. Duplexes, tri-plexes, quad-plexes, and single-family attached units are also permitted outright in medium density areas. Duplexes, tri-plexes, quad-plexes, attached housing, and internal conversions are processed with clear and objective standards in the same manner as a detached single-family home. In addition, the code redefined multifamily housing from structures with three or more units, to structures with five or more units per lot. The City is currently going through a process to review the zoning code for compliance with HB 2001, which will result in additional opportunities for housing types.

[49] OAR 660-007-0030(1) requires that most Metro cities "…provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing…"

Oregon City will have demand for 7,435 new dwelling units over the 20-year period, 50% of which are forecast to be single-family detached housing.

Exhibit 61. Forecast of Demand for New Dwelling Units, Oregon City Planning Area, 2021 to 2041
Source: Calculations by ECONorthwest. DU = Dwelling Unit

Variable	Mix of New Housing Units (2021-2041)
Needed new dwelling units (2021-2041)	7,435
Single-family detached	
Percent single-family detached DU	50%
equals Total new single-family detached DU	3,717
Single-family attached	
Percent single-family attached DU	20%
equals Total new single-family attached DU	1,487
Duplex, Triplex, Quadplex	
Percent duplex, triplex, quadplex	10%
equals Total new duplex, triplex, quadplex DU	744
Multifamily (5 or more units)	
Percent multifamily	20%
Total new multifamily DU	1,487
equals Total new dwelling units (2021-2041)	**7,435**

The forecast of new units does not include dwellings that will be demolished and replaced. This analysis does not factor those units in; it assumes they will be replaced at the same site and will not create additional demand for residential land.

Exhibit 62 allocates housing to plan designations in Oregon City. The allocation is based, in part, on the types of housing allowed in the zones of each plan designation.

Exhibit 62 shows:

- **Low Density Residential (R-10, R-8, R-6)** land will accommodate new single-family detached housing, accessory dwelling units, internal conversions, corner duplexes, and cluster housing. Single-family attached are allowed with a Master Plan. The City will review allowing duplexes, triplexes, and quadplexes in these zones, as part of complying with HB 2001.
- **Medium Density Residential (R-3.5, R-5)** land will accommodate new single-family detached housing, accessory dwelling units, internal conversions, duplexes, corner duplexes, single-family attached, tri-plexes, quad-plexes, and cluster housing. Multi-family is allowed in a Master Plan.
- **High Density Residential (R-2)** land will accommodate accessory dwelling units for existing single-family detached units, internal conversions, duplexes, corner duplexes, single-family attached units, triplexes, quadplexes, cluster housing, and multifamily housing.

- **Mixed Use (MUD, MUC 1, MUC 2, NC, HC, WFDD)** land, depending on the zone, will accommodate townhouses, duplexes, triplexes, quadplexes, multifamily with five or more units, and live/work units.

Exhibit 62. Allocation of Housing by Housing Type and Plan Designation, Oregon City Planning Area, 2021 to 2041
Source: ECONorthwest.

Housing Type Allocations	Plan Designations				Total
	Low Density	Medium Density	High Density	Mixed Use	
Dwelling Units					
Single-family detached	2,007	1,710	-	-	3,717
Single-family attached	74	967	446	-	1,487
Duplex, Triplex, Quadplex	35	333	153	223	744
Multifamily (5+ units)	-	149	678	660	1,487
Total	**2,116**	**3,159**	**1,277**	**883**	**7,435**
Percent of Units					
Single-family detached	27%	23%	0%	0%	50%
Single-family attached	1%	13%	6%	0%	20%
Duplex, Triplex, Quadplex	0%	4%	2%	3%	10%
Multifamily (5+ units)	0%	2%	9%	9%	20%
Total	**28%**	**42%**	**17%**	**12%**	**100%**

Exhibit 63 converts between net acres and gross acres[50] to account for land needed for rights-of-way by plan designation in Oregon City, based on Metro's methodology of existing rights-of-way. [51]

- **Low Density Residential:** Average density in this plan designation was historically 5.3 dwelling units per net acre. The density shown for low density residential in Exhibit 63 includes a 3% increase (5.4 dwelling units per net acre) from the historic density, consistent with the density changes allowed for complying with HB 2001.[52] This results in assuming a 5.4 future density in tax lots smaller than 0.38 acres, as no land is needed for rights-of-ways based on Metro's assumptions. For lots between 0.38 and 1.0 acres the

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

[51] Metro's methodology about net-to-gross assumptions are that: (1) tax lots under 3/8 acre assume 0% set aside for future streets; (2) tax lots between 3/8 acre and 1 acre assume a 10% set aside for future streets; and (3) tax lots greater than an acre assumes an 18.5% set aside for future streets. The analysis assumes an 18.5% assumption for future streets.

[52] Oregon City plans to comply with HB2001 and has recently made a variety of amendments to the development code to allow more housing types. The City is currently working through the process of making adjustment to comply with HB 2001 which will be implemented by July 2022.

future density will be 4.9 dwelling units per gross acre and for lots larger than 1.0 acres the future density will be 4.4 dwelling units per gross acre.

