CITY OF HAPPY VALLEY, OR

HOUSING CAPACITY ANALYSIS
(OREGON STATEWIDE PLANNING GOAL 10)

20-YEAR HOUSING NEED
2020 - 2040

February 2020

JOHNSON ECONOMICS

Acknowledgments

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City Staff
Michael D. Walter, AICP - Economic and Community Development Director
Joseph Briglio, Planning Manager

Advisory Committees

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Consultants
Angelo Planning Group
Johnson Economics

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City of Happy Valley
16000 SE Misty Drive
Happy Valley, OR 97086
(503) 783-3800

Johnson Economics
621 SW Alder Street
Suite 605
Portland, OR 97205
(503) 295-7832

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I. INTRODUCTION

This analysis outlines a forecast of housing need within the City of Happy Valley. Housing need and resulting land need are forecast to 2040 consistent with 20-year need assessment requirements of Oregon Revised Statutes.[1] This report presents a housing need analysis (presented in number and types of housing units) and a residential land need analysis, based on those projections.

The primary data sources used in generating this forecast were:

- Portland State University Population Research Center
- Metro
- U.S. Census
- Environics Analytics Inc.[2]
- Oregon Employment Department
- City of Happy Valley
- Clackamas County
- Other sources are identified as appropriate.

This analysis relies heavily on Census data from both the Decennial Census, and the American Community Survey (ACS). Generally, data from the ACS has a larger statistical margin of error than the 10-year Census. This analysis relies whenever possible on the most recent ACS 5-year estimates. The 5-year estimates have the lowest margin of error in comparison to the ACS 3-year and 1-year estimates. All Census data feature some margin of error but remain the best source of data available on many demographic and housing subjects.

II. CITY OF HAPPY VALLEY DEMOGRAPHIC PROFILE

SUMMARY

The following table (Figure 2.1) presents a profile of City of Happy Valley demographics from the 2000 and 2010 Census. It also reflects the estimated population of this area as of 2019 from PSU estimates, forecasted forward to 2020 using the growth rate since 2010.

- Happy Valley is a City of nearly 23,000 people located in Clackamas County on the eastern side of the Portland metropolitan area.
- Based on estimated population, Happy Valley is the 26th largest city in the state by population, similar in size to other regional cities such as Milwaukie, Newberg, and Woodburn. Happy Valley has about one fifth the population of neighboring Gresham, and two-thirds the population of Oregon City.
- Happy Valley has experienced rapid growth, quadrupling in population since 2000. In contrast, Clackamas County and the state experienced population growth of 25% and 24% respectively. (US Census and PSU Population Research Center)
- Happy Valley was home to an estimated 7,200 households in 2020, an increase of 5,900 households since 2000. The percentage of families has fallen from 90% of all households in 2000 to a still high 80% in 2020. The city

[1] ORS 197.628; OAR 660-025

[2] Environics Analytics Inc. is a third-party company providing data on demographics and market segmentation. It licenses data from the Nielson Company which conducts direct market research including surveying of households across the nation. Nielson combines proprietary data with data from the U.S. Census, Postal Service, and other federal sources, as well as local-level sources such as Equifax, Vallassis and the National Association of Realtors. Projections of future growth by demographic segments are based on the continuation of long-term and emergent demographic trends identified through the above sources.

has a much larger share of family households than Clackamas County (69%) and the state (63%). Average household size is estimated to have fallen during this period but remains high compared to Clackamas County.

- Happy Valley's estimated average household size is 3.2 persons. This is significantly higher than the Clackamas County average of 2.6 and greater than the statewide average of 2.5.

FIGURE 2.1: HAPPY VALLEY DEMOGRAPHIC PROFILE

POPULATION, HOUSEHOLDS, FAMILIES, AND YEAR-ROUND HOUSING UNITS					
	2000 (Census)	2010 (Census)	Growth 00-10	2020 (PSU)	Growth 10-20
Population[1]	4,519	13,903	208%	22,800	64%
Households[2]	1,290	4,408	242%	7,185	63%
Families[3]	1,168	3,724	219%	5,733	54%
Housing Units[4]	1,500	4,058	171%	7,648	88%
Group Quarters Population[5]	0	29	100%	253	772%
Household Size (non-group)	*3.16*	*3.39*	7%	*3.14*	-7%
Avg. Family Size	*3.28*	*3.61*	10%	*3.46*	-4%
PER CAPITA AND MEDIAN HOUSEHOLD INCOME					
	2000 (Census)	2010 (Census)	Growth 00-10	2020 (Proj.)	Growth 10-20
Per Capita ($)	na	$35,398	na	$51,333	45%
Median HH ($)	na	$96,655	na	$124,968	29%

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

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

1 From PSU Population Research Center, growth rate 2000-2019 extended to 2020

2 2020 Households = (2020 population - Group Quarters Population)/2020 HH Size

3 Ratio of 2020 Families to total HH is based on 2018 ACS 5-year Estimates

4 2020 housing units are the '10 Census total plus new units permitted from '10 through '20 (source: Census, City)

5 Ratio of 2020 Group Quarters Population to Total Population is kept constant from 2010.

A. POPULATION GROWTH

Since 2000, Happy Valley has grown by over 18,000 people within the UGB, or 400% in 20 years. This was much higher than the countywide rate of growth. Clackamas County as a whole has grown an estimated 25% since 2000, while other cities in the county such as West Linn and Oregon City grew by 16% and 38% respectively. Portland's population grew by an estimated 17% during this period (PSU Population Research Center).

B. HOUSEHOLD GROWTH & SIZE

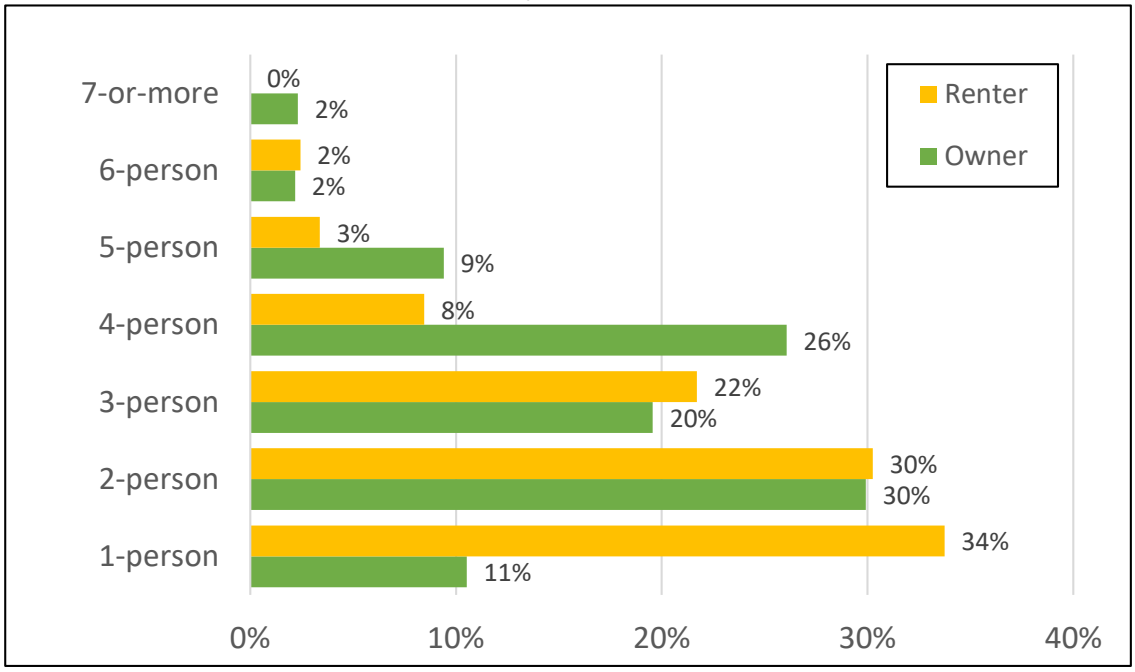
As of 2020, the city has an estimated 7,200 households. Since 2000, Happy Valley has added an estimated 5,900 households. This is an average of roughly 295 households annually during this period. The growth since 2000 has roughly kept pace with the growth in new housing units, which have been permitted at the rate of roughly 305 units per year.

There has been a general trend in Oregon and nationwide towards declining household size as birth rates have fallen, more people have chosen to live alone, and the Baby Boomers have become "empty nesters." While this trend of diminishing household size is expected to continue nationwide, there are limits to how far the average can fall.

Happy Valley's average household size of 3.2 people, with 80% family households, is still much higher than Clackamas County (2.6; 69%).

Figure 2.2 shows the share of households by the number of people for renter and owner households in 2018 (latest data available), according to the Census. Renter households are more likely to have three or fewer persons. Owner households are more likely to have three or more persons. Household size correlates to housing needs.

FIGURE 2.2: NUMBER OF PEOPLE PER HOUSEHOLD, CITY OF HAPPY VALLEY



SOURCE: US Census, JOHNSON ECONOMICS LLC
Census Tables: B25009 (2018 ACS 5-yr Estimates)

C. FAMILY HOUSEHOLDS

As of the 2010 Census, 80% of Happy Valley households were family households, down from 90% of households in 2000, but still a high share. The total number of family households in Happy Valley is estimated to have grown by over 4,500 since 2000. The Census defines family households as two or more persons, related by marriage, birth or adoption and living together. In 2020, family households in Happy Valley had an average size of 3.5 people.

D. GROUP QUARTERS POPULATION

The City of Happy Valley has an estimated group quarters population of 1.1% of the total population, or 253 persons. Group quarters include such shared housing situations as nursing homes, prisons, dorms, group residences, military housing, or shelters. For the purposes of this analysis, these residents are removed from the estimated population total, before determining the amount of other types of housing that are needed for non-group households. In Happy Valley, most group quarters are found in assisted living facilities, many of which have been developed in recent years. In addition to those counted in Figure 2.1, at the time of this report there are an estimated that there are at least an additional 380 group quarter units/beds under development.

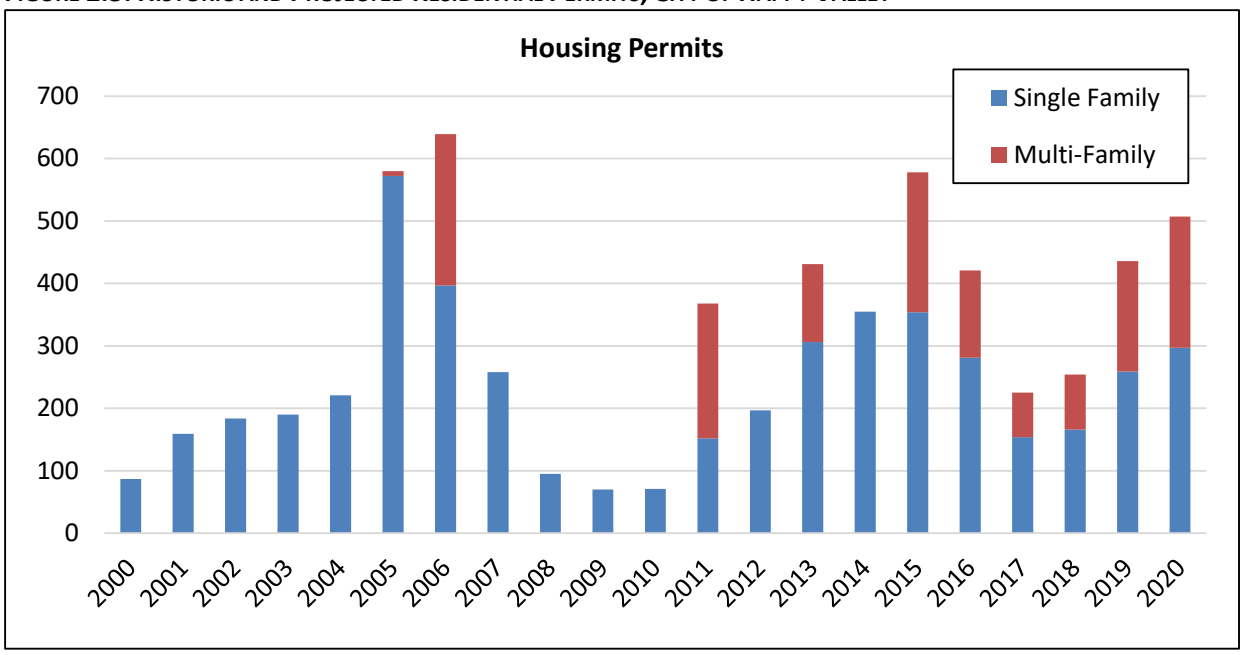
E. HOUSING UNITS

Data from the City of Happy Valley and the US Census indicate that the city added roughly 6,150 new housing units since 2000, representing 410% growth in the housing stock. This number of new units is slightly higher than the growth in new households estimated during the same period (5,900), indicating that housing growth has kept pace with growing need.

