



## MEMORANDUM

---

DATE: April 21, 2016

TO: City of Milwaukie

FROM: JOHNSON ECONOMICS, LLC  
ANGELO PLANNING GROUP

SUBJECT: Summary of Housing Needs Analysis Methodology and Assumptions

---

This memo is an interim product of the City of Milwaukie Goal 10 Housing Needs Analysis project, undertaken in early 2016. The memo is presented to inform a discussion on the proposed methodology for conducting the Housing Needs Analysis.

### INTRODUCTION

The Goal 10 Housing Needs Analysis is designed to achieve two over-arching goals:

- Provide the City with useful information and context to aid in long-range planning; and,
- Meet technical statutory requirements for updating this element of the Comprehensive Plan.

The state requirements for conducting Goal 10 analysis are somewhat more prescriptive than those for other goals, such as Goal 9. The approach for conducting a Housing Needs Analysis and residential Buildable Lands Inventory are outlined in Oregon Statute, as well as special requirements for cities located within the Metro service district (ORS 197.295-197.314; 197.475-197.490).

Our approach to conducting this analysis is not just to meet the minimum standards but to support the City's vision and goals for growth in coming years, while providing a clear picture of the trends in population and housing, employment, and land development which present opportunities and constraints.

This process will include policy review and policy recommendations to implement the community's long-term plan for housing.

### GOAL 10 HOUSING NEEDS ANALYSIS METHODOLOGY

The Housing Needs Analysis aggregates a range of the best available data and information on population growth, demographic trends, residential development trends, tenure (renting vs. owning), and projections of future growth. Economic trends such as employment base, income levels, and commuting patterns are also considered. This includes trends on the local, regional, and macro level.



The aim is to identify the best and most up-to-date source of data for each input in the housing projection model. Sources may include:

- Metro forecasts (Urban Growth Report, Regional Transportation Plan)
- PSU population research center
- US Census
- City of Milwaukie
- Metro RLIS (GIS)
- Neilson Claritas Inc.
- Concurrent Goal 9 Economic Development process
- Oregon Home Builders Association
- Realtors Multiple-Listing Service
- Local housing agencies
- New Home Trends
- RealFacts
- Zillow
- Other sources

The Housing Needs Analysis follows these general steps:

1. **Current Demographic Profile:** Identify recent and longer-term trends in population and housing growth that have contributed to the Current Demographic Profile. Discuss these changes and the current make-up of the community in terms of population, households, age, income, diversity, household size, tenure and other key metrics.

An accurate demographic profile forms the foundation of determining current and future housing needs.

2. **Current Housing Supply and Demand:** The current housing demand is estimated based upon the demographic characteristics of current households. The analysis considers the propensity of households in specific age and income levels to either rent or own their home (tenure), in order to derive the current demand for ownership and rental housing units and the appropriate housing cost level of each. This is done by synthesizing data on tenure by age and tenure by income from the Census American Community Survey.

The analysis takes into account the average amount that owners and renters tend to spend on housing costs. For instance, lower income households tend to spend more of their total income on housing, while upper income households spend less on a percentage basis. In this case, it is assumed that households in lower income bands would *prefer* housing costs at no more than 30% of gross income (a common measure of affordability). Higher income households pay a decreasing share down to 20% for the highest income households.

This estimate of current housing “demand” (i.e. what would be optimal for the current households by housing cost or rent level), is then compared to the current housing supply, to determine any discrepancies between the two.

Often this step finds that some local households are likely paying more than they can afford on housing, and/or conversely that there are households which could afford more expensive housing stock and that the higher end of the market may not be adequately supplied. This provides a picture of how well current housing supply is matched to current household needs.



3. **Anticipated Housing Trends:** The analysis includes a discussion of recent and anticipated housing trends which may impact the forms and amount of future housing development in Milwaukie and beyond. These include local, regional and national trends in new household formation, household size, generational shifts in location and housing preferences, migration and immigration, economic and employment growth, affordable housing and other issues which become apparent during the course of the analysis. These trends are considerations in how housing needs in Milwaukie will grow and change over the forecasting period.
4. **20-Year Housing Needs:** The methodology for projecting future housing demand mirrors the methodology used to produce the estimate of current housing demand. The analysis considers the propensity of households at specific age and income levels to either rent or own their home, in order to derive the future need for ownership and rental housing units, and the affordable cost level of each. The projected need is for *all* future households and therefore includes the needs of current households.

The future price levels are based on the same assumptions regarding the amount of gross income applied to housing costs, from 30% for low income households down to 20% for the highest income households.

This step results in detailed projections of future housing need by housing type (single family, duplex, multi-family, etc.), tenure and price level (in current dollars).

5. **Buildable Land Inventory (Residential Land Supply):** The Buildable Land Inventory (BLI) provides an inventory of the current supply of residential land in the study area that is vacant or has redevelopment potential over the next 20 years. Preparation of the BLI is a largely data-driven process that builds upon existing data sources such as GIS data, permitting data, aerial photography such as Google Earth, and local knowledge and nuance added by City staff and others who may be more familiar with the on-the-ground circumstances around specific sites. This process will build upon and refine previous inventories prepared by the City and/or Metro.

State rules provide a prescribed system for identifying parcels which are underused and may redevelop. Generally, these are large parcels with one small user on them. The consultants will also consult with staff on alternative ways to identify and rank redevelopment land.