- **Medium Density Residential:** Average density in this plan designation was historically 10.7 dwelling units per net acre. The density shown for medium density residential in Exhibit 63 includes a 3% increase (11.0 dwelling units per net acre) from the historic density, consistent with the density changes allowed for complying with HB 2001.[53] This results in assuming a 11.0 future density in tax lots smaller than 0.38 acres, as no land is needed for rights-of-ways based on Metro's assumptions. For lots between 0.38 and 1.0 acres the future density will be 9.9 dwelling units per gross acre and for lots larger than 1.0 acres the future density will be 9.0 dwelling units per gross acre.
- **High Density Residential:** Average density in this plan designation was historically 21.8 per net acre. For lots smaller than 0.38 acres, the future density will be 21.8 dwelling units per gross acre. For lots between 0.38 and 1.0 acres the future density will be 19.6 dwelling units per gross acre and for lots larger than 1.0 acres the future density will be 17.8 dwelling units per gross acre.
- **Mixed Use:** Average density in this plan designation was historically 19.8 dwelling units per net acre in tax lots smaller than 0.38 acres and no land is needed for rights-of-ways based on Metro's assumptions. For lots between 0.38 and 1.0 acres the future density will be 17.9 dwelling units per gross acre and for lots larger than 1.0 acres the future density will be 16.2 dwelling units per gross acre.

Exhibit 63. Future Housing Densities and Land for Rights-of-Way, Oregon City Planning Area
Source: ECONorthwest. *Note: DU is dwelling unit.*

Plan Designation	Tax Lots Smaller than 0.38 acre			Tax Lots ≥ 0.38 and ≤ 1.0 acre			Tax Lots larger than 1.0 acre		
	Net Density (DU/net acre)	% for Rights-of-Way	Gross Density (DU/gross acre)	Net Density (DU/net acre)	% for Rights-of-Way	Gross Density (DU/gross acre)	Net Density (DU/net acre)	% for Rights-of-Way	Gross Density (DU/gross acre)
Low Density Residential	5.4	0%	5.4	5.4	10%	4.9	5.4	18.5%	4.4
Medium Density Residential	11.0	0%	11.0	11.0	10%	9.9	11.0	18.5%	9.0
High Density Residential	21.8	0%	21.8	21.8	10%	19.6	21.8	18.5%	17.8
Mixed Use	19.8	0%	19.8	19.8	10%	17.9	19.8	18.5%	16.2

[53] Oregon City plans to comply with HB2001 and has recently made a variety of amendments to the development code to allow more housing types. The City is currently working through the process of making adjustment to comply with HB 2001 which will be implemented by July 2022.

Housing Need by Income Level

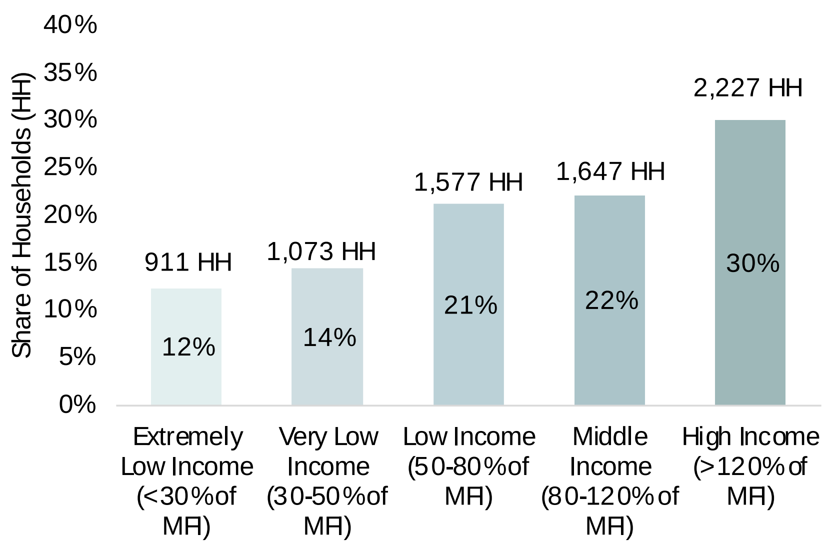
The next step in the housing needs analysis is to develop an estimate of need for housing by income and housing type. This analysis requires an estimate of the income distribution of current and future households in the community. Estimates presented in this section are based on (1) secondary data from the Census, and (2) analysis by ECONorthwest.

Exhibit 64 based on American Community Survey data about income levels for existing households in Oregon City. Income is categorized into market segments consistent with HUD income level categories, using Clackamas County's 2020 Median Family Income (MFI) of $92,100. Exhibit 64 is based on current household income distribution, assuming that approximately the same percentage of households will be in each market segment in the future. [54]

About 26% of Oregon City's future households will have income below 50% of Clackamas County's median family income (less than $46,000 in 2020 dollars) and about 43% will have incomes between 50% and 120% of the county's MFI (between $46,000 and $110,000).

Exhibit 64. Future (New) Households, by Median Family Income (MFI) for Clackamas County ($92,100), Oregon City Planning Area, 2021 to 2041

Source: U.S. Department of Housing and Urban Development. U.S. Census Bureau, 2015-2019 ACS Table 19001.



[54] For example, 30% of Oregon City's households had income above 120% of the Clackamas County Median Family Income in 2015-2019. This analysis assumes that 30% of the 7,435 new households that grow in Oregon City 2021-2041 will have incomes over 120% of the Clackamas County Median Family Income.