As of 2020, the city had an estimated housing stock of roughly 7,650 units for its 7,200 estimated households. This translates to an estimated average vacancy rate of 6%.

Residential Permits: An average of 305 units have been permitted annually since 2000, with 24% being multi-family units. Most multi-family housing in Happy Valley has been built in the last decade.

FIGURE 2.3: HISTORIC AND PROJECTED RESIDENTIAL PERMITS, CITY OF HAPPY VALLEY

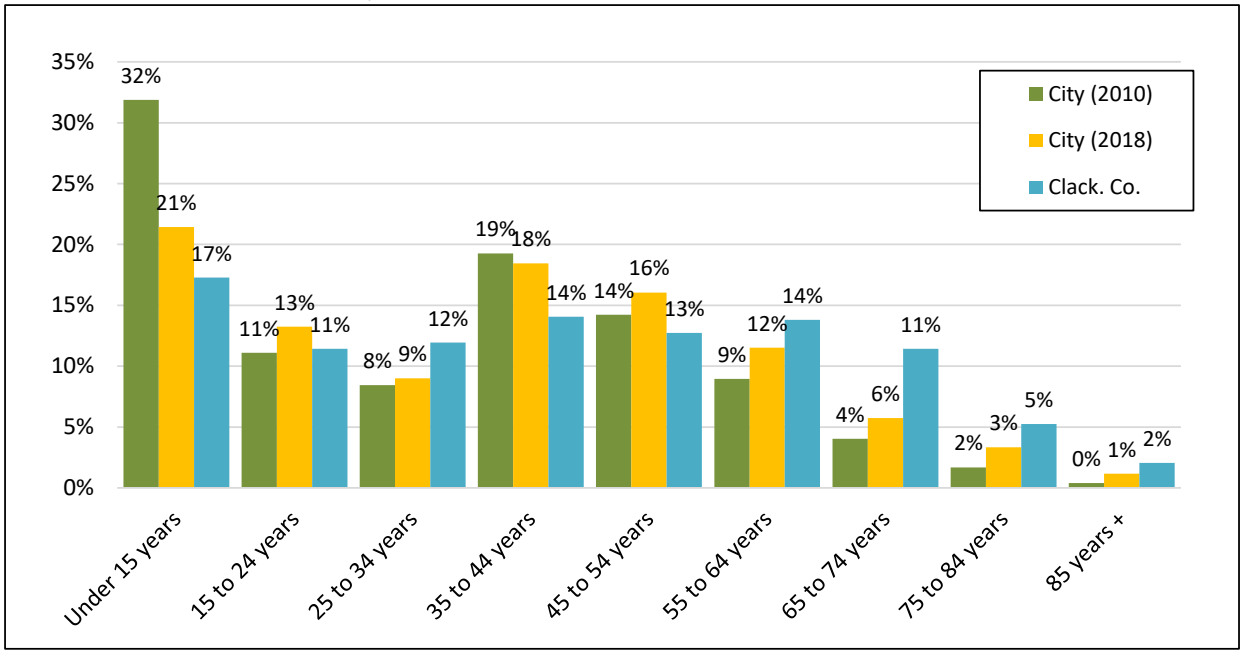


SOURCE: HUD

F. AGE TRENDS

The following figure shows the share of the population falling in different age cohorts between the 2000 Census and the most recent 5-year American Community Survey estimates. As the chart shows, there is a general trend for middle age and young cohorts to fall as share of total population, while older cohorts have grown in share. This is in keeping with the national trend caused by the aging of the Baby Boom generation. Overall, Happy Valley has a younger population than the county, with a greater share of children, but a smaller share of those aged 25 to 34 years.

FIGURE 2.4: AGE COHORT TRENDS, 2000 - 2018



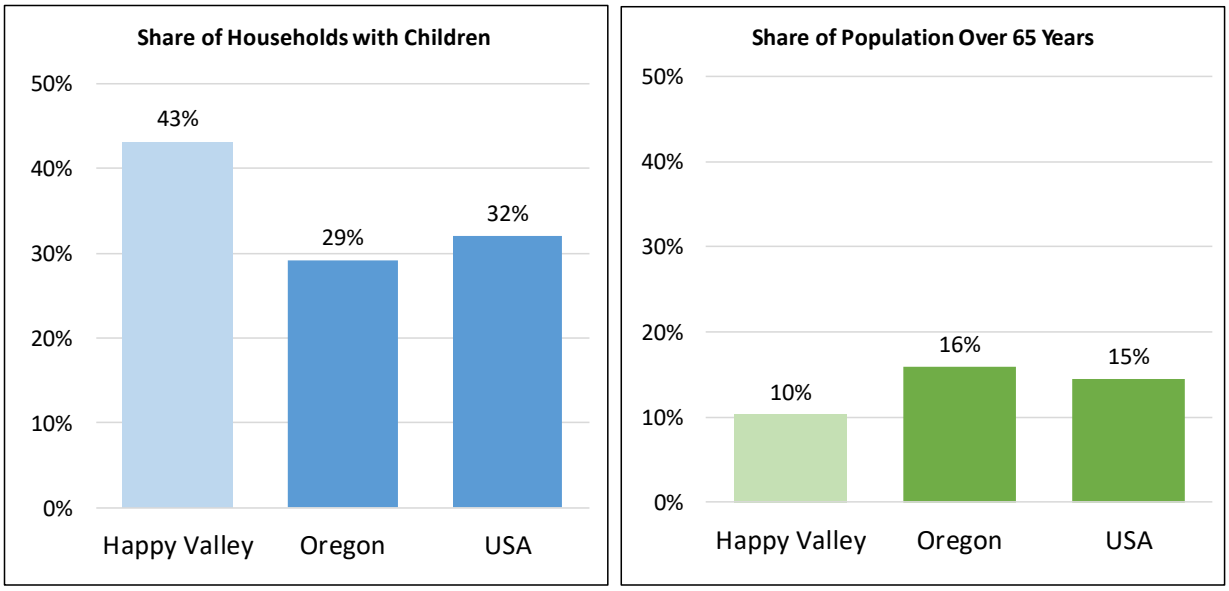
SOURCE: US Census, JOHNSON ECONOMICS LLC

Census Tables: QT-P1 (2000); S0101 (2018 ACS 5-yr Estimates)

- The cohorts which grew the most in share during this period were those aged 55 to 74 years. Still, an estimated 90% of the population is under 65 years of age.
- In the 2018 ACS, the local median age was an estimated 39 years, compared to 38 years in Oregon.

Figure 2.5 presents the share of households with children, and the share of population over 65 years for comparison. Compared to state and national averages, Happy Valley has a higher share of households with children. At 10%, the share of population over 65 is much lower than the state and national figures.

FIGURE 2.5: SHARE OF HOUSEHOLDS WITH CHILDREN/ POPULATION OVER 65 YEARS (HAPPY VALLEY)



SOURCE: US Census, JOHNSON ECONOMICS LLC
Census Tables: B11005; S0101 (2018 ACS 5-yr Estimates)

G. INCOME TRENDS

The following figure presents data on Happy Valley's income trends. (2000 Census data on income is not available for Happy Valley.)

FIGURE 2.6: INCOME TRENDS, 2000 – 2020

PER CAPITA AND MEDIAN HOUSEHOLD INCOME					
	2000 (Census)	2010 (Census)	Growth 00-10	2020 (Proj.)	Growth 10-20
Per Capita ($)	na	$35,398	na	$51,333	45%
Median HH ($)	na	$96,655	na	$124,968	29%

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

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

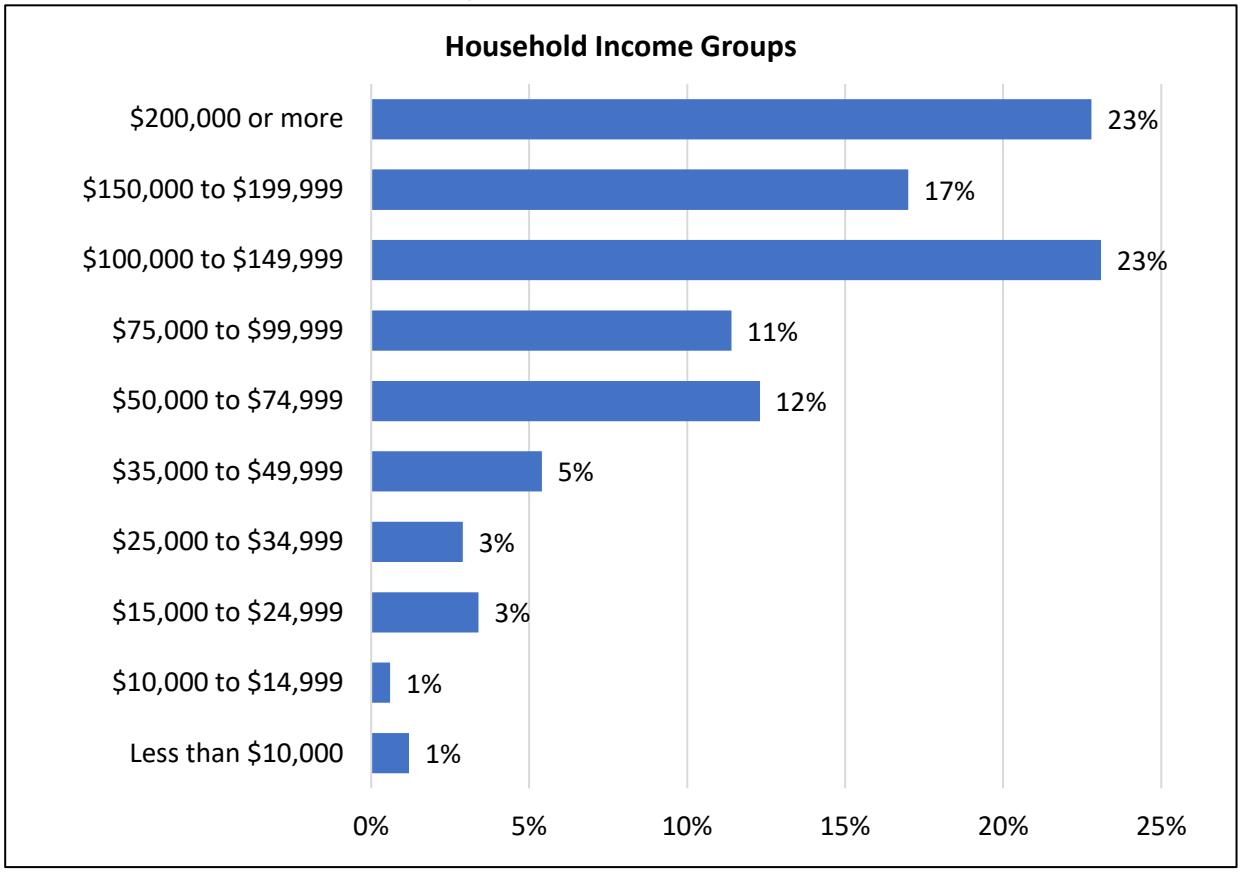
- Happy Valley's estimated median household income was $125,000 in 2020. This is 35% higher than the Clackamas County median of $80,500, and more than double the statewide median of $56,000.
- Happy Valley's per capita income is roughly $51,000.

- Median income has grown an estimated 29% between 2010 and 2019, in real dollars. Inflation was an estimated 18% over this period, so the local median income has well exceeded inflation. This is not the case in many regions and nationally, where income growth has not kept pace with inflation.

Figure 2.7 presents the estimated distribution of households by income as of 2018. The largest income cohorts are those households earning between $100k and $150k, followed by households earning over $200k. Sixty-three percent of households earn more than $100,000.

- Only 13% of households earn less than $50k per year, while 87% of households earn $50k or more.
- Only 5% of households earn less than $25k per year.

FIGURE 2.7: HOUSEHOLD INCOME COHORTS, 2018



SOURCE: US Census, Census Tables: S1901 (2018 ACS 5-yr Est.)