The gross inventory of potential vacant and redevelopable parcels in the appropriate zones is compared to data of natural resources and topographical constraints, to determine which parcels feature partial or full constraints to new development.

The final BLI is segregated by zones and densities to determine how many housing units and what types of units the available buildable land might accommodate.

6. **Reconciliation of 20-year Housing Need (Demand) with the BLI (Supply):** This step results in findings of how the remaining buildable residential land can accommodate the projected 20-year need for housing in the study area. The findings may show that there is insufficient



buildable land in some or all zones, or that there is adequate land available in some or all zones. These findings are what ultimately determine if new policies may be necessary to address future housing needs.

**CONSIDERATIONS FOR MILWAUKIE**

The following are some preliminary considerations for conducting this Housing Needs Analysis for Milwaukie. They are presented here for discussion at this early phase in the project. Figure 1 shows preliminary figures for a variety of demographic indicators between the 2000 and 2010 Census and current estimates.

**FIGURE 1: POPULATION AND HOUSEHOLD TRENDS (2000 – 2016)**

| <b>POPULATION, HOUSEHOLDS, FAMILIES, AND YEAR-ROUND HOUSING UNITS</b> |                 |                 |               |                |               |
|---|-----------------|-----------------|---------------|----------------|---------------|
|   | <b>2000</b>     | <b>2010</b>     | <b>Growth</b> | <b>2016</b>    | <b>Growth</b> |
|   | <b>(Census)</b> | <b>(Census)</b> | <b>00-10</b>  | <b>(Proj.)</b> | <b>10-16</b>  |
| Population <sup>1</sup>   | 20,490          | 20,291          | -1%           | 20,548         | 1%            |
| Households <sup>2</sup>   | 8,561           | 8,667           | 1%            | 8,831          | 2%            |
| Families <sup>3</sup>   | 5,283           | 5,075           | -4%           | 5,135          | 1%            |
| Housing Units <sup>4</sup>  | 8,988           | 9,138           | 2%            | 9,170          | 0%            |
| Group Quarters Population <sup>5</sup>                                | 389             | 214             | -45%          | 217            | 1%            |
| <i>Household Size (non-group)</i>                                     | <i>2.35</i>     | <i>2.32</i>     | <i>-1%</i>    | <i>2.30</i>    | <i>-1%</i>    |
| <i>Avg. Family Size</i>   | <i>2.93</i>     | <i>2.91</i>     | <i>-1%</i>    | <i>2.90</i>    | <i>0%</i>     |
| <b>PER CAPITA AND AVERAGE HOUSEHOLD INCOME</b>                        |                 |                 |               |                |               |
|   | <b>2000</b>     | <b>2010</b>     | <b>Growth</b> | <b>2016</b>    | <b>Growth</b> |
|   | <b>(Census)</b> | <b>(Census)</b> | <b>00-10</b>  | <b>(Proj.)</b> | <b>10-16</b>  |
| Per Capita (\$)   | \$21,342        | \$27,206        | 27%           | \$27,220       | 0%            |
| Median HH (\$)  | \$43,635        | \$52,852        | 21%           | \$57,377       | 9%            |

SOURCE: Census, PSU Population Research Center, and Johnson Economics

Census Tables: DP-1 (2000, 2010); DP-3 (2000); S1901 (2010 ACS 3-yr Estimates); S19301 (2010 ACS 3-yr Estimates);

<sup>1</sup> Population is based on the certified 2015 estimate from PSU Population Research Center, projected forward one year using the 2010 - 2015 growth rate (0.21%)

<sup>2</sup> 2016 Households = (2016 population - Group Quarters Population)/2016 HH Size

<sup>3</sup> Ratio of 2016 Families to total HH is based on 2014 ACS 5-year Estimates

<sup>4</sup> 2015 housing units are the 2010 Census total plus new units permitted from '10 through January '16 (source: Census, City of Milwaukie)

<sup>5</sup> Ratio of 2016 Group Quarters Population to Total Population is kept constant from 2010.



### **Stable Population**

According to the US Census and the PSU Population Research Center, Milwaukie has exhibited very low growth for decades. Since 2000, the population is essentially unchanged at 20,500 people. The number of households has grown modestly (just 3%) over this period as household size has fallen.

This project must determine why growth has been so low in the community and how and why this might change going forward. Either a projection of continued very low growth, or a change towards more robust growth must be justified by identifiable local and regional trends.

### **Source of Future Projections**

It is recommended that the projected growth rate used in this case will be derived from the most recent projections from Metro analyses including the Urban Growth Report and Regional Transportation Plan.

State legislation approved in 2013 put coordinated population forecasting under the purview of the Portland State University Population Research Center for all communities outside the Portland metro area. Since that time, the PSU Center has worked to produce population forecasts for all counties in the state outside the metro area. However, the Metro region continues to be tasked with preparing forecasts for all jurisdictions within the Portland regional service district boundary

### **Impact of Recent and Current Planning Efforts**

The City has undertaken multiple efforts related to redevelopment, urban renewal and economic development which may impact the BLI and estimates of the remaining housing capacity. Efforts to encourage transit-oriented development around the new MAX line, and other key redevelopment areas in the City can increase the housing capacity within the current boundaries and increase the future growth rate beyond the recent flat trend.

This project will also include some information on Milwaukie's urban growth management area (UGMA) to the east of the city boundary. Data on the UGMA will not be as thorough as that provided for the City but will be sufficient to estimate residential growth potential in this area. The UGMA will not be included in the official Goal 10 Housing Needs Analysis.