

To: Don Hardy and Jamie Stickel, City of Canby

Date: May 10, 2022

From: Todd Chase & Tim Wood; FCS GROUP

CC: Steve Faust, 3J Consulting

RE: Canby **Housing Needs Forecast**

INTRODUCTION

This Memorandum provides a housing needs forecast for long-range planning purposes. The housing needs forecast represents a 20-year projection from 2023 through year 2043. These technical findings are intended to be consistent with State of Oregon requirements for determining housing needs per Oregon land use planning Goals 10 and 14, OAR Chapter 660, Division 8, and applicable provision of ORS 197.296 to 197.314 and 197.475 to 197.490

METHODOLOGY

The methodology for projecting housing needs within the Canby includes consideration of demographic and socio-economic trends, housing market characteristics and long-range population growth projections.

Regional (Clackamas County) and local (City or Urban Growth Boundary) population, households, income, and market characteristics are described in this memorandum using data provided by the U.S. Census Bureau (Census and American Community Survey), the U.S. Department of Housing and Urban Development (HUD), Oregon Department of Housing and Community Services (OHCS), Portland State University (PSU) and the City of Canby. Where trends or long-range projections are provided by an identified data source, FCS GROUP has included extrapolations or interpolations of the data to arrive at a base year (2023 estimate) and forecast year (2043 projection). The result of this forecast translates population growth into households and households into housing need by dwelling type, tenancy (owner vs. renter) and affordability level.

DEMOGRAPHIC AND SOCIO-ECONOMICS

Population

The City of Canby attained a record-high population of 18,413 people in 2021 (July 1 estimate by PSU). Clackamas County, Oregon's third largest in terms of population had an estimated 425,316 year-round residents. Prior to 2010, Canby was growing over twice as fast as the county average. However, during the most recent decade (2010 to 2021) population growth in Canby slowed down considerably as remaining buildable land became less abundant (**Exhibit 1**).

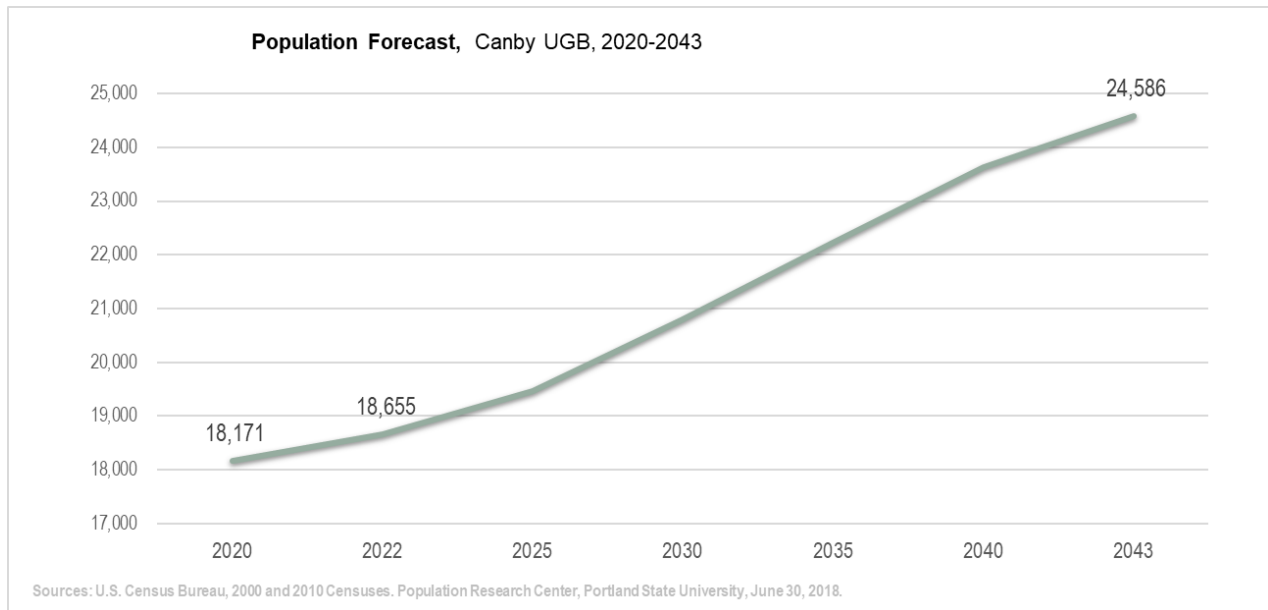
Exhibit 1: Population Trends (2000-2020)