Need for Government Assisted, Farmworker, and Manufactured Housing

ORS 197.303, 197.307, 197.312, and 197.314 requires cities to plan for government-assisted housing, farmworker housing, manufactured housing on lots, and manufactured housing in parks (communities).

- **Government-subsidized housing.** Government subsidies can apply to all housing types (e.g., single family detached, apartments, etc.). Oregon City allows development of government-assisted housing in all residential plan designations, with the same development standards for market-rate housing. This analysis assumes that Oregon City will continue to allow government housing in all of its residential plan designations. Because government assisted housing is similar in character to other housing (with the exception being the subsidies), it is not necessary to develop separate forecasts for government-subsidized housing.
- **Farmworker housing.** Farmworker housing can also apply to all housing types and the City allows development of farmworker housing in all residential plan designations, with the same development standards as market-rate housing. This analysis assumes that Oregon City will continue to allow this housing in all of its residential plan designations. Because it is similar in character to other housing (with the possible exception of government subsidies, if population restricted), it is not necessary to develop separate forecasts for farmworker housing.
- **Manufactured housing on lots.** Oregon City allows manufactured homes on lots in the zones which single-family detached housing is allowed. Oregon City does not have special siting requirements for manufactured homes. Since manufactured homes are subject to the same siting requirements as site-built homes, it is not necessary to develop separate forecasts for manufactured housing on lots.
- **Manufactured housing in communities.** OAR 197.480(4) requires cities to inventory the mobile home or manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial, or high-density residential development. According to the Oregon Housing and Community Services' Manufactured Dwelling Park Directory,[55] Oregon City has four manufactured home parks within city limits,[56] with 345 spaces. Oregon City has two manufactured home parks within the UGB,[57] with 540 spaces.[58] The proposed code amendments will allow an opportunity for new manufactured housing parks to be created as well as expansion of existing facilities.

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[55] Oregon Housing and Community Services, Oregon Manufactured Dwelling Park Directory, http://o.hcs.state.or.us/MDPCRParks/ParkDirQuery.jsp

[56] Clairmont, Mt. Pleasant, Cherry Lane, and Char Diaz Estate

[57] Forest Park, Country Village

[58] City of Oregon City, with space count from Oregon Housing and Community Services, Oregon Manufactured Dwelling Park Directory, http://o.hcs.state.or.us/MDPCRParks/ParkDirQuery.jsp

ORS 197.480(2) requires Oregon City to project need for manufactured dwelling communities based on: (1) population projections, (2) household income levels, (3) housing market trends, and (4) an inventory of manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial, or high density residential.

- Exhibit 60 shows that Oregon City will need 7,435 dwelling units over the 2021 to 2041 period.
- Analysis of housing affordability shows that about 27% of Oregon City's new households will be extremely- or very-low income, earning 50% or less of the region's median family income. One type of housing affordable to these households is manufactured housing.
- Manufactured housing in communities accounts for about 2.5% (about 345 dwelling units) of Oregon City's current housing stock.
- National, state, and regional trends since 2000 showed that manufactured housing parks are closing, rather than being created. For example, between 2000 and 2015, Oregon had 68 manufactured parks close, with more than 2,700 spaces.
- The households most likely to live in manufactured homes in parks are those with incomes between $27,630 and $46,050 (between 30% to 50% of MFI), which include 14% of Oregon City's households. However, households in other income categories may live in manufactured homes in parks
- The national and state trends of the closure of manufactured home parks, and the fact that no new manufactured home parks have opened in Oregon in over the last 15 years, demonstrate that development of new manufactured home parks in Oregon City is unlikely. However, some existing parks in Oregon City have expanded to increase the number of spaces in the park.
- If the City does have need for a new manufactured home park, that would be for about 145 new units (2.5% of new units), which at about 10 to 12 dwelling units per acre (based on standards for single-family dwellings in the R-3.5 zone) will need 12 to 15 acres of land. Oregon City can accommodate this in their existing vacant buildable land base in the Medium Density Residential plan designation.
- Our conclusion from this analysis is that development of new manufactured home parks in Oregon City (and most of the Portland Region) over the planning period is unlikely. It is, however, likely that manufactured homes will continue to locate on individual lots in Oregon City, and existing parks may reconfigure to accommodate more units. The forecast of housing assumes that no new manufactured home parks will be opened in Oregon City over the 2021 to 2041 period. The forecast includes new manufactured homes on lots in the category of single-family detached housing.
- Over the next 20 years (or longer) one or more manufactured home parks may close in Oregon City. This may be a result of manufactured home park landowners selling

or redeveloping their land for uses with higher rates of return, rather than lack of demand for spaces in manufactured home parks. Manufactured home parks contribute to the supply of low-cost affordable housing options, especially for affordable homeownership.

- In addition to statewide regulation of the closure of manufactured home parks designed to lessen the financial difficulties of this closure for park residents, Oregon City also has locally adopted manufactured home park closure regulations. In the case of manufactured home park closures, the City has a role to play in ensuring that there are opportunities for housing for the displaced residents. The City's primary roles are to ensure that there is sufficient land zoned for new multifamily housing and to reduce barriers to residential development to allow for development of new, relatively affordable housing. The City may use a range of policies to encourage development of relatively affordable housing, such as allowing a wider range of moderate density housing (e.g., duplexes or 3-4 plexes) in the Low-Density and Medium-Density zones, designating more land for multifamily housing, removing barriers to multifamily housing development, using tax credits to support affordable housing production, developing an inclusionary zoning policy, or partnering with a developer of government-subsidized affordable housing.