H. POVERTY STATISTICS

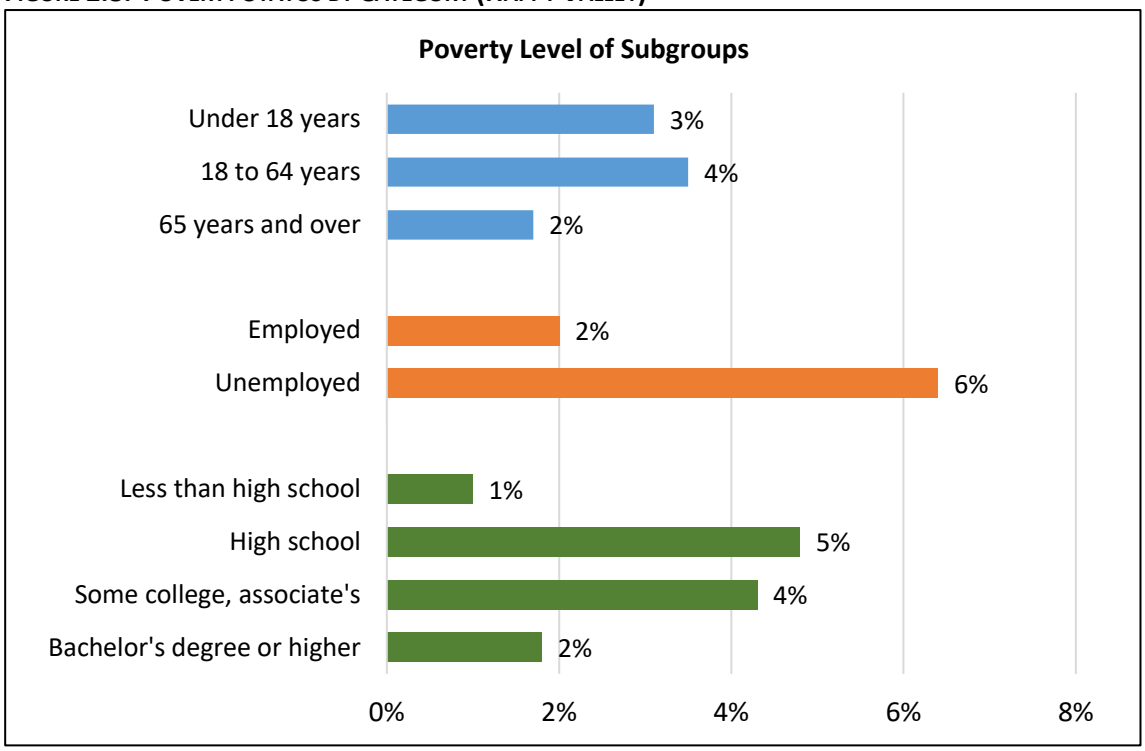
According to the US Census, the official poverty rate in Happy Valley is an estimated 3% over the most recent period reported (2018 5-year estimates).[3] This is roughly 650 individuals in Happy Valley. In comparison, the official poverty rate in Clackamas County is 9%, and at the state level is 17%. In the 2014-18 period:

- The Happy Valley poverty rate is low among all groups, but highest among those under 65 years of age at 4%. The rate is 2% among those over 65 years of age. The estimated rate is lowest for children at 3%.
- For those with only a high school diploma, the poverty rate is 5%.
- Among those who are employed the poverty rate is 2%, while it is 6% for those who are unemployed.

[3] Census Tables: S1701 (2018 ACS 5-yr Estimates)

Information on affordable housing is presented in Section II F of this report.

FIGURE 2.8: POVERTY STATUS BY CATEGORY (HAPPY VALLEY)



SOURCE: US Census
Census Tables: S1701 (2018 ACS 5-yr Est.)

I. EMPLOYMENT LOCATION TRENDS

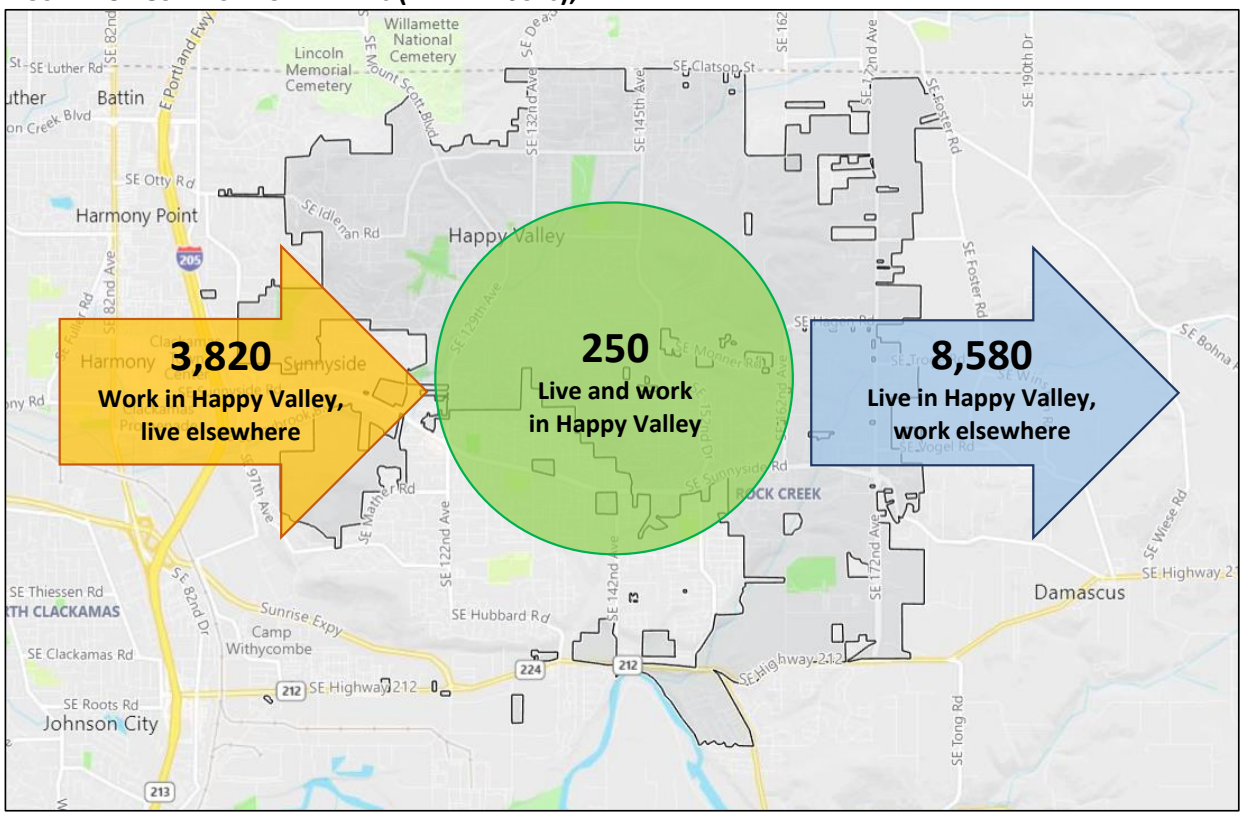
This section provides an overview of employment and industry trends in Happy Valley that are related to housing.

Commuting Patterns: The following figure shows the inflow and outflow of commuters to Happy Valley according to the Census Employment Dynamics Database. These figures reflect "covered employment" as of 2017, the most recent year available. Covered employment refers to those jobs where the employee is covered by federal unemployment insurance. This category does not include many contract employees and self-employed and therefore is not a complete picture of local employment. The figure discussed here is best understood as indicators of the general pattern of commuting and not exact figures.

As of 2017, the most recent year available, the Census estimated there were roughly 4,070 covered employment jobs located in Happy Valley. Of these, an estimated 250 or 6%, are held by local residents, while over 3,800 employees commute into the city from elsewhere. This general pattern is fairly common among many communities in the Metro area, but the pattern is particularly stark here. The most common homes of local workers commuting into the city are Portland or Gresham.

Similarly, of the estimated 8,830 employed Happy Valley residents, 97% of them commute elsewhere to their employment. The most common destinations for Happy Valley commuters are Portland, Gresham and Beaverton. Smaller shares work elsewhere in the Portland metro or in the mid-Willamette Valley.

FIGURE 2.9: COMMUTING PATTERNS (PRIMARY JOBS), HAPPY VALLEY



Source: US Census Longitudinal Employer-Household Dynamics

Jobs/Household Ratio: Happy Valley features a low jobs-to-households ratio. There are an estimated 4,070 jobs in Happy Valley (covered), and an estimated 7,200 households in Happy Valley. This represents 0.6 jobs per household. There is no standard jobs-to-households ratio that is right for all communities, but it can provide a guide to the balance between employment uses and residential uses in the city.

There is an average of 1.2 jobs held for each Happy Valley households, a majority of which are located outside the city.

III. CURRENT HOUSING CONDITIONS

This section presents a profile of the current housing stock and market indicators in Happy Valley. This profile forms the foundation to which current and future housing needs will be compared.

A. HOUSING TENURE

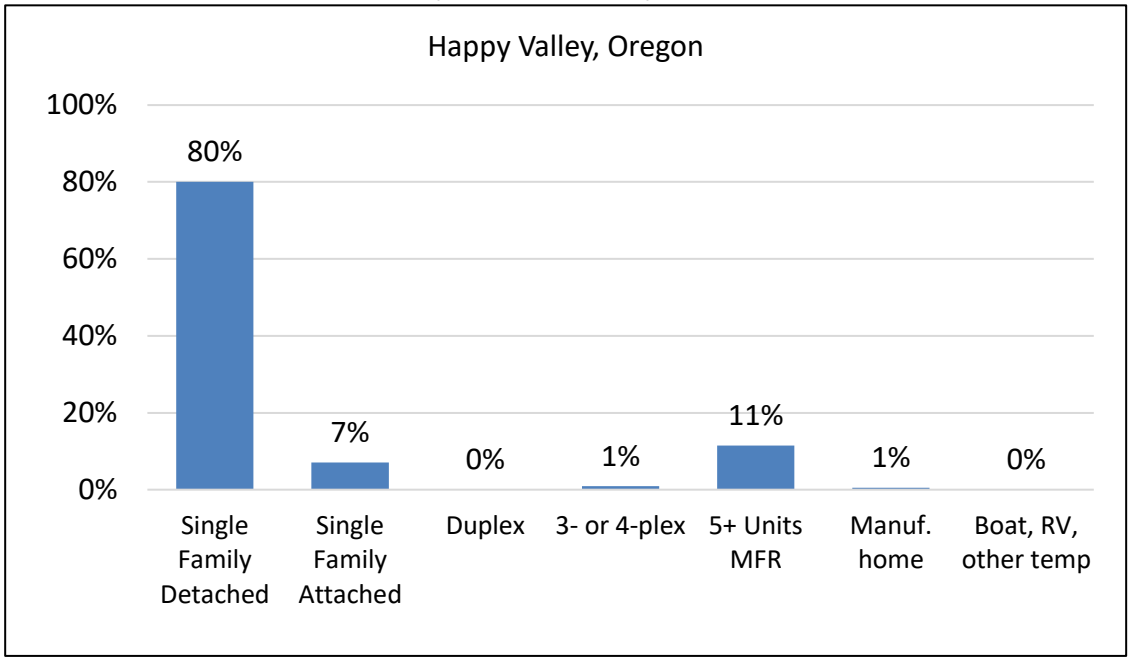
Happy Valley has a much greater share of homeowner households than renter households. The 2018 American Community Survey estimates that 83% of occupied units were owner occupied, and only 17% renter occupied. The ownership rate has fallen since 2000 (97%) when the smaller city had many fewer multi-family properties. During this period the statewide rate fell to 61%. Nationally, the homeownership rate has fallen towards the historical average of 65%, after climbing from the late 1990's to 2004.

The estimated ownership rate is lower across Clackamas County (69%) and statewide (61%).

B. HOUSING STOCK

As shown in Figure 2.1, Happy Valley had an estimated 7,650 housing units in 2020, with a vacancy rate of 6% (includes ownership and rental units). The housing stock has increased by roughly 6,150 units since 2000, or growth of over 400%.