Population Estimates, Clackamas and City of Canby , 2000-2021					Annual Growth Rate	
	2000	2010	2020	2021	2000-2010	2010-2021
Clackamas	338,391	375,992	422,185	425,316	1.06%	1.13%
Canby UGB	13,323	17,097	18,171	18,413	2.53%	0.68%
City of Canby	12,790	15,829	17,210	18,171	2.15%	1.26%

Sources : Population Research Center, Portland State University, April 15, 2020
 U.S. Census Bureau, PL94-171 redistricting data files.

Long-range population forecasts prepared by PSU anticipate that 5,931 residents will be added to the Canby Urban Growth Boundary (UGB) by year 2043. This equates to a projected annual average growth rate (CAGR) of 1.3% for the UGB (see **Exhibit 2**).

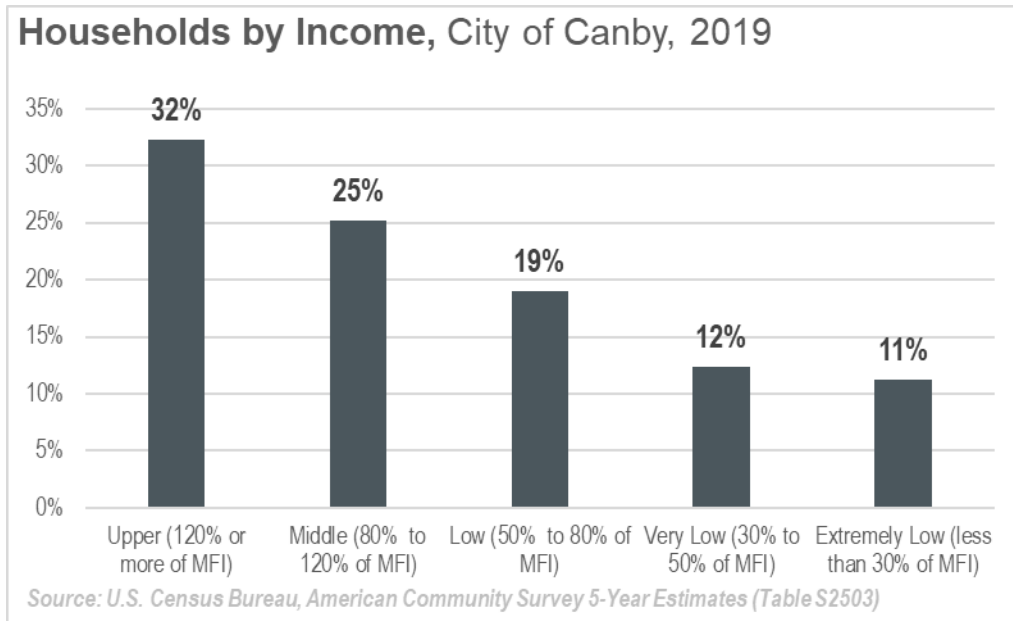
Exhibit 2: Canby UGB Population Forecast (2020-2043)