6. Oregon City's Residential Land Sufficiency

This section presents an evaluation of the sufficiency of vacant residential land in Oregon City to accommodate expected residential growth over the 2021 to 2041 period. This section includes an estimate of residential development capacity (measured in new dwelling units) and an estimate of Oregon City's ability to accommodate needed new housing units for the 2021 to 2041 period, based on the analysis in the housing needs analysis.

Capacity Analysis

The comparison of supply (buildable land) and demand (population and growth leading to demand for more residential development) allows the determination of land sufficiency.

There are two ways to calculate estimates of supply and demand into common units of measurement to allow their comparison: (1) housing demand can be converted into acres, or (2) residential land supply can be converted into dwelling units. A complication of either approach is that all land has different characteristics – factors such as zone, slope, parcel size, and shape can affect the land's ability to accommodate housing. Methods that recognize this fact are more robust and produce more realistic results. This analysis uses the second approach: it estimates the ability of vacant residential lands within the city limits to accommodate new housing. This analysis, sometimes called a "capacity analysis,"[59] can be used to evaluate different ways that vacant residential land may build out by applying different assumptions.

Oregon City Capacity Analysis Results for Vacant and Partially Vacant Land

The capacity analysis estimates the development potential of vacant residential land to accommodate new housing, based on the needed densities by the housing type categories shown in Exhibit 63.

Exhibit 65 shows that **vacant land in Oregon City's Planning Area has capacity to accommodate approximately 7,266 new dwelling units**, based on the following assumptions:

- **Vacant and partially vacant buildable residential land.** The capacity estimates start with the number of buildable acres in residential plan designations and zones that allow residential uses.

[59] There is ambiguity in the term *capacity analysis*. It would not be unreasonable for one to say that the "capacity" of vacant land is the maximum number of dwellings that could be built based on density limits defined legally by plan designation or zoning, and that development usually occurs—for physical and market reasons—at something less than full capacity. For that reason, we have used the longer phrase to describe our analysis: "estimating how many new dwelling units the vacant residential land in the city limits is likely to accommodate." That phrase is, however, cumbersome, and it is common in Oregon and elsewhere to refer to that type of analysis as "capacity analysis," so we use that shorthand occasionally in this memorandum.

- **Residential densities.** The capacity analysis assumes development will occur at historical densities. Those densities were derived from the densities shown in Exhibit 63.
- **Average net density.** Exhibit 65 shows capacity and densities in gross acres. OAR 660-007 requires that Oregon City provide opportunity for development of housing at an overall average density of eight dwelling units per net acre. The average net density of buildable residential land in Exhibit 65 is 9.5 dwelling units per net acres and 8.0 dwelling units per gross acre.
- **Capacity on mixed use land.** The estimate of capacity includes land in the mixed use plan designations (including zones that allow residential uses). Because not all mixed use land will develop as a residential use, we assumed that 70% of the buildable land in the mixed use plan designation will develop as residential.

Exhibit 65. Estimate of Residential Capacity on Unconstrained Vacant and Partially Vacant Buildable Land, Oregon City Planning Area, 2021 to 2041

Source: Buildable Lands Inventory; Calculations by ECONorthwest. *Note: DU is dwelling unit.*

Plan Designation	Tax Lots Smaller than 0.38 acre			Tax Lots ≥ 0.38 and ≤ 1.0 acre			Tax Lots larger than 1.0 acre			Total, combined	
	Buildable Acres	Density Assump-tion (DU/gross acre)	Capacity (Dwelling Units)	Buildable Acres	Density Assump-tion (DU/gross acre)	Capacity (Dwelling Units)	Buildable Acres	Density Assump-tion (DU/gross acre)	Capacity (Dwelling Units)	Buildable Acres	Capacity (Dwelling Units)
Low Density Residential	77	5.4	415	95	4.9	465	281	4.4	1,236	453	2,116
Medium Density Residential	23	11.0	253	39	9.9	386	280	9.0	2,520	342	3,159
High Density Residential	1	21.8	21	1	19.6	19	60	17.8	1,068	62	1,108
Mixed Use	3	19.8	55	7	17.9	125	43	16.2	703	53	883
Total	**104**	-	**744**	**142**	-	**995**	**664**	-	**5,527**	**910**	**7,266**

Residential Land Sufficiency

The next step in the analysis of the sufficiency of residential land within Oregon City is to compare the demand for housing by plan designation (Exhibit 62) with the capacity of land by plan designation (Exhibit 65).

Exhibit 66 shows that Oregon City has sufficient land to accommodate development all plan designations.

- Low density residential and medium density residential plan designations have enough land to accommodate growth, with no surplus or deficit of capacity.
- High density residential does not enough land to accommodate growth, with a deficit of 169 dwelling units of capacity, or 8 acres.
- Mixed use has enough land to accommodate growth, assuming that 70% of the buildable land in this plan designation will develop with residential uses.