FIGURE 3.1: ESTIMATED SHARE OF UNITS, BY PROPERTY TYPE, 2018



SOURCE: US Census, City of Happy Valley

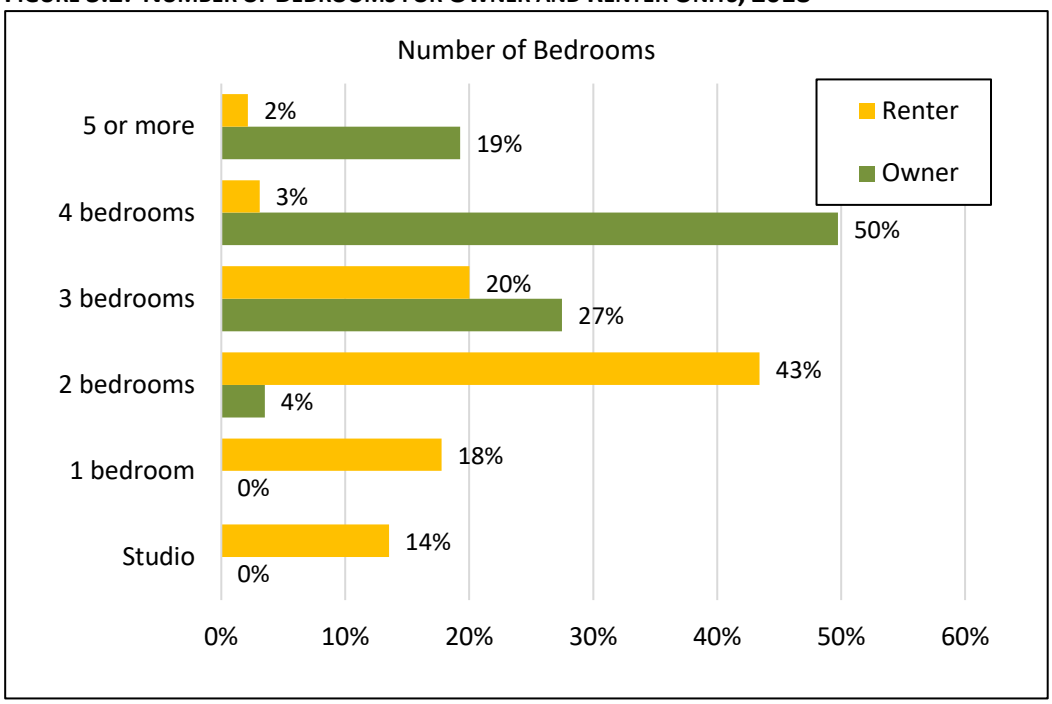
Figure 3.1 shows the estimated number of units by type in 2020 based on US Census. Detached single-family homes represent an estimated 80% of housing units.

Units in larger apartment complexes of 5 or more units represent only 11% of units, and other types of attached homes represent 8% of units. (Attached single family generally includes townhomes, and some 2 to 4-plexes which are separately metered.) Manufactured homes represent 1% of the inventory.

C. NUMBER OF BEDROOMS

Figure 3.2 shows the share of units for owners and renters by the number of bedrooms they have. In general, owner-occupied units are much more likely to have three or more bedrooms, while renter-occupied units are much more likely to have two or fewer bedrooms.

FIGURE 3.2: NUMBER OF BEDROOMS FOR OWNER AND RENTER UNITS, 2018



SOURCE: US Census
Census Tables: B25042 (2018 ACS 5-year Estimates)

D. UNIT TYPES BY TENURE

As Figure 3.3 and 3.4 show, a large share of owner-occupied units (92%), are detached homes, which is related to why owner-occupied units tend to have more bedrooms. Renter-occupied units are much more distributed among a range of structure types. About 23% of rented units are estimated to be detached homes or manufactured homes, while the remainder are some form of attached unit. Nearly 66% of rental units are in larger apartment complexes.

FIGURE 3.3: CURRENT INVENTORY BY UNIT TYPE, FOR OWNERSHIP AND RENTAL HOUSING

OWNERSHIP HOUSING

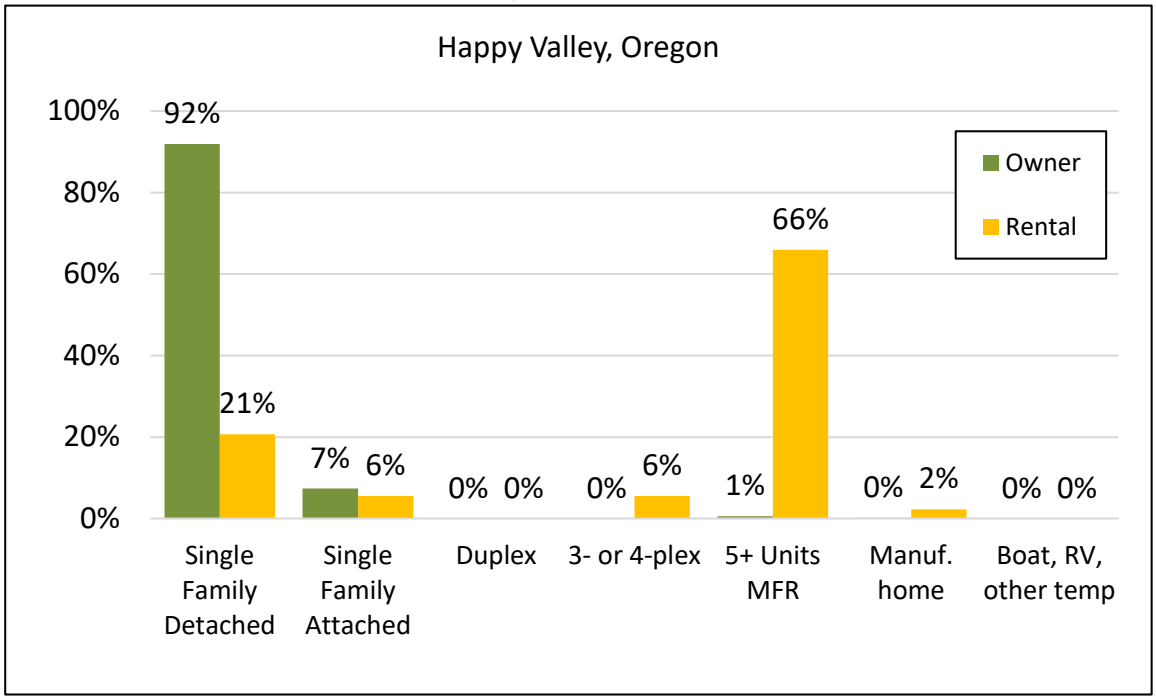
OWNERSHIP HOUSING								
Price Range	Single Family Detached	Single Family Attached	Duplex	3- or 4-plex	5+ Units MFR	Manuf. home	Boat, RV, other temp	Total Units
Totals:	5,859	469	0	0	37	10	0	6,375
Percentage:	91.9%	7.4%	0.0%	0.0%	0.6%	0.2%	0.0%	100%

RENTAL HOUSING

RENTAL HOUSING								
Price Range	Single Family Detached	Single Family Attached	Duplex	3- or 4-plex	5+ Units MFR	Manuf. home	Boat, RV, other temp	Total Units
Totals:	263	71	0	71	840	29	0	1,273
Percentage:	20.7%	5.5%	0.0%	5.5%	66.0%	2.3%	0.0%	100%

Sources: US Census, JOHNSON ECONOMICS, CITY OF HAPPY VALLEY

FIGURE 3.4: CURRENT INVENTORY BY UNIT TYPE, BY SHARE

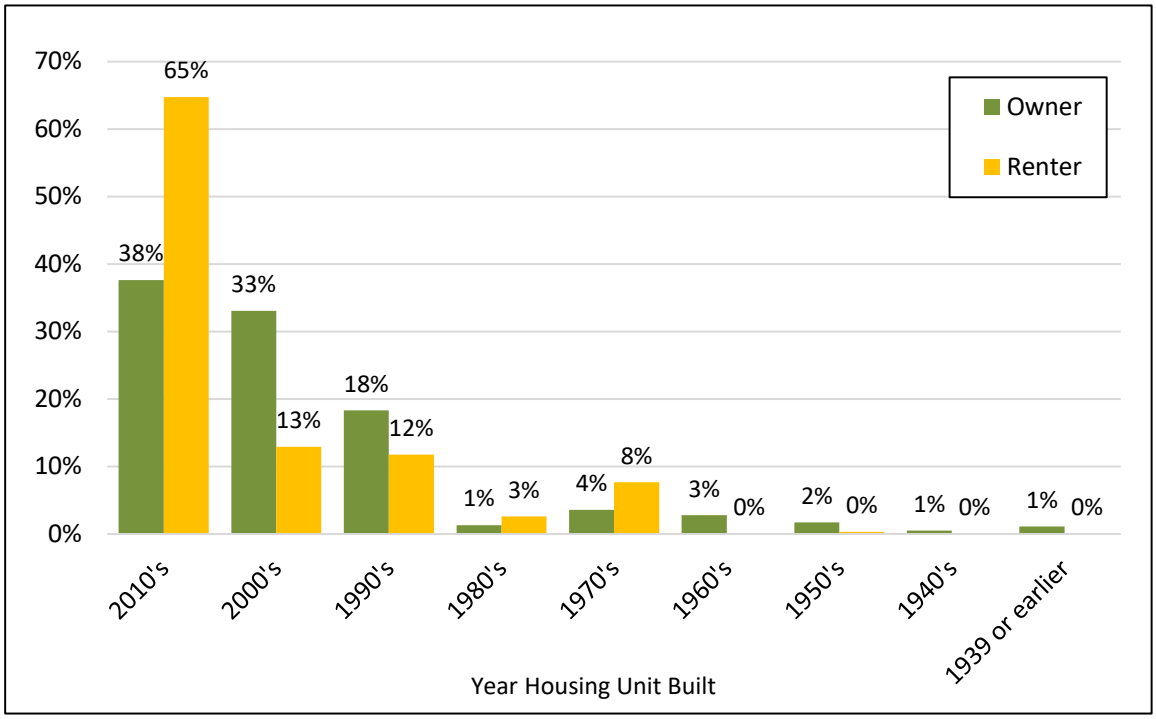


Sources: US Census, JOHNSON ECONOMICS, CITY OF HAPPY VALLEY

E. AGE AND CONDITION OF HOUSING STOCK

Happy Valley's housing stock reflects the pattern of development over time. In this fast-growing community, almost three-fourths, or 72%, of the housing stock has been built since 2000 with the remainder being pre-2000. The single largest share of housing stock has been built over the last decade, roughly 3,800 units.

FIGURE 3.5: AGE OF UNITS FOR OWNERS AND RENTERS



SOURCE: US Census
Census Tables: B25036 (2018 ACS 5-year Estimates)

- Unfortunately, good quantitative data on housing condition is generally unavailable without an intensive on-site survey of all local housing that is beyond the scope of this analysis. Census categories related to housing condition are ill-suited for this analysis, dealing with such issues as units without indoor plumbing, which was more common in the mid-20th Century, but is an increasingly rare situation. Age of units serves as the closest reliable proxy for condition with available data.
- For ownership units, older homes may be in poor condition, but are also more likely to have undergone some repair and renovation over the years. Rental units are more likely to degrade steadily with age and wear-and-tear, and less likely to receive sufficient reinvestment to keep them in top condition, though this is not universally true.