SOCIO-ECONOMIC CHARACTERISTICS

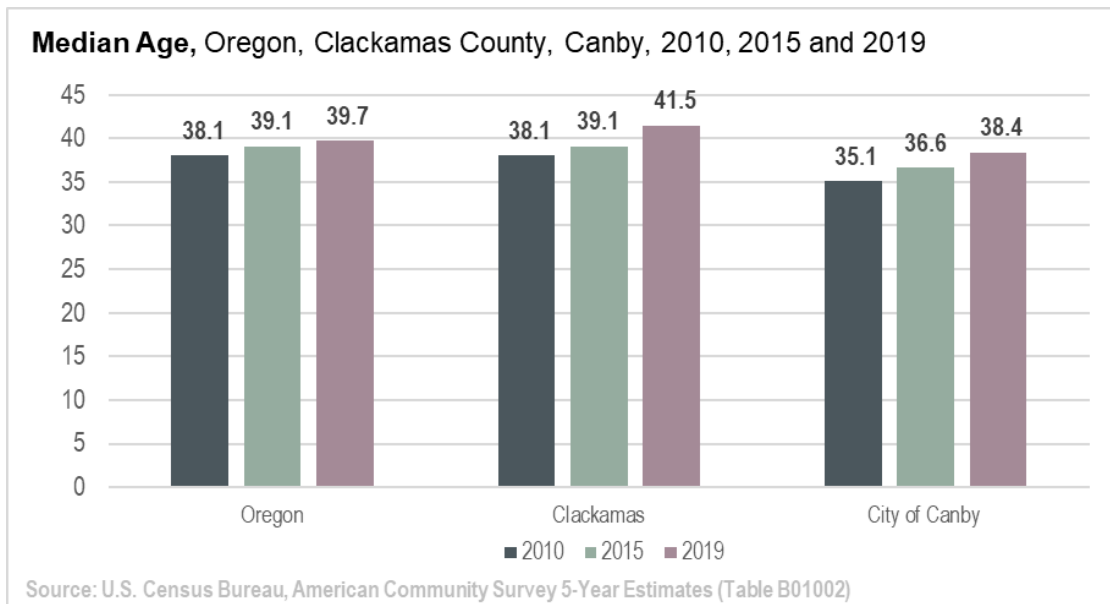
In 2019, the median family income (MFI) in Clackamas County was \$80,484. As shown below in **Exhibit 3**, nearly one third of the households in Canby earn over 120% of the MFI (\$96,581 or above).

Exhibit 3: Households by Income Level, 2015-2019



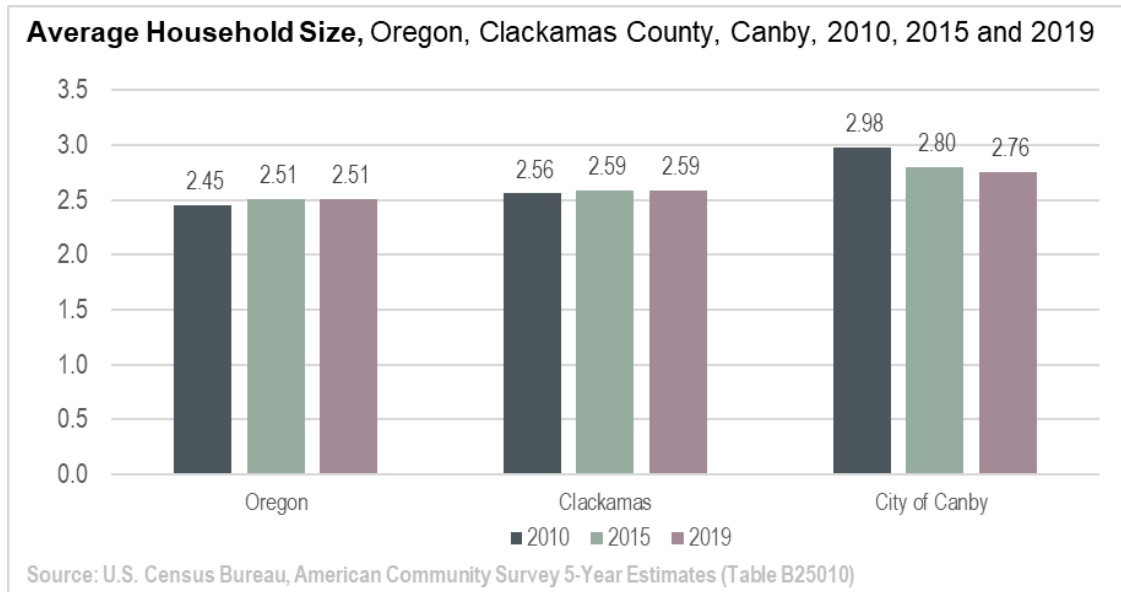
The median age in Canby (38.4) is below the Clackamas County average (41.5) and below the statewide average (39.7) as well (**Exhibit 4**).

Exhibit 4: Median Age, 2010-2019



Average household size in Canby has decreased slightly over the last two decades, from 2.98 in 2010 to 2.76 in 2019. This is well above the statewide average of 2.51 and above the countywide average of 2.59 (**Exhibit 5**).