Exhibit 66. Comparison of Capacity of Existing Residential Land with Demand for New Dwelling Units and Land Surplus or Deficit, Oregon City, City Limits, 2021 to 2041
Source: Buildable Lands Inventory; Calculations by ECONorthwest. *Note: DU is dwelling unit.*

Plan Designation	Capacity (Dwelling Units)	Demand (Dwelling Units)	Comparison (Capacity minus Demand)	Land Surplus or Deficit (Gross Acres)
Low Density Residential	2,116	2,116	0	0
Medium Density Residential	3,159	3,159	0	0
High Density Residential	1,108	1,277	(169)	(8)
Mixed Use	883	883	0	0
Total	**7,266**	**7,435**		

Findings and Recommendations

The key findings of the Oregon City Housing Needs Analysis are that:

- **Finding: Growth in housing will be driven by growth in households.** The number of households in Oregon City's Planning Area is forecast to grow from 14,778 households to 22,213 households, an increase of 7,435 households between 2021 and 2041.
- **Finding: Oregon City is planning for growth of 7,435 new dwelling units.** To accommodate the 7,435 dwelling units over the 20-year planning period, Oregon City will average 372 new dwelling units annually, and will plan for more single-family attached and multifamily dwelling units in the future to meet the city's housing needs. Historically, about 73% of Oregon City's housing was single-family detached. New housing in Oregon City is forecast to be 50% single-family detached, 20% single-family attached, 10% duplexes, triplexes, and quadplexes, and 20% multifamily. This housing mix both meets the requirements for housing mix for cities in Metro (OAC 660-007) and is supported by the changes in the housing market described below.

  The factors driving the shift in types of housing needed in Oregon City include changes in demographics and decreases in housing affordability. The aging of senior populations and the household formation of young adults will drive demand for renter and owner-occupied housing, such as small single-family detached housing, townhouses, duplexes, and apartments/condominiums. Both groups may prefer housing in walkable neighborhoods, with access to services.

  - **Recommendation**: Oregon City should monitor land available in all plan designations, as there is no surplus (or deficit) of land in the low and medium density residential plan designations. Additionally, the City may look for opportunities for redevelopment on underutilized land to address the deficit of high density residential land and limited capacity of mixed use land.

- **Oregon City is meeting Metro's requirements for net density and housing mix.** OAR 660-007-0035 sets specific density targets for cities in the Metro UGB. Oregon City's average density target is eight dwelling units per net buildable acre. Based on the findings in Chapter 6, Oregon City is exceeding this average density target at an average net density of 9.5 dwelling units per net acre.

  OAR 660-007 also requires that cities within the Metro UGB "provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing." Chapter 5 shows that for the 2021-2041 planning period Oregon City is assuming that 20% of new dwelling units will be single-family attached, 10% of new units will be duplexes, triplexes, or quadplexes, and 20% of new units will be multifamily.

- **Recommendation:** Oregon City should continue to monitor future development to evaluate resulting densities and housing mix in comparison to the planned units described in this report.

- **Finding: Oregon City has unmet need for affordable housing.** About 34% of Oregon City's households are cost burdened, with 50% of renters cost burdened and 28% of owners cost burdened. Oregon City's level of cost burden is similar to other communities in Clackamas County. Oregon City's unmet housing needs include:

  Renter housing. The average asking rent for multifamily housing in Oregon City in 2021 was about $1,350, which is affordable to households earning about 60% of the median family income (about $55,200). About one-third of Oregon City's households have incomes below this level and cannot afford the average rent. As shown in the rates of cost burden, many of these renter households are cost burdened. Oregon City will continue to have unmet renter housing needs, both for existing households and for new households.

  Owner-occupied housing. The median home sales price in April 2021 was about $545,000, which is affordable to households earning about 148% of the median family income (about $136,300). Oregon City is one of the less affordable cities for homeownership in the Portland region, households at middle and high incomes (between $74,000 to $110,000) are less able to afford housing in Oregon City. One way to increase the supply of affordable owner-occupied housing is to increase opportunities for development of the middle-income housing described above.

  - **Recommendation**: Without diversification of housing types, lack of affordability will continue to be a problem, possibly growing in the future if incomes continue to grow at a slower rate than housing costs. Under the current conditions, 1,545 of the forecasted new households will have incomes of $46,000 (in 2020 dollars) or less (50% of MFI income or less). These households cannot afford market-rate housing without government subsidy. Another 1,228 new households will have incomes between $46,000 and $74,000 (50% to 80% of MFI).

    Oregon City will need to provide opportunities for affordable housing development for both rental and ownership over the 20-year period, and the City should look for opportunities for affordable housing development for all housing types.

- **Finding: Oregon City will need to meet the requirements of House Bill 2001.** The legislature passed House Bill 2001 in the 2019 Legislative Session. The bill requires cities within the Metro UGB to allow "middle" housing types in low-density residential zones. The bill defines middle housing types as duplexes, triplexes, quadplexes, cottage clusters, and townhouses.

  - **Recommendation**: The City should continue the process of developing and adopting zoning code to comply with these requirements.

- **Finding: Oregon City is currently in the process of a Comprehensive Plan Update.** This 2021 HNA report presents updated information related to Oregon City's Housing

Element of the Comprehensive Plan. Additionally, changes in Oregon City's demographics have presented a need for a greater variety of housing types. In 2019, Oregon City participated in a preliminary housing needs analysis process through the development of the Clackamas County Housing Needs Analysis. This report builds on the information presented for Oregon City in that project and provides updated data where necessary.