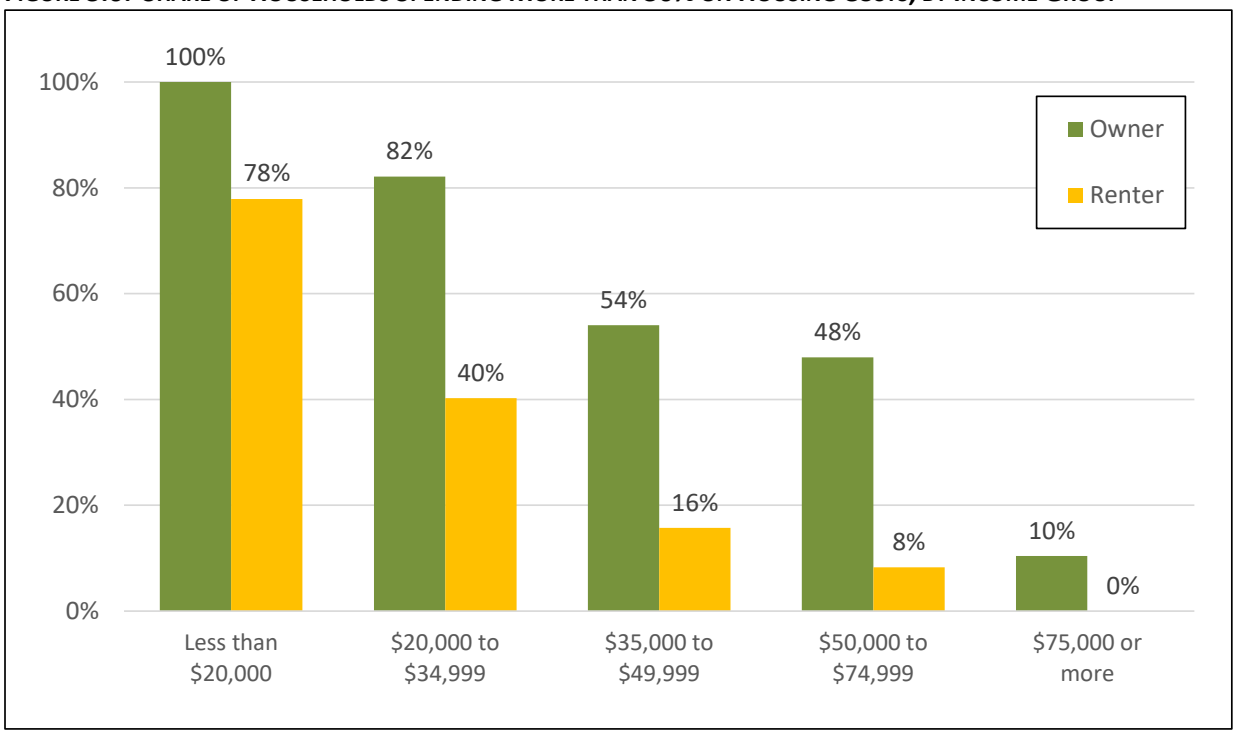
F. Housing Costs vs. Local Incomes

Figure 3.6 shows the share of owner and renter households who are paying more than 30% of their household income towards housing costs, by income segment. (Spending 30% or less on housing costs is a common measure of "affordability" used by HUD and others, and in the analysis presented in this report.)

As one would expect, households with lower incomes tend to spend more than 30% of their income on housing, while incrementally fewer of those in higher income groups spend more than 30% of their incomes on housing costs. Of those earning less than $20,000, an estimated 78% of owner households spend more than 30% of income on housing costs and 100% of renters. Because Happy Valley has an income distribution skewed towards higher income levels, there are relatively few households in these lower income segments, compared to most other cities.

In total, the US Census estimates that over 23% of Happy Valley households pay more than 30% of income towards housing costs (2018 American Community Survey, B25106)

Figure 3.6: Share of Households Spending More than 30% on Housing Costs, by Income Group



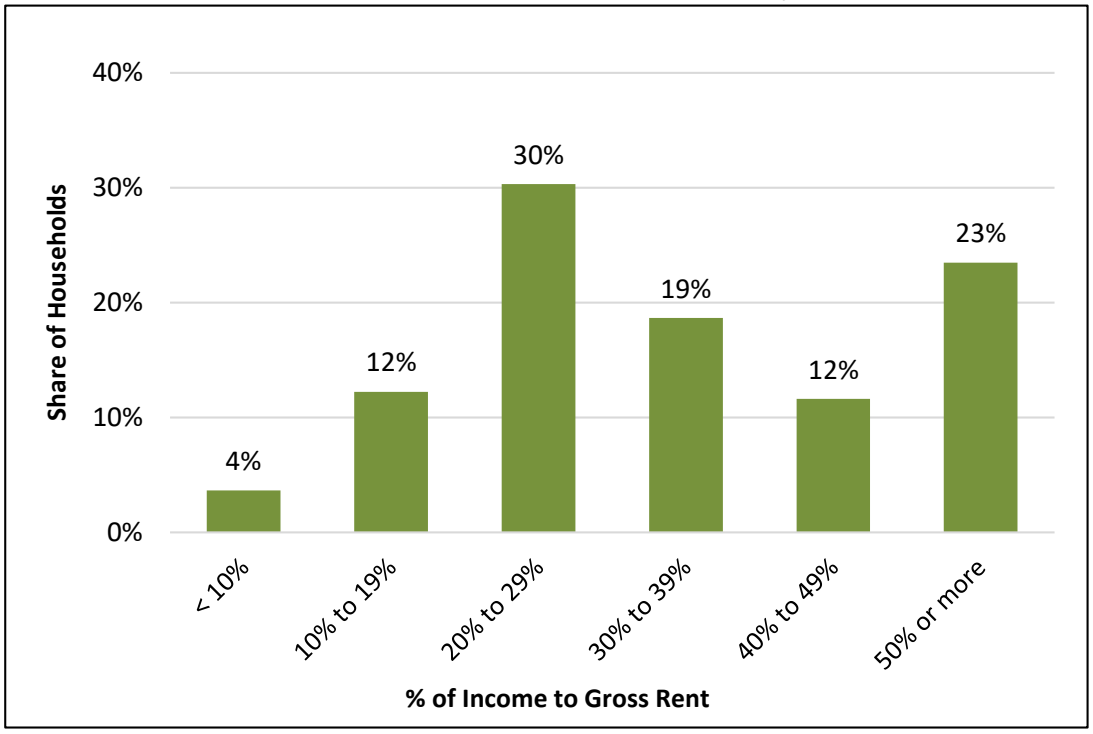
Sources: US Census, Johnson Economics
Census Table: B25106 (2018 ACS 5-yr Estimates)

Housing is generally one of a household's largest living costs, if not the largest. The ability to find affordable housing options, and even build wealth through ownership, is one of the biggest contributors to helping lower income households save and cultivate wealth. Even if renting, affordable housing costs, allow for more household income to be put to other needs, including saving.

The following figures shows the percentage of household income spent towards gross rent[4] for local renter households only. This more fine-grained data shows that not only are 55% of renters spending more than 30% of their income on gross rent, but an estimated 23% of renters are spending 50% or more of their income on housing and are considered severely rent-burdened.

Renters are disproportionately lower income relative to homeowners. Housing cost burdens are felt more broadly for these households, and as the analysis presented in a later section shows there is a need for more affordable rental units in Happy Valley, as in most communities.

FIGURE 3.7: PERCENTAGE OF HOUSEHOLD INCOME SPENT ON GROSS RENT, HAPPY VALLEY RENTER HOUSEHOLDS



Sources: US Census, JOHNSON ECONOMICS
Census Table: B25070 (2018 ACS 5-yr Estimates)

G. PUBLICLY ASSISTED HOUSING

The first large-sized, subsidized apartment project is currently planned in Happy Valley. The Good Shepard Village will offer 142 subsidized units in a multi-family format, including units reserved for veterans and/or seniors, and permanent affordable housing for those who have experienced homelessness. This project will help meet current and future need for affordable housing options for lower-income households.

The Housing Authority of Clackamas County administers over 1,600 Section 8 housing choice vouchers that allow low-income participants to find rental units to anywhere in the county. Under this program, the renters can find participating landlords and the voucher helps to subsidize the cost of a market-rate rental unit. The unit does not have to be in a property dedicated to subsidized affordable housing but can be in any rental property. As of this report, there are an estimated 212 of these vouchers in use by low-income households in Happy Valley.

There are also many subsidized properties in the nearby Clackamas Town Center area to the west of Happy Valley, but not within the city, according to Oregon Housing and Community Development (OHCS). These are properties that are funded through HUD programs, tax credits and other programs which guarantee subsidized rents for qualified households.

[4] The Census defines Gross Rent as "the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or paid for the renter by someone else)." Housing costs for homeowners include mortgage, property taxes, insurance, utilities and condo or HOA dues.

The high share of renters paying over 30% of their income towards housing costs indicates that there is an ongoing need for rental units at the lowest price points.

Agricultural Worker Housing: Happy Valley is not currently home to properties dedicated to agricultural workers. This population may also be served by other available affordable units.

Homelessness:
A Point-in-Time count of homeless individuals in Clackamas County conducted in January of 2019 found 1,166 homeless individuals on the streets, in shelters, or other temporary and/or precarious housing. This number was 2,196 individuals in the 2015 count, indicating that the rate of homelessness has fallen significantly as the economy has recovered since 2010. *These figures are for the entire county.*[5] In 2019, this included:

- 50% of those counted were in emergency shelter, warming shelter, or transitional housing programs;
- 18% people living in doubled-up or unstable housing;
- 32% people unsheltered;
- 454 were chronically homeless.

- An estimated 63% of those counted were male, 37% female, and 2% transgender or non-binary.
- Children under the age of 18 made up 8% of those counted, at 98 individual children.

While the Point-in-Time count is one of the few systematized efforts to count homelessness across the country in a regular, structured way, it is widely thought to undercount the population of homeless and precarious households. In addition, to the impossibility of finding all homeless people on the streets, the count is conducted in late January, when homeless counts are likely near their lowest of the year due to the inclement weather, and relies on self-reporting. A 2017 study conducted by Portland State University estimated over 38,000 homeless individuals in the tri-county metro area at that time. Given that Clackamas County is one of only three counties in the estimate, it most certainly had well more than 2,000 homeless individuals by that estimate.

A recent analysis prepared for OHCS to test a potential approach for preparing Housing Needs Analyses on a regional basis, included estimates of homeless population in Oregon communities, including Happy Valley. The approach utilizes a combination of data from the bi-annual Point-in-Time count and from tracking of homeless school-aged children in keeping with the McKinney-Vento Act. The analysis estimates 75 homeless households in Happy Valley as of mid-2020. These include household who are unsheltered, in temporary shelter, or staying with friends or relatives. These households are a component of current and future housing need.

An analysis of the ability of current and projected housing supply to meet the needs of low-income people, and the potential shortfall is included in the following sections of this report.

[5] Figures via Clackamas County Health, Housing, and Human Services, and North Clackamas School District

IV. CURRENT HOUSING NEEDS (CITY OF HAPPY VALLEY)

The profile of current housing conditions in the study area is based on Census 2010, which the Portland State University Population Research Center (PRC) uses to develop yearly estimates through 2019. The 2019 estimate is forecasted to 2020 using the estimated growth rate realized since 2010.

FIGURE 4.1: CURRENT HOUSING PROFILE (2020)

CURRENT HOUSING CONDITIONS (2020)			SOURCE
Total 2020 Population:	22,800		PSU Pop. Research Center
- Estimated group housing population:	48	(0.2% of Total)	US Census
Estimated Non-Group 2020 Population:	**22,753**	(Total - Group)	
Avg. HH Size:	3.17		US Census
Estimated Non-Group 2020 Households:	**7,185**	(Pop/HH Size)	
Total Housing Units:	**7,648**	(Occupied + Vacant)	Census 2010 + permits
Occupied Housing Units:	7,185	(= # of HH)	
Vacant Housing Units:	463	(Total HH - Occupied)	
Current Vacancy Rate:	6.1%	(Vacant units/ Total units)	

Sources: Johnson Economics, City of Happy Valley, PSU Population Research Center, U.S. Census

*This table reflects population, household and housing unit projections shown in Figure 2.1

We estimate a current population of roughly 22,750 residents, living in 7,185 households (excluding group living situations). Average household size is 3.2 persons.

There are an estimated 7,650 housing units in the city, indicating an estimated vacancy rate of 6%. This includes units vacant for any reason, not just those which are currently for sale or rent.

ESTIMATE OF CURRENT HOUSING DEMAND

Following the establishment of the current housing profile, the current housing demand was determined based upon the age and income characteristics of current households.

The analysis considered 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 combining data on tenure by age and tenure by income from the Census American Community Survey (tables: B25007 and B25118, 2018 ACS 5-yr Estimates).

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 was 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.

While the Census estimates that most low-income households pay more than 30% of their income for housing, this is an estimate of current *preferred* demand. It assumes that low-income households prefer (or demand) units affordable to them at no more than 30% of income, rather than more expensive units.

Figure 4.2 presents a snapshot of current housing demand (i.e. preferences) equal to the number of households in the study area (7,185). The breakdown of tenure (owners vs. renters) reflects data from the 2018 ACS.