Exhibit 5: City of Canby Average Household Size 2010-2019

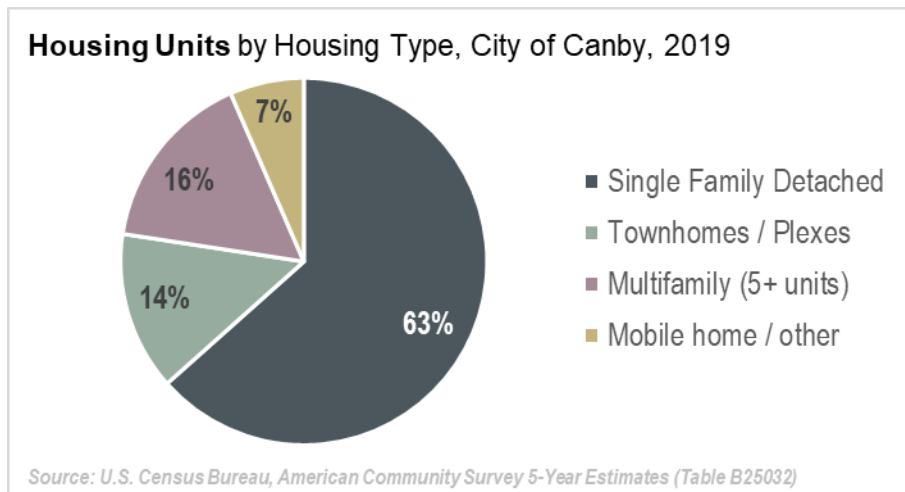


HOUSING INVENTORY AND TENANCY

Canby’s existing housing inventory and tenancy sheds light on housing conditions and market demand preferences. In 2019, there were 6,608 housing units in Canby of which 6,383 units were classified as occupied and only 225 units were vacant.

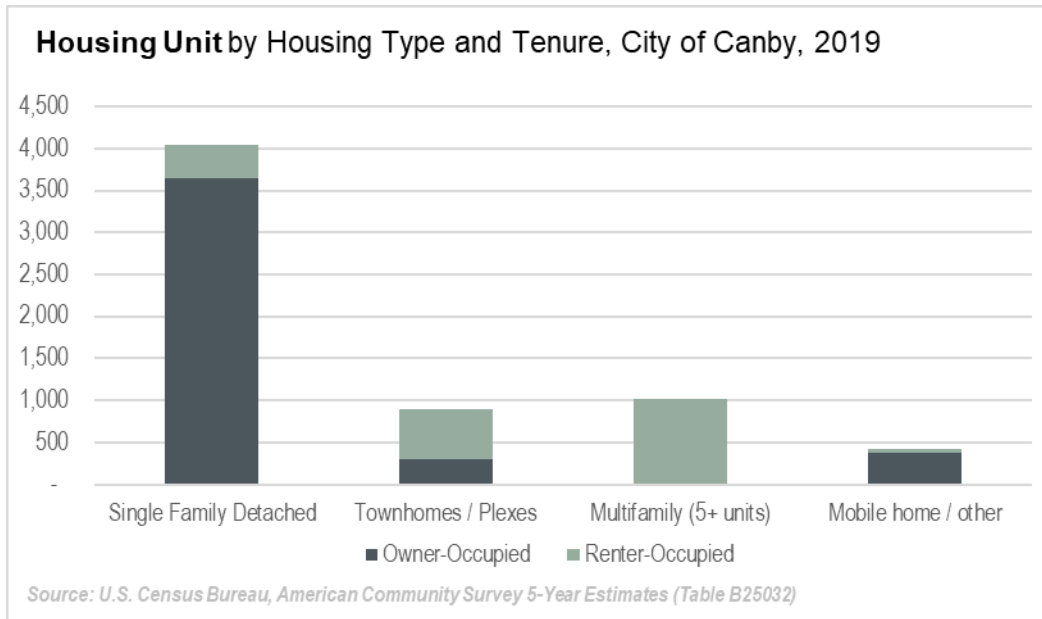
Like most cities with under 50,000 residents, single-family detached housing is the most prevalent housing type representing 63% of the housing stock. The remaining inventory in Canby includes multi-family (16%), townhomes/plexes (14%), and mobile homes (7%), as shown in **Exhibit 6**.

Exhibit 6: Existing Housing Inventory, 2019, City of Canby



Owner-occupied housing units represent 68% of the occupied housing inventory while renter-occupied units account for the other 32% of the inventory (**Exhibit 7**). Ownership is most prevalent among single-family detached and manufactured housing types while renters are more likely to favor townhomes, plexes, and multifamily units.