- **Recommendation**: Oregon City should adopt this HNA report as an appendix to the Comprehensive Plan. HB 2003 requires that Oregon City update its HNA every six years to analyze what housing is needed for current and future residents for a 20-year period.

  Oregon City has identified a project to start within a year to look at non-zoning strategies to support the development of housing (including affordable housing). This initial study will allow the consideration of additional tools and partnerships in advance of a Housing Production Strategy (HPS) according to the guidance in HB 2003. An HPS includes consideration of additional information about the housing needs of underserved communities and engagement with underserved communities about potential approaches to meeting their needs.

Overall, Oregon City has worked to increase the supply of housing over the past few years by removing and reducing barriers in the zoning code and allowing a wider variety of housing types throughout the City. Though there is no need to rezone land for housing based on this analysis, the City should continue to watch the supply of housing and look for opportunities to increase types of housing and affordability. Affordability of housing will continue to be challenging for many in Oregon City over the long-run.

Appendix A: Buildable Lands Inventory Methodology

A key initial component of the Housing Needs Analysis is conducting a buildable lands inventory (BLI). This appendix summarizes the methods ECONorthwest used to conduct the residential BLI for Oregon City.

Oregon Administrative Rules provide guidance on conducting residential BLIs:

> **OAR 660-008-0005(2):**
>
> *"Buildable Land" means residentially designated land within the urban growth boundary, including both vacant and developed land likely to be redeveloped, that is suitable, available and necessary for residential uses. Publicly owned land is generally not considered available for residential uses. Land is generally considered "suitable and available" unless it:*
>
> > *(a) Is severely constrained by natural hazards as determined under Statewide Planning Goal 7;*
> >
> > *(b) Is subject to natural resource protection measures determined under Statewide Planning Goals 5, 6, 15, 16, 17 or 18;*
> >
> > *(c) Has slopes of 25 percent or greater;*
> >
> > *(d) Is within the 100-year flood plain; or*
> >
> > *(e) Cannot be provided with public facilities.*

The methods used for conducting the Oregon City BLI are consistent with Oregon statutes. The Oregon City BLI presented in this analysis aligns with the methods and definitions in the 2019 Clackamas County Regional Housing Needs Analysis, with updated classifications to reflect development since 2019.

Methodology

The BLI is based on the data and methods used by Metro. Metro is required to complete a BLI for land within the regional UGB every six years. The agency finished an updated BLI (based on 2016 data) in November 2018 for the 2018 Urban Growth Report (UGR). The methods used for inventorying lands in Oregon City attempt to be consistent with Metro's results while also updating the results to account for new development since the 2019 BLI was completed for the Clackamas County Regional Housing Needs Analysis and other local conditions, such as unique environmental constraints.

Study Area

The BLI for the Oregon City (city limits and UGB areas) includes all residential land designated in the Comprehensive Plan.[60] ECONorthwest used the tax lot shapefile from Metro's 2018 BLI (2016 tax lot base data), with attention to lots that subdivided since 2016 based on local staff identification. City staff then reviewed these areas and identified lots that should be excluded or included for their jurisdiction based on future planning or errors in GIS data.

Inventory Steps

The BLI consists of several steps:

1. Generating UGB "land base"
2. Classifying land by development status
3. Identify constraints
4. Verify inventory results
5. Tabulate and map results