FIGURE 4.2: ESTIMATE OF CURRENT HOUSING DEMAND (2020)

Ownership				
Price Range	**# of Households**	**Income Range**	**% of Total**	**Cumulative**
$0k - $80k	152	Less than $15,000	2.6%	2.6%
$80k - $130k	128	$15,000 - $24,999	2.2%	4.9%
$130k - $190k	112	$25,000 - $34,999	1.9%	6.8%
$190k - $250k	262	$35,000 - $49,999	4.6%	11.4%
$250k - $330k	638	$50,000 - $74,999	11.1%	22.5%
$330k - $390k	784	$75,000 - $99,999	13.7%	36.1%
$390k - $470k	997	$100,000 - $124,999	17.4%	53.5%
$470k - $540k	1,051	$125,000 - $149,999	18.3%	71.8%
$540k - $710k	1,453	$150,000 - $199,999	25.3%	97.1%
$710k +	169	$200,000+	2.9%	100.0%
Totals:	**5,745**		**% of All:**	**80.0%**

Rental				
Rent Level	**# of Households**	**Income Range**	**% of Total**	**Cumulative**
$0 - $400	95	Less than $15,000	6.6%	6.6%
$400 - $700	123	$15,000 - $24,999	8.5%	15.1%
$700 - $900	100	$25,000 - $34,999	7.0%	22.1%
$900 - $1200	214	$35,000 - $49,999	14.9%	36.9%
$1200 - $1600	458	$50,000 - $74,999	31.8%	68.8%
$1600 - $1900	285	$75,000 - $99,999	19.8%	88.5%
$1900 - $2200	63	$100,000 - $124,999	4.4%	92.9%
$2200 - $2500	67	$125,000 - $149,999	4.7%	97.6%
$2500 - $3400	31	$150,000 - $199,999	2.2%	99.7%
$3400 +	4	$200,000+	0.3%	100.0%
Totals:	**1,440**		**% of All:**	**20.0%**

All Households
7,185

Sources: PSU Population Research Center, Environics Analytics., Census, JOHNSON ECONOMICS
Census Tables: B25007, B25106, B25118 (2018 ACS 5-yr Estimates)
Environics Analytics: Estimates of income by age of householder

The estimated home price and rent ranges are irregular because they are mapped to the affordability levels of the Census income level categories. For instance, an affordable home for those in the lowest income category (less than $15,000) would have to cost $80,000 or less. Affordable rent for someone in this category would be $400 or less.

The affordable price level for ownership housing assumes 30-year amortization, at an interest rate of 5% (significantly more than the current rate, but in line with historic norms), with 15% down payment. These assumptions are designed to represent prudent lending and borrowing levels for ownership households. The 30-year mortgage commonly serves as the standard. In the 2000's, down payment requirements fell significantly, but standards have tightened somewhat since the 2008/9 credit crisis. While 20% is often cited as the standard for

most buyers, it is common for homebuyers, particularly first-time buyers, to pay significantly less than this using available programs.

Interest rates are subject to disruption from national and global economic forces, and therefore impossible to forecast beyond the short term. The 5% used here is roughly the average 30-year rate over the last 20 years. The general trend has been falling interest rates since the early 1980's, but coming out of the recent recession, many economists believe that rates cannot fall farther and must begin to climb as the Federal Reserve raises its rate over the coming years.

During the 2020 Covid-19 emergency, the Federal Reserve has again cut their benchmark funds rate to near zero, which has reduced mortgage rates moderately, but not dramatically. The economic uncertainty has the effect of making lenders more cautious, and this can balance the effect of a lower federal rate.

CURRENT HOUSING INVENTORY

The profile of current housing demand (Figure 4.2) represents the preference and affordability levels of households. In reality, the current housing supply (Figures 4.3 and 4.4 below) differs from this profile, meaning that some households may find themselves in housing units which are not optimal, either not meeting the household's own/rent preference, or being unaffordable (requiring more than 30% of gross income).

A profile of current housing supply in Happy Valley was estimated based on permit data from the City of Happy Valley and Census data from the most recently available 2018 ACS, which provides a profile of housing types (single family, attached, manufactured home, etc.), tenure, housing values, and rent levels. The 5-year estimates from the ACS were used because 3-year and 1-year estimates are not yet available for Happy Valley geography.

- An estimated 83% of housing units are ownership units, while an estimated 17% of housing units are rental units. This is different than the estimated demand profile shown in Figure 4.2, which estimated a somewhat higher demand for rental units over time. The inventory includes vacant units.

- 92% of ownership units are detached homes, and very few are manufactured homes. Twenty-three percent of rental units are either single family homes or manufactured homes, while 66% are in structures of 5 units or more.

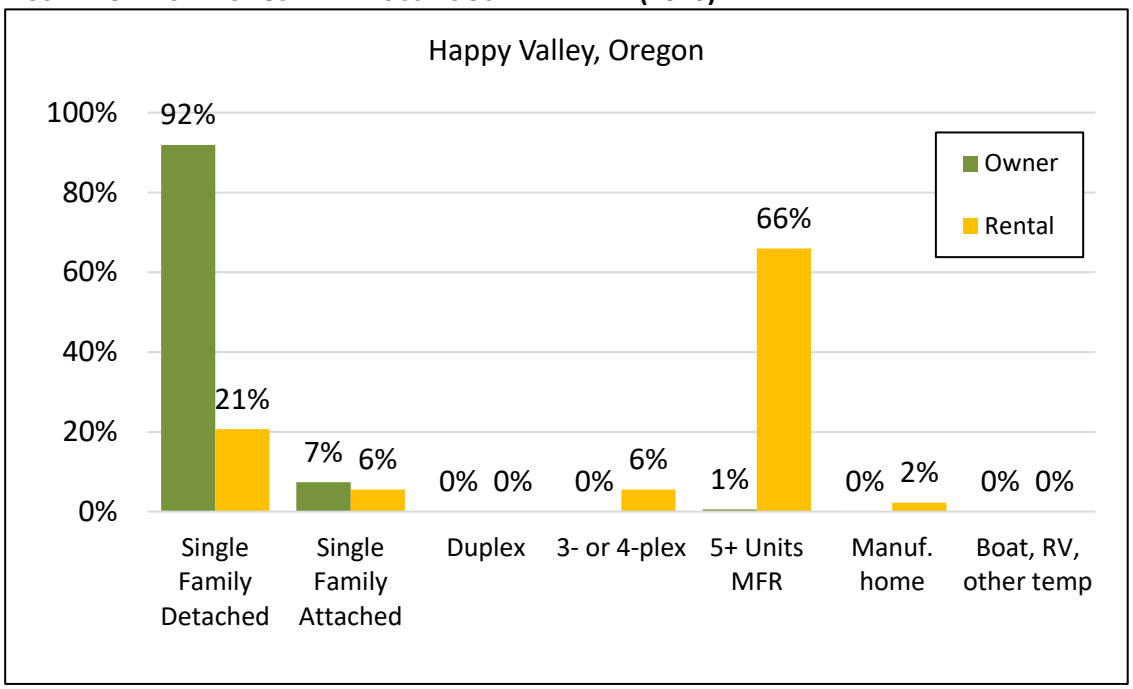
- Of total housing units, an estimated 80% are detached homes, and 1% are manufactured homes. Nineteen percent are some sort of attached unit type.

- The affordability of different unit types is an approximation based on Census data on the distribution of housing units by value (ownership) or gross rent (rentals).

- Most subsidized affordable housing units found in the city are represented by the inventory at the lowest end of the rental spectrum.

- Ownership housing found at the lower end of the value spectrum generally reflect older, smaller homes, or homes in poor condition on small or irregular lots. **It is important to note that these represent estimates of current *property value or current housing cost to the owner*, not the current market pricing of homes for sale in the city.** These properties may be candidates for redevelopment when next they sell but are currently estimated to have low value.

FIGURE 4.3: PROFILE OF CURRENT HOUSING SUPPLY BY TYPE (2020)



Sources: US Census, PSU Population Research Center, JOHNSON ECONOMICS
Census Tables: B25004, B25032, B25063, B25075 (2018 ACS 5-yr Estimates)

FIGURE 4.4: PROFILE OF CURRENT HOUSING SUPPLY, ESTIMATED AFFORDABILITY (2020)

Income Range	Ownership Housing		Rental Housing		Share of Total Units
	Affordable Price Level	Estimated Units	Affordable Rent Level	Estimated Units	
Less than $15,000	$0k - $80k	132	$0 - $400	0	2%
$15,000 - $24,999	$80k - $130k	1	$400 - $700	0	0%
$25,000 - $34,999	$130k - $190k	10	$700 - $900	66	1%
$35,000 - $49,999	$190k - $250k	116	$900 - $1200	171	4%
$50,000 - $74,999	$250k - $330k	570	$1200 - $1600	381	12%
$75,000 - $99,999	$330k - $390k	815	$1600 - $1900	222	14%
$100,000 - $124,999	$390k - $470k	1,229	$1900 - $2200	158	18%
$125,000 - $149,999	$470k - $540k	884	$2200 - $2500	126	13%
$150,000 - $199,999	$540k - $710k	1,627	$2500 - $3400	137	23%
$200,000+	$710k +	991	$3400 +	12	13%
		83% 6,375		17% 1,273	0% 10% 20% 30% 40%

Sources: US Census, PSU Population Research Center, JOHNSON ECONOMICS
Census Tables: B25004, B25032, B25063, B25075 (2018 ACS 5-yr Estimates)

- Most housing in Happy Valley is found in price and rent levels affordable to those earning at least $50,000 per year. There is very little housing available to those in lower income segments.

COMPARISON OF CURRENT HOUSING DEMAND WITH CURRENT SUPPLY

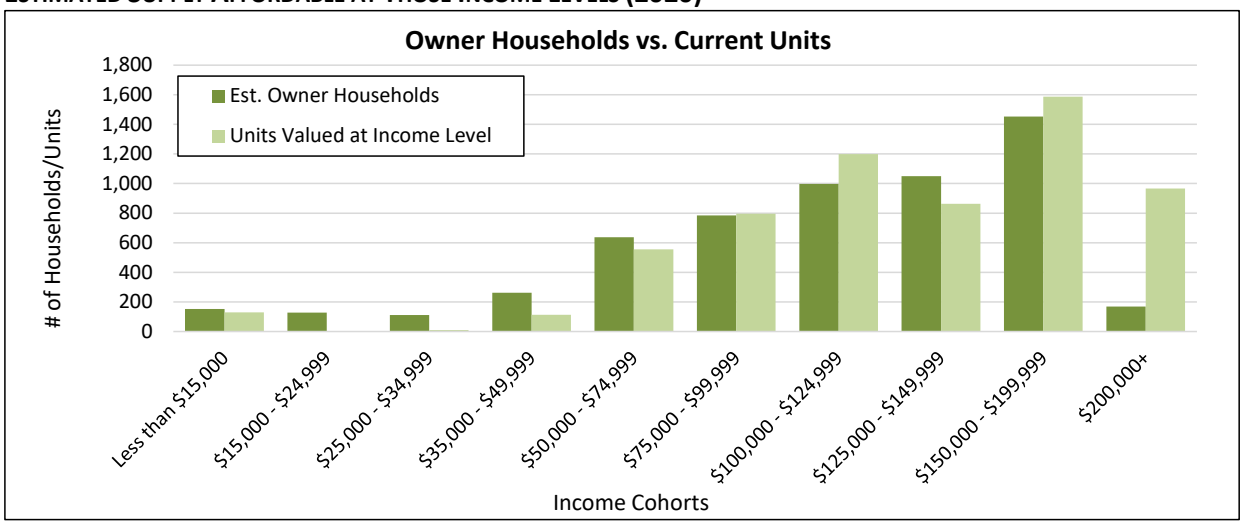
A comparison of estimated current housing *demand* with the existing *supply* identifies the existing discrepancies between needs and the housing which is currently available. The estimated number of units outnumbers the number of households by roughly 460 units, indicating an average vacancy rate of 6%.

In general, this identifies that there is currently support for more ownership housing at lower price points, while the upper end of the market is generally well supplied. This is because most housing in Happy Valley is clustered at higher property values, which matches the community's high average household incomes but leaves some households underserved.

The analysis finds that the current market rates for most rental units are in the $1,200 to $2,200/month range. Therefore, this is where most of the rental unit supply is currently clustered. However, the greatest unmet need is found at the lowest end of the income scale, where many current renters pay more than 30% of their income in housing costs. Rentals at the most expensive levels generally represent single family homes for rent.