Exhibit 7: Existing Housing Tenancy, 2019, City of Canby



HOUSING MARKET CHARACTERISTICS

To help gauge housing attainability in Canby, local median family income (MFI) levels were evaluated using U.S. Housing and Urban Development (HUD) guidelines. By applying the assumptions shown in **Exhibit 8 and 9**, based on median family income (MFI) for Clackamas County (\$80,484), HUD guidelines indicate that upper-middle households (with 4 family members) earning 80% of the MFI should be able to afford monthly rents at \$1,610.

Exhibit 8: Canby Affordable Housing Analysis Assumptions

Assumptions		
Interest Rate (conventional)	4.00%	
Downpayment	5%	
Mortgage duration (Years)	30	
Income Affordability Target Level %	30%	of median income
Property Taxes	0.0125	% of sales price
Mortgage Insurance	0.0085	% of loan amt.
Home Insurance	0.0029	% of sales price

The rents shown in **Exhibit 9** are considered “attainable” if 30% of household income is allocated to housing.

Exhibit 9: Canby Affordable Housing Analysis: Renters

Clackamas County Median Family Income Level (2020)*		\$80,484
HUD Qualifying Income Level: Renters	Lower-end	Upper-End
Upper (120% or more of MFI)	\$96,581 or more	
Middle (80% to 120% of MFI)	\$64,387	\$96,581
Low (50% to 80% of MFI)	\$40,242	\$64,387
Very Low (30% to 50% of MFI)	\$24,145	\$40,242
Extremely Low (less than 30% of MFI)	\$24,145 or less	
Attainable Monthly Housing Cost: Renters	Lower-end	Upper-End
Upper (120% or more of MFI)	\$2,415 or more	
Middle (80% to 120% of MFI)	\$1,610	\$2,415
Low (50% to 80% of MFI)	\$1,006	\$1,610
Very Low (30% to 50% of MFI)	\$604	\$1,006
Extremely Low (less than 30% of MFI)	\$604 or less	

*Note, this analysis is generally consistent with 4-person household size.

** See assumptions provided in supporting table.

Source: analysis by FCS Group using Housing and Urban Development data.

Monthly housing costs are generally higher for homeowners than renters due to added costs associated with insurance and taxes. If 30% of income is allocated to mortgage interest and principal, using the assumptions stated on **Exhibit 10**, the expected housing cost for owners at 80% MFI level is \$2,211, which should be sufficient to afford a home priced at \$351,000 (**Exhibit 10**).

Exhibit 10: Canby Affordable Housing Analysis: Homeowners

Clackamas County Median Family Income Level (2020)*		\$80,484
Supportable Housing Price: Mortgage Principal &	Lower-end	Upper-End
Upper (120% or more of MFI)	\$526,000 or more	
Middle (80% to 120% of MFI)	\$351,000	\$526,000
Low (50% to 80% of MFI)	\$219,000	\$351,000
Very Low (30% to 50% of MFI)	\$132,000	\$219,000
Extremely Low (less than 30% of MFI)	\$132,000 or less	
Monthly Housing Costs for Owners: PIT & Insurance**	Lower-end	Upper-End
Upper (120% or more of MFI)	\$3,316 or more	
Middle (80% to 120% of MFI)	\$2,211	\$3,316
Low (50% to 80% of MFI)	\$1,382	\$2,211
Very Low (30% to 50% of MFI)	\$830	\$1,382
Extremely Low (less than 30% of MFI)	\$830 or less	
Min. Required Income Level: Owners	Lower-end	Upper-End
Upper (120% or more of MFI)	\$132,656 or more	
Middle (80% to 120% of MFI)	\$88,460	\$132,656
Low (50% to 80% of MFI)	\$55,262	\$88,460
Very Low (30% to 50% of MFI)	\$33,198	\$55,262
Extremely Low (less than 30% of MFI)		

*Note, this analysis is generally consistent with 4-person household size.

** See assumptions provided in supporting table.

Source: analysis by FCS Group using Housing and Urban Development data.

Canby home values have increased significantly in recent years. As indicated in **Exhibit 11**, median home sales prices in Canby increased to \$560,000 (as of December 2021), with annual average price increase of 13.9% over the past two years. Other cities in the region have experienced similar housing price increases (**Exhibit 11**).