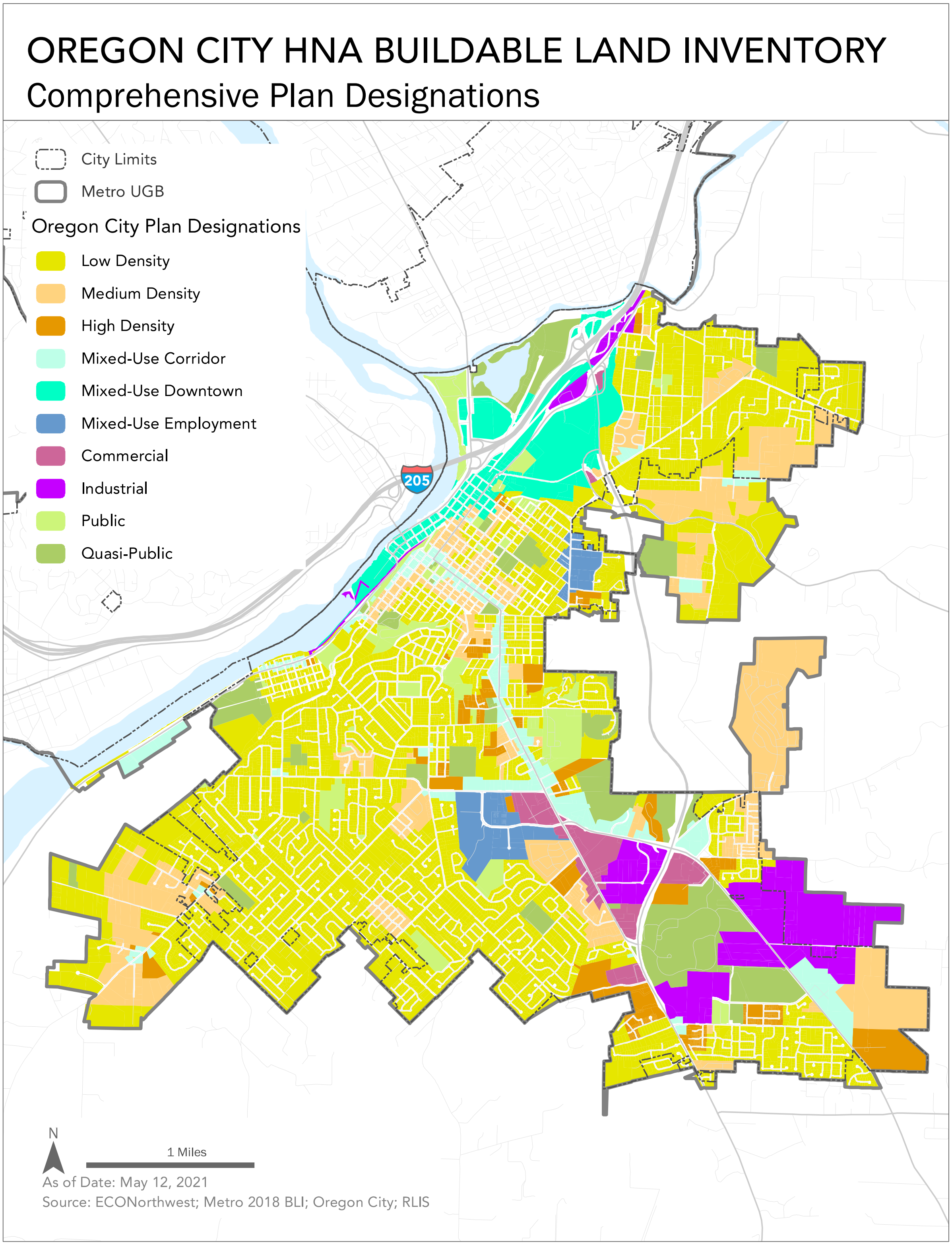
Step 1: Generate "Land Base"

Per Goal 10 this involves selecting all of the tax lots with residential and other nonemployment plan designations where residential uses are planned for and allowed by the implementing zones.

Exhibit 67 shows the residential plan designations included in the BLI.

[60] ECONorthwest reviewed local plan information for Oregon City based on 2020 RLIS data. Residential comprehensive plan designations remained the same since the 2019 BLI.

Exhibit 67. Residential Land Base by Plan Designation, Oregon City, City Limits and UGB Areas, 2020
Source: ECONorthwest.



Step 2: Classify Lands

In this step, ECONorthwest classified each tax lot with a plan designation that allow residential uses into one of four mutually exclusive categories based on development status:

- Vacant
- Partially vacant
- Public
- Developed

ECONorthwest used the classifications determined through Metro's model, as outlined below.

Development Status	Definition	Statutory Authority
Vacant	Tax lots designated as vacant by Metro based on the following criteria: 1) Fully vacant based on Metro aerial photo 2) Tax lots with less than 2,000 square feet developed AND developed area is less than 10% of lot 3) Lots 95% or more vacant from GIS vacant land inventory	OAR 660-008-0006(2) (2) "Buildable Land" means residentially designated land within the urban growth boundary, including both vacant and developed land likely to be redeveloped, that is suitable, available, and necessary for residential uses.
Partially Vacant	Single-family tax lots that are 2.5 times larger than the minimum lot size and a building value less than $300,000 **or** lots that are 5 times larger than the minimum lots size (no threshold for building value). These lots are considered to still have residential capacity. For this analysis, we are classifying these lots as partially vacant. We assume that 0.25 acres of the lot is developed, and the remaining land is available for development, less constraints.	OAR 660-008-0006(2)
Public	Lands in public ownership are considered unavailable for residential development. This includes lands in federal, state, county, or city ownership. These lands are identified using Metro's definitions and categories.	OAR 660-008-0005(2) - Publicly owned land is generally not considered available for residential uses.
Developed	Lands not classified as vacant, partially vacant, or public are considered developed.	OAR 660-008-0006(2) (2) "Buildable Land" means residentially designated land within the urban growth boundary, including both vacant and developed land likely to be redeveloped, that is suitable, available, and necessary for residential uses.