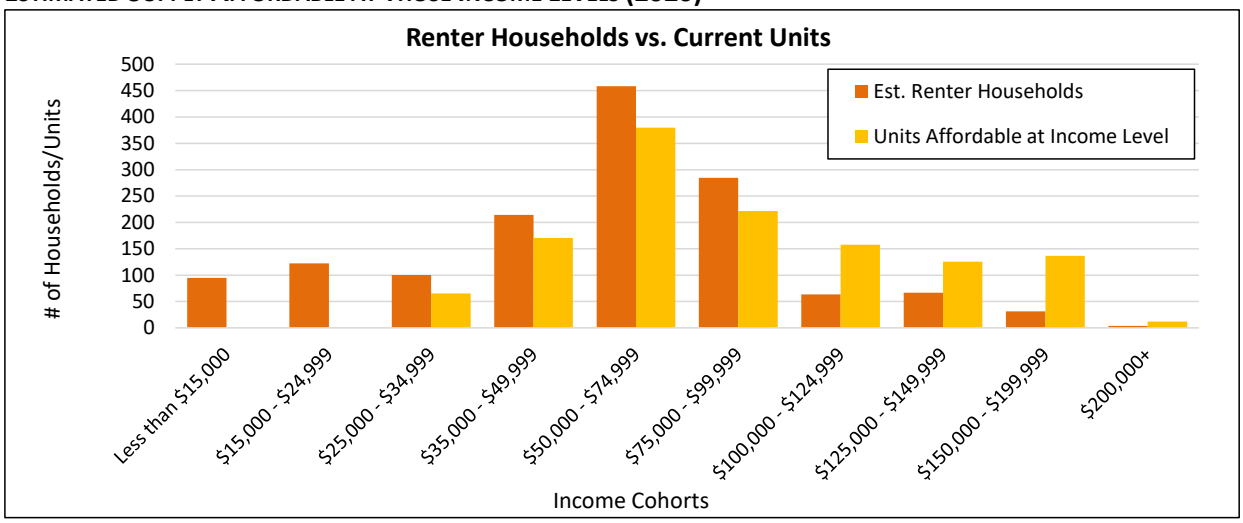
Figures 4.5 and 4.6 present this information in chart form, comparing the estimated number of households in given income ranges, and the supply of units currently valued (ownership) or priced (rentals) within those income ranges. The data is presented for owner and renter households.

FIGURE 4.5: COMPARISON OF OWNER HOUSEHOLD INCOME GROUPS TO ESTIMATED SUPPLY AFFORDABLE AT THOSE INCOME LEVELS (2020)



Sources: PSU Population Research Center, City of Happy Valley, Census, JOHNSON ECONOMICS

FIGURE 4.6: COMPARISON OF RENTER HOUSEHOLD INCOME GROUPS TO ESTIMATED SUPPLY AFFORDABLE AT THOSE INCOME LEVELS (2020)



Sources: PSU Population Research Center, City of Happy Valley, Census, JOHNSON ECONOMICS

The home value and rent segments which show a "surplus" in Figures 4.5 and 4.6 illustrate where current property values and market rent levels are in Happy Valley. Housing prices and rent levels will tend to congregate around those levels. These levels will be too costly for some (i.e. require more than 30% in gross income) or "too affordable" for others (i.e. they have income levels that indicate they could afford more expensive housing if it were available).

In general, these findings demonstrate that there are few lower-value housing opportunities for many owner households, and potential support for some less expensive types of ownership housing. There is a need for more rental units at lower rent levels (<$700/mo.).

HOME SALE PRICES

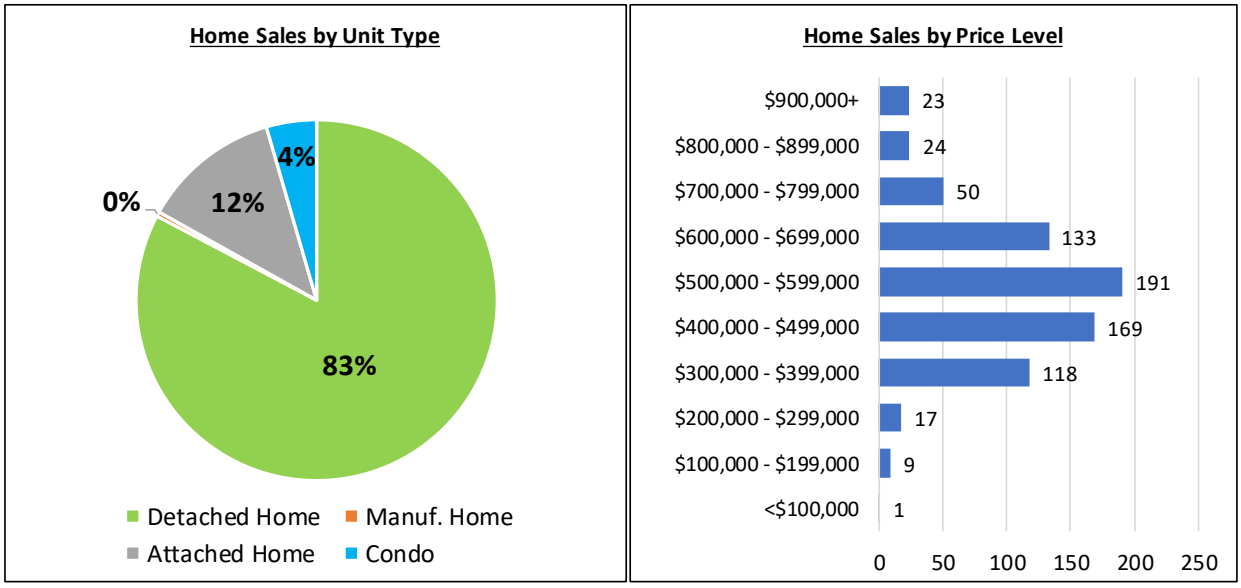
It is important to note that the figures presented in the prior section represent estimates of current *property value or current housing cost to the owner*, not the current market pricing of homes for sale in the city. For instance, a household living in a manufactured home that has been paid off over many years may have relatively low housing costs. This indicates that one owner household is living in a "lower value" unit. It does **not** indicate that units at this price point are available on the current market.

If this hypothetical household were to sell their home, it would sell at a higher price reflecting inflation and current achievable market prices. For this reason, many of the lower value or lower rent units found in the previous section will actually become higher-priced units when they are sold or become vacant.

For reference, this section presents home sales data from 2019 to indicate housing costs for new entrants into the market (Figure 4.7).

- The median sale price was $525,000.
- The average (mean) sale price was $550,000.
- The average price per square foot was $203/s.f.
- The median square footage was 2,600 s.f.

FIGURE 4.7: HAPPY VALLEY HOME SALES (12 MONTHS)



Sources: RMLS, JOHNSON ECONOMICS

- 26% of sales were priced between $500,000 and $599,000.
- 23% of sales were priced between $400,000 and $499,000.
- 31% of sales were priced at $600,000 or more.
- Only 4% of sales were priced below $300,000.

Affordability: As indicated, 67% of recent sales in Happy Valley took place within the $400,000 to $700,000 price range. Homes in this range should be mostly affordable to households earning at least $100,000 per year. An estimated 53% of local households fall within these income segments.

Roughly 47% of households earn less than $100,000 per year, meaning that the bulk of housing supply on the current for-sale market is likely too expensive for most of these households.

* * *

The findings of current need form the foundation for projected future housing need, presented in the following section.

V. FUTURE HOUSING NEEDS - 2040 (CITY OF HAPPY VALLEY)

The projected future (20-year) housing profile (Figure 5.1) in the study area is based on the current housing profile (2020), multiplied by an assumed projected future household growth rate. The projected future growth is the forecasted 2040 population for the City of Happy Valley included in the most recent Metro Urban Growth analysis and Regional Transportation Plan analysis (1.8%).

FIGURE 5.1: FUTURE HOUSING PROFILE (2040)

PROJECTED FUTURE HOUSING CONDITIONS (2020 - 2040)			SOURCE
2020 Population (Minus Group Pop.)	22,547		PSU
Projected Annual Growth Rate	1.7%	Metro UGR Forecast Program	Metro
2040 Population (Minus Group Pop.)	31,578	(Total 2040 Population - Group Housing Pop.)	
Estimated group housing population:	736	1.9% of total pop.	US Census
Total Estimated 2040 Population:	**32,314**		
Estimated Non-Group 2040 Households:	**10,198**	(2040 Non-Group Pop./Avg. Household Size)	
New Households 2020 to 2040	3,013		
Avg. Household Size:	3.10	Projected household size	US Census
Total Housing Units:	**10,734**	Occupied Units plus Vacant	
Occupied Housing Units:	10,198	(= Number of Non-Group Households)	
Vacant Housing Units:	537	(= Total Units - Occupied Units)	
Projected Market Vacancy Rate:	5.0%	(Vacant Units/ Total Units)	

Sources: PSU Population Research Center, Metro, Census, JOHNSON ECONOMICS LLC
*Projections are applied to estimates of 2020 population, household and housing units shown in Figure 2.1

The model projects growth in the number of non-group households over 20 years of over 3,000 households, with accompanying population growth of 9,500 new residents. (The number of households differs from the number of housing units, because the total number of housing units includes a percentage of vacancy. Projected housing unit needs are discussed below.)

PROJECTION OF FUTURE HOUSING UNIT DEMAND (2040)

The profile of future housing demand was derived using the same methodology used to produce the estimate of current housing need. This estimate includes current and future households *but does not include a vacancy assumption*. *The vacancy assumption is added in the subsequent step.* Therefore, the need identified below is the total need for actual households in occupied units (10,198).

The analysis considered 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* 2040 households and therefore includes the needs of current households.

The price levels presented here use 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.

The affordable price level for ownership housing assumes 30-year amortization, at an interest rate of 5%, with 15% down payment. Because of the impossibility of predicting variables such as interest rates 20 years into the future,

these assumptions were kept constant from the estimation of current housing demand. Income levels and price levels are presented in 2020 dollars.

Figure 5.2 presents the projected occupied future housing demand (current and new households, without vacancy) in 2040.

FIGURE 5.2: PROJECTED OCCUPIED FUTURE HOUSING DEMAND (2040)

Ownership				
Price Range	**# of Households**	**Income Range**	**% of Total**	**Cumulative**
$0k - $80k	215	Less than $15,000	2.6%	2.6%
$80k - $130k	181	$15,000 - $24,999	2.2%	4.9%
$130k - $190k	159	$25,000 - $34,999	1.9%	6.8%
$190k - $250k	372	$35,000 - $49,999	4.6%	11.4%
$250k - $330k	905	$50,000 - $74,999	11.1%	22.5%
$330k - $390k	1,113	$75,000 - $99,999	13.7%	36.1%
$390k - $470k	1,415	$100,000 - $124,999	17.4%	53.5%
$470k - $540k	1,491	$125,000 - $149,999	18.3%	71.8%
$540k - $710k	2,062	$150,000 - $199,999	25.3%	97.1%
$710k +	239	$200,000+	2.9%	100.0%
Totals:	**8,154**		**% of All:**	**80.0%**

Rental				
Rent Level	**# of Households**	**Income Range**	**% of Total**	**Cumulative**
$0 - $400	135	Less than $15,000	6.6%	6.6%
$400 - $700	174	$15,000 - $24,999	8.5%	15.1%
$700 - $900	142	$25,000 - $34,999	7.0%	22.1%
$900 - $1200	304	$35,000 - $49,999	14.9%	36.9%
$1200 - $1600	650	$50,000 - $74,999	31.8%	68.8%
$1600 - $1900	404	$75,000 - $99,999	19.8%	88.5%
$1900 - $2200	90	$100,000 - $124,999	4.4%	92.9%
$2200 - $2500	95	$125,000 - $149,999	4.7%	97.6%
$2500 - $3400	44	$150,000 - $199,999	2.2%	99.7%
$3400 +	5	$200,000+	0.3%	100.0%
Totals:	**2,044**		**% of All:**	**20.0%**

All Units
10,198

Sources: Census, Environics Analytics, JOHNSON ECONOMICS

The number of households across the income spectrum seeking a range of both ownership and rental housing is anticipated to grow. It is projected that the homeownership rate in Happy Valley will fall somewhat over the next 20 years to 80% from 83%, which would still be significantly higher than the Clackamas County and statewide ownership rates.

COMPARISON OF FUTURE HOUSING DEMAND TO CURRENT HOUSING INVENTORY

The profile of occupied future housing demand presented above (Figure 5.2) was compared to the current housing inventory presented in the previous section to determine the total future need for *new* housing units by type and price range (Figure 5.3).

This estimate includes a vacancy assumption. As reflected by the most recent Census data, and as is common in most communities, the vacancy rate for rental units is typically higher than that for ownership units. An average vacancy rate of 5% is assumed for the purpose of this analysis.