Exhibit 11: Zillow Home Value Price Index in Select Markets

	Dec-19	Dec-20	Dec-21	Change %
City of Canby	\$432,000	\$463,000	\$560,000	13.9%
Aurora	\$362,000	\$393,000	\$479,000	15.0%
Wilsonville	\$470,000	\$503,000	\$606,000	13.6%
Oregon City	\$446,000	\$479,000	\$579,000	13.9%
Butteville	\$313,000	\$345,000	\$416,000	15.3%

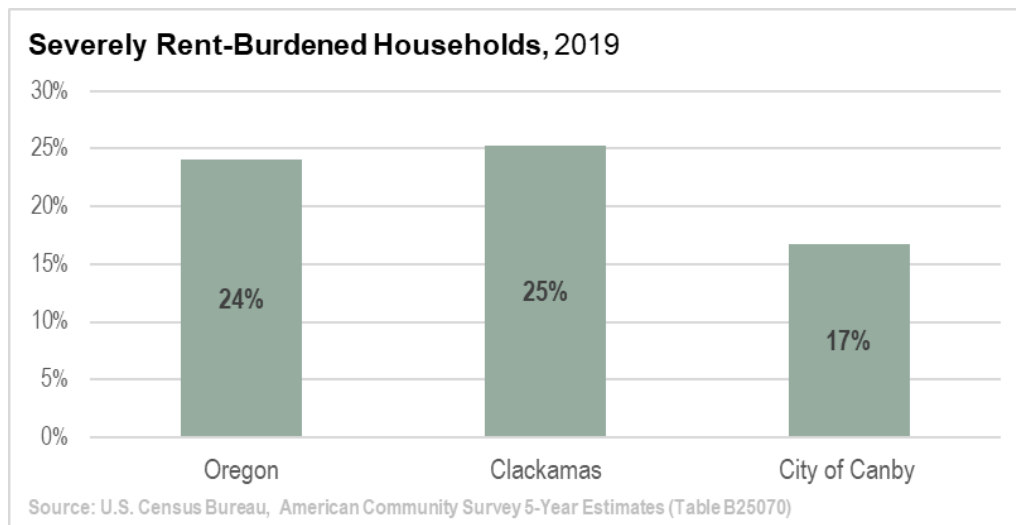
Source: Zillow.com; analysis by FCS 1/21/22

HOUSING COST BURDENS

According to U.S. Housing and Urban Development (HUD), households are “cost burdened” if they pay over 30% of their income on housing. Households are “severely cost burdened” when they pay over 50% of their income on housing.

As shown in Exhibit 12, about **17%** of the rental households in Canby were severely cost burdened in 2019, which compares favorably to Clackamas County (25%) and Oregon as a whole (24%).

Exhibit 12



Input received from stakeholder interviews suggests that rental housing construction in Canby is not keeping up with demand. An evaluation of housing inventory gaps indicates that there is a current shortfall or gap in available rental housing at the upper- and lower-price points (**Exhibit 13**). This is understandable at the lowest price points where there is always more demand than supply. The fact that there is more housing demand than supply for higher-priced rentals (affordable to those making at least 80% of the MFI) reflects an aging housing inventory and demonstrates strong “pent up” demand for market rate apartments that rent for over \$875 per month.

With favorable housing investment policies, it is likely that there could be near-term market activity for addressing the current estimated 317-unit gap in market rate rental apartments. In addition to this level of pent-up demand for market-rate rentals, it is estimated that at least 180 units of government subsidized housing are needed in the Canby area. If 25% of this demand is addressed through a mix of policy strategies and non-profit investments, the City would need to plan for another 45 units of government assisted affordable housing.

Exhibit 12 Rental Housing Gap Analysis, City of Canby

Median Household Income Range	Affordable Monthly Rent *	Renter-Occupied Households	Rental Units at this Rent Level	Housing Unit (Gap) or Surplus	Pent Up Demand	Capture Rate for Analysis	Housing Capture (units)
\$75,000 or more:	\$1,875	424	317	(107)	(317) market rate gap	50%	159
\$50,000 to \$74,999:	\$1,250-\$1,875	594	384	(210)			
\$35,000 to \$49,999:	\$875-\$1,250	298	785	487			
\$20,000 to \$34,999:	\$500-\$875	399	409	10			
Less than \$20,000:	Less than \$500	313	133	(180)	(180) subsidized housing gap	25%	45
Zero or Negative Income	Requires subsidy	19	19	-			
Total		2,047	2,047	-	(497)		204

Source: U.S. Census Bureau, American Community Survey 2010-2019; FCS GROUP.