Step 3: Identify Constraints

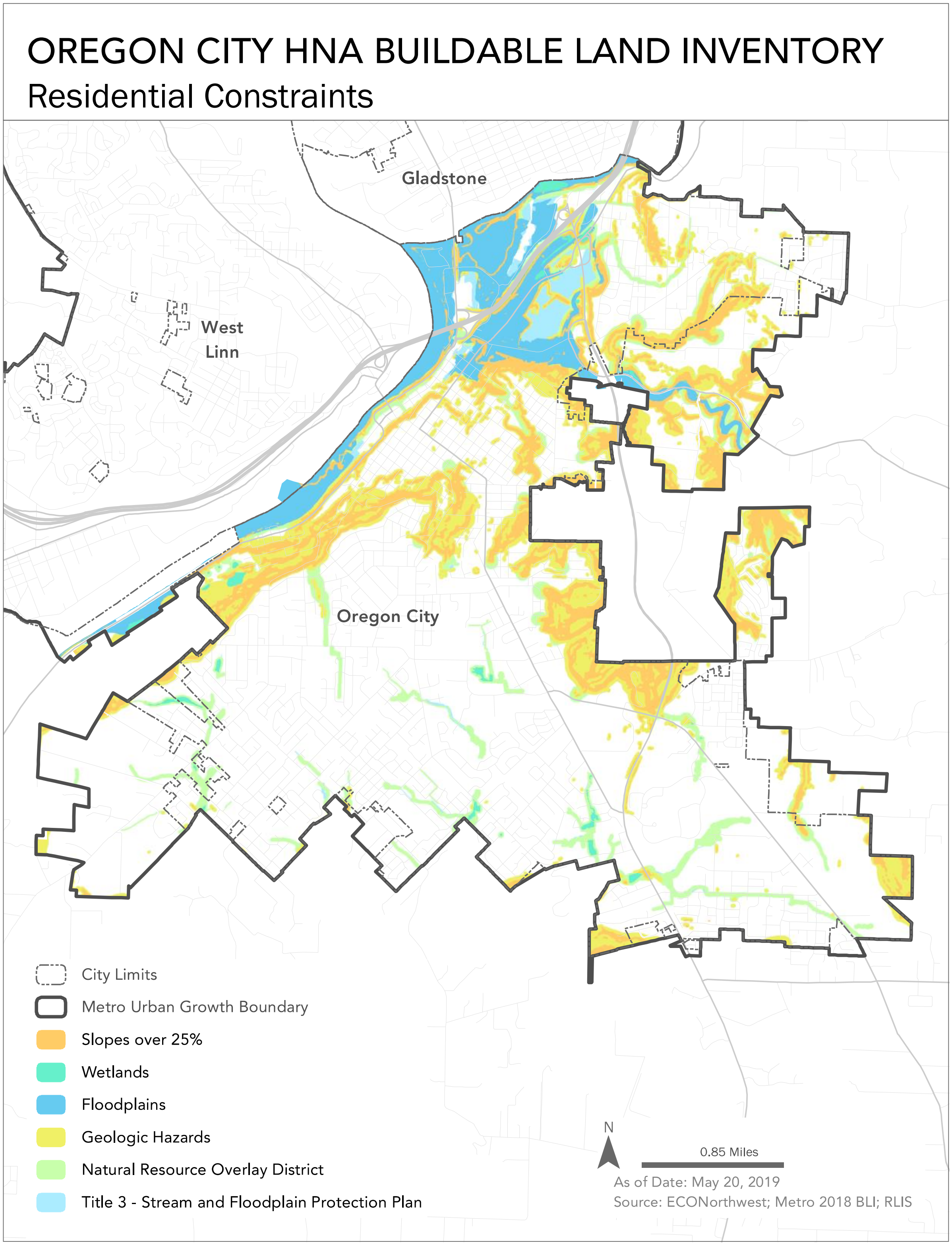
Consistent with OAR 660-008-0005(2) guidance on residential buildable lands inventories, ECONorthwest deducted certain lands with development constraints from vacant lands. Unless cities identified alternative constraints (as identified below), the constraints we used are summarized in the table below.

Constraint	Statutory Authority	Threshold	File name
Goal 5 Natural Resource Constraints			
Regulated wetlands	OAR 660-008-0005(2)	Regulated wetlands	RLIS Wetlands layer
Natural Resources Overlay District	OAR 660-008-0005(2)	Areas in the natural resource overlay district	Overlay district layer
Landslide Hazards	OAR 660-008-0005(2)	Areas in the geologic hazards overlay	Overlay zone layer
Natural Hazard Constraints			
Floodways	OAR 660-008-0005(2	Lands within FEMA FIRM identified floodway	Title 3 floodplain/floodway layer
100-Year Floodplain	OAR 660-008-0005(2	Lands within FEMA FIRM 100-year floodplain	Title 3 floodplain/floodway layer
Steep Slopes	OAR 660-008-0005(2	Slopes greater than 25%	slopes25_Area

These areas are considered as prohibitive constraints (unbuildable) as shown in Exhibit 68. These areas are deducted from lands that are identified as vacant to determine the buildable portion of vacant lots. In addition, we applied any local specific environmental constraints identified by cities that also prohibit the development of vacant lots. These local constraints should clearly limit development potential in the local development code.

The lack of access to water, sewer, power, road or other key infrastructure cannot be considered a prohibitive constraint unless it is an extreme condition. These tax lots are currently unserviced but could potentially become serviced over the twenty-year planning period.

Exhibit 68. Residential Development Constraints, Oregon City, City Limits and UGB Areas, 2020



Step 4: Verification

ECONorthwest used a multistep verification process to review development status in Oregon City. The first verification step included a "rapid visual assessment" of land classifications using GIS and recent aerial photos. The rapid visual assessment involved reviewing classifications overlaid on recent aerial photographs to verify uses on the ground. We reviewed all tax lots included in the inventory using the rapid visual assessment methodology. The second round of verification involved City staff verifying the rapid visual assessment output. We amended the BLI based on City staff review and comments, and the 2020 BLI update (since the 2019 BLI) considered areas developed in the past year based on permit information and local confirmation from City staff.

Step 5: Tabulation and Mapping

The results are presented in tabular and map format in Chapter 2.