* Calculated as 30% of income range based on HUD guidelines

HOUSING NEEDS FORECAST

Summary of Housing Needs

There is a linkage between demographic characteristics and housing choice. Housing needs change over a person's lifetime. Some factors that influence housing include:

- » Homeownership rates increase as income rises.
- » Single family detached homes are the preferred housing choice as income rises.
- » Renters are much more likely to choose multifamily housing options (such as apartments or plexes) than single-family housing.
- » Very low-income households (those earning less than 50% of the median family income) are most at-risk for becoming homeless if their economic situation worsens.

Based on the population projections described earlier and the most current household size estimates of 2.76 people per household, the total net new housing need within the Canby UGB over the next 20 years is approximately 2,211 housing units plus 35 people living in group quarters (see **Exhibit 13**). This *baseline housing need forecast* assumes that the current share of group quarters population (includes people residing in congregate care facilities and housing shelters) and housing vacancy rates remain constant.

Exhibit 13: Canby Housing Need Forecast

	2043		Change
	2022	forecast	
UGB Population	18,655	24,586	5,931
Less Group Quarters (0.6%)	111	146	35
Pop in Households	18,544	24,440	5,895
Avg. Household Size	2.76	2.76	
Households (year round)	6,719	8,855	2,136
Vacancy and Seasonal Adjustment	3.4%	3.4%	75
Growth-related Housing Demand (dwelling units)	6,956	9,167	2,211

Housing Demand by Dwelling Type and Tenancy

This baseline housing need forecast is generally consistent with the observed mix of housing types in Canby with increasing demand for more attainable middle housing types. Additional housing forecast scenarios may be considered during the planning process to anticipate impacts of new policy objectives, such as:

- Local policies aimed at incentivizing middle housing development, such as tax abatement and SDC scaling by home size.
- Changes in low density land use designations to create additional opportunities for middle housing types, such as duplexes and townhomes.
- Ability to provide adequate infrastructure (water, sewer, and road capacity) in a cost effective manner to accommodate new planned unit developments or single-family subdivisions.

The baseline housing forecast predicts a range in housing types to address market preferences. The housing demand forecast includes: 1,384 single-family detached homes (such as small lot and standard lot subdivisions); 319 townhomes/duplexes; 354 multifamily units (apartments); and 155 manufactured housing or cottage homes (**Exhibit 14**). There will also be demand for approximately 24 units of group quarters housing (such as congregate care, in-patient care, etc.).

Exhibit 14: Canby Baseline Housing Needs by Tenure & Housing Type

	Owner-Occupied Dwelling Units	Renter-Occupied Dwelling Units	Projected Housing Need (Units)
Housing Tenure Distribution:	67.9%	32.1%	
Single Family Detached			1,384
Townhomes / Plexes			319
Multi family (5+ units)			354
Mfg. home/other			155
Total percent			
Housing Units	1,502	709	2,211
Plus additional Group Quarters Pop.			35
Group Quarters Dwelling Units*			24
Total Housing Units			2,235

Analysis based on preceding tables.

* Category includes group quarters housing demand @1.5 persons per dwelling unit.

Exhibit 15 identifies the types of housing products that are most consistent with the projected housing needs for Canby.

Exhibit 15: Projected Housing Demand by Income Level, Canby UGB

Household Income Level	Owner Occupied Dwelling Units	Renter Occupied Dwelling Units	Total Dwellings	Attainable Housing Products
Upper (120% or more of MFI)	1,052	35	1,087	Standard Detached Homes
Upper Middle (80% to 120% of MFI)	345	203	548	Small Lot Homes, Townhomes, Apartments
Lower Middle (50% to 80% of MFI)	105	319	424	Townhomes, Cottage or Mfg'd. Homes, Plexes, Apartments
Low (less than 50% of MFI)	0	106	106	Govt. Assisted & Accessory Dwellings
Very Low (less than 30% of MFI)	0	45	45	Govt. Assisted Housing
Housing Units	1,502	709	2,211	
Plus Group Quarters Units	0	24	24	Transitional housing & congregate care
Total Dwelling Units	1,502	733	2,235	

Source: estimates based on prior tables and stated assumptions.

This housing needs forecast will serve as the basis for forecasting residential land needs for the Canby Urban Growth Boundary.