FIGURE 5.3: PROJECTED FUTURE NEED FOR NEW HOUSING UNITS (2040), HAPPY VALLEY

OWNERSHIP HOUSING									
	Multi-Family								
Unit Type:	Single Family Detached	Single Family Attached	2-unit	3- or 4-plex	5+ Units MFR	Manuf. home	Boat, RV, other temp	Total Units	% of Units
Totals:	1,866	225	22	0	56	3	0	2,172	70.4%
Percentage:	85.9%	10.4%	1.0%	0.0%	2.6%	0.2%	0.0%	100%	

RENTAL HOUSING									
	Multi-Family								
Unit Type:	Single Family Detached	Single Family Attached	2-unit	3- or 4-plex	5+ Units MFR	Manuf. home	Boat, RV, other temp	Total Units	% of Units
Totals:	61	69	27	69	667	21	0	914	29.6%
Percentage:	6.7%	7.5%	3.0%	7.5%	73.0%	2.3%	0.0%	100%	

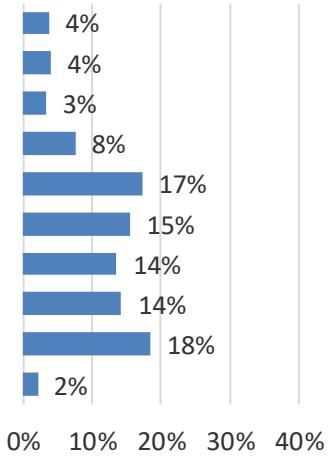
TOTAL HOUSING UNITS									
	Multi-Family								
Unit Type:	Single Family Detached	Single Family Attached	2-unit	3- or 4-plex	5+ Units MFR	Manuf. home	Boat, RV, other temp	Total Units	% of Units
Totals:	1,927	294	49	69	723	24	0	**3,087**	**100%**
Percentage:	62.4%	9.5%	1.6%	2.2%	23.4%	0.8%	0.0%	100%	

Sources: PSU, City of Happy Valley, Census, Environics Analytics, JOHNSON ECONOMICS

- The results show a need for 3,087 new housing units by 2040.
- Of the new units needed, roughly 70% are projected to be ownership units, while 30% are projected to be rental units. This represents more renters than the estimated tenure split, but it is projected that more rental units will need to be added to balance the disproportionate share of ownership units in the current inventory.
- There is some need for new ownership housing at the middle to low-end of the pricing spectrum. But income trends suggest that the greatest demand will remain in the upper-middle price ranges ($300k to $600k).
- The greatest need for rental units is found at the lowest and some higher price points. Market rents are currently clustered in the $1,200 to $2,200 range in current dollars. Therefore, most units are to be found in this range. There is insufficient rental housing for the lowest income households making $35,000 or less or detached single-family homes for rent.

FIGURE 5.4: ESTIMATED CURRENT NEED & FUTURE NEED BY INCOME BRACKET HAPPY VALLEY

Income Range	Current Need (no vacancy)	Future Need (no vacancy)	New Need (with vacancy)	Share of Units
Less than $15,000	247	350	118	4%
$15,000 - $24,999	250	355	126	4%
$25,000 - $34,999	212	301	106	3%
$35,000 - $49,999	476	676	235	8%
$50,000 - $74,999	1,096	1,555	532	17%
$75,000 - $99,999	1,069	1,517	477	15%
$100,000 - $124,999	1,060	1,505	417	14%
$125,000 - $149,999	1,118	1,586	440	14%
$150,000 - $199,999	1,484	2,107	569	18%
$200,000+	172	245	66	2%
Total:	***7,185***	***10,198***	***3,087***	



Sources: PSU, City of Happy Valley, Census, Environics Analytics, JOHNSON ECONOMICS

Needed Unit Types

The mix of needed unit types shown in Figure 5.3 reflects both past trends and anticipated future trends. Since 2000, detached single family units (including manufactured and mobile homes) have continued to constitute most of the permitted units in Happy Valley, but there has also been a growing share of multi-family development in the last decade. In keeping with development trends, and the buildable land available to Happy Valley, single family units are expected to continue to make up a large share of new housing development over the next 20 years. However, an increasing share of new needed units is anticipated to attached housing types to accommodate renters and first-time home buyers.

- 62% of the new units are projected to be single family detached homes, while 37% is projected to be some form of attached housing, and under 1% are projected to be new manufactured homes.
- Single family attached units (townhomes on individual lots) are projected to meet nearly 10% of future need. These are defined as units on separate tax lots, attached by a wall but separately metered, the most common example being townhome units.
- Duplex through four-plex units are projected to represent 4% of the total need. Duplex units would include a detached single-family home with an accessory dwelling unit on the same lot, or with a separate unit in the home (for instance, a rental basement unit.) This includes attached units allowed to be built in single-family neighborhoods under new statewide rules (HB2001).
- 23% of all needed units are projected to be multi-family in structures of 5+ attached units.
- 1% of new needed units are projected to be manufactured home units, which meet the needs of some low-income households for both ownership and rental.
- Of ownership units, 86% are projected to be detached single-family homes, and 14% projected to be attached forms.
- About 93% of new rental units are projected to be found in new attached buildings, with 73% projected in rental properties of 5 or more units, and 10% in buildings of two to four units, and 8% in attached single family forms. Only 7% of new rental units are projected to be detached homes.

Needed Affordability Levels

Figure 5.5 presents the estimated need for net new housing units by major income segment, based on the projected demographics of new households to the market area. The needed affordability levels presented here are based on current 2020 dollars. Over time, incomes and housing costs will both inflate, so the general relationship projected here is expected to remain unchanged.

Figure 5.5 also discusses the housing types typically attainable by residents at these income levels.

FIGURE 5.5: PROJECTED NEED FOR NEW HOUSING AT DIFFERENT INCOME LEVELS

Household Income Segment		Income Level (Rounded)*	Afford. Rent Range	Afford. Price Range	Owner Units	Renter Units	Total	Share	Common Housing Product
Extremely Low Inc.	< 30% AMI	< $27,500	<$800	<$150k	117	155	272	9%	Govt-subsidized; Voucher
Very Low Income	30% - 50% AMI	$27.5k - $46k	$800-$1,100	$150k-$225k	104	147	251	8%	Aging/substandard rentals; Govt-subsidized; Voucher
Low Income	50% - 80% AMI	$46k - $73.5k	$1,100-$1,600	$225k-$330k	255	311	566	18%	Market apts; Manuf. homes; Plexes; Aging SFR
Middle Income	80% - 120% AMI	$73.5k - $110.5k	$1,600-$2,100	$330k-$475k	468	213	681	22%	Single-family detached; Townhomes; Small homes; New apts
Upper Income	> 120% AMI	> $110,500	$2,100 +	$475k +	1,229	88	1,317	43%	Single-family detached
TOTAL:					***2,172***	***914***	***3,087***	***100%***	

* Adjusted to 2020 dollars. The median household income level in 2020 will be will be inflated from current levels.

Sources: HUD, Census, Environics Analytics, JOHNSON ECONOMICS

- Generally, based on income levels there is a shortage of units in the lowest pricing levels for renter and owner households. Note that because median income level is high in Clackamas County, the official state measure of what qualifies as "low income", or 80% of area median income (AMI), is quite high at $73,500 per year in household income. Most households in this group and even some in the "very low income" group can be served by market-rate rental housing available at current rent levels in the community.
- Figure 5.3 presents the *net NEW* housing unit need over the next 20 years. However, there is also a *current* need for more affordable units. For all households, current and new, to pay 30% or less of their income towards housing in 2040, more affordable rental units would be required. This indicates that some of the current supply, while it shows up as existing available housing, would need to become less expensive to meet the needs of current households.
- There is a finding of some new need at the lowest end of the rental spectrum ($700 and less).
- The projection of future ownership units finds that the supply at the lowest end of the spectrum is currently insufficient due to the prevalence of newer homes most of which are detached houses. (This reflects the estimated *value* of the total housing stock, and not necessarily the average pricing for housing currently for sale.) Ownership options and lower and middle price points are townhomes, condos, and small detached homes, often on smaller lots.
- Figure 5.6 presents estimates of need at key low-income affordability levels in 2020 and in 2040. There is existing and on-going need at these levels, based on income levels specified by Oregon Housing and Community Services for Clackamas County. An estimated 31% of households qualify as at least "low income" or lower on the income scale, while 8% of household qualify as "extremely low income".
- Typically, only rent-subsidized properties can accommodate these extremely-low-income households at "affordable" housing cost levels. As noted above, most in the "low income" and many in the "very low income" groups can be served by market-rate rental housing at current rent levels (see Figure 5.5).

- The city is not obligated to produce appropriate housing for all of these groups but should ensure that local policy and zoning code accommodates market-rate and non-profit agencies who wish to pursue projects to meet the full spectrum of local housing needs.

FIGURE 5.6: PROJECTED NEED FOR HOUSING AFFORDABLE AT LOW INCOME LEVELS, HAPPY VALLEY

Affordablilty Level	Income Level*		Current Need (2020)		Future Need (2040)		NEW Need (20-Year)	
			# of HH	% of All	# of HH	% of All	# of HH	% of All
Extremely Low Inc.	30% AMI	$27,630	553	8%	824	8%	272	9%
Very Low Income	50% AMI	$46,050	1,060	15%	1,583	16%	523	17%
Low Income	80% AMI	$73,680	2,223	31%	3,312	32%	1,089	35%

Sources: OHCS, Environics Analytics, JOHNSON ECONOMICS

* Income levels are based on OHCS guidelines for a family of four.

Agricultural Worker Housing

There is currently no housing dedicated to this population in Happy Valley. Based on the assumption that this type of housing will maintain its current representation in the local housing stock, this indicates that there will likely be no new need for housing dedicated specifically for agricultural workers over the planning period. However, this population may also be served by other available affordable units.

VI. RECONCILIATION OF FUTURE NEED (2040) & LAND SUPPLY

This section summarizes the results of the Buildable Lands Inventory (BLI). The BLI is presented in detail in an accompanying memo to this report. The BLI was conducted for land within the city limits, assessing vacant and partially vacant lands based on residential zoning, and environmental and other constraints that may impact development.

The Happy Valley city limits includes many areas with legacy rural zoning that are likely to be rezoned in the future. These areas face challenges to planning and providing infrastructure before they can develop. These areas are excluded from the housing capacity presented in Figure 6.1 but are discussed more below.

The following table (Figure 6.1) presents the estimated new unit capacity of the buildable lands identified in the City of Happy Valley and within the UGB. Residential zones, as well as mixed-use zones that can accommodate some residential uses, were included in the inventory, and are broken into broad categories based on housing density.

FIGURE 6.1: ESTIMATED BUILDABLE LANDS CAPACITY BY ACREAGE AND NO. OF UNITS (2020)

	# of Tax Lots (Vacant or Part. Vacant)	Total Acres	Developable Acres	New Units	New Units + Density Transfer	Capped to 175% of Tax lot Max
Very Low Density	**423**	**743.6**	**214.5**	**374**	**782**	**530**
R-15	115	168.5	80.5	191	255	241
R-20	256	480.7	114.2	179	452	283
R-40	52	94.4	19.9	4	75	6
Low Density	**452**	**388.5**	**148.4**	**515**	**655**	**634**
R-10	261	239.7	95.9	298	367	359
R-7	74	109.5	35.1	182	237	233
R-8.5	117	39.2	17.4	35	51	42
Medium Density SF	**260**	**220.1**	**96.1**	**602**	**642**	**639**
MUR-S	222	156.6	73.2	434	470	467
R-5	38	63.5	22.9	168	172	172
High Density SF	**112**	**124.8**	**44.8**	**463**	**496**	**490**
MUR-A	55	31.8	7	52	68	62
SFA	56	92.9	37.8	411	428	428
VTH	1	0.1	0	0	0	0
Mixed Use / Multifamily	**75**	**178.3**	**69.5**	**1,380**	**1,433**	**1,433**
MUE	7	67.4	22.2	218	243	243
PMU	2	14	4.7	46	50	50
MUR-M1	6	9.7	2	29	34	34
MUR-M2	56	78.8	36.6	973	987	987
MUR-M3	2	3.3	1.3	46	48	48
MUR-X	2	5.1	2.7	68	71	71
Total	**1,322**	**1,655.30**	**573.4**	**3,334**	**4,008**	**3,726**

Source: Angelo Planning Group

- There is a total estimated remaining capacity of 3,726 units of different types within the study area.
- Most of the remaining buildable acreage is in the high density and mixed use/multifamily zones. At a total capacity of 1,923 housing units this is roughly 51% of the total unit capacity.
- Though there is a much higher number of buildable low-density acres, they can accommodate fewer units because of they allow fewer units per acre. The high-density zones allow many more units per acre.
- There is less available acreage in the medium-density zone. In total, the capacity of this zone represents just 17% of the total unit capacity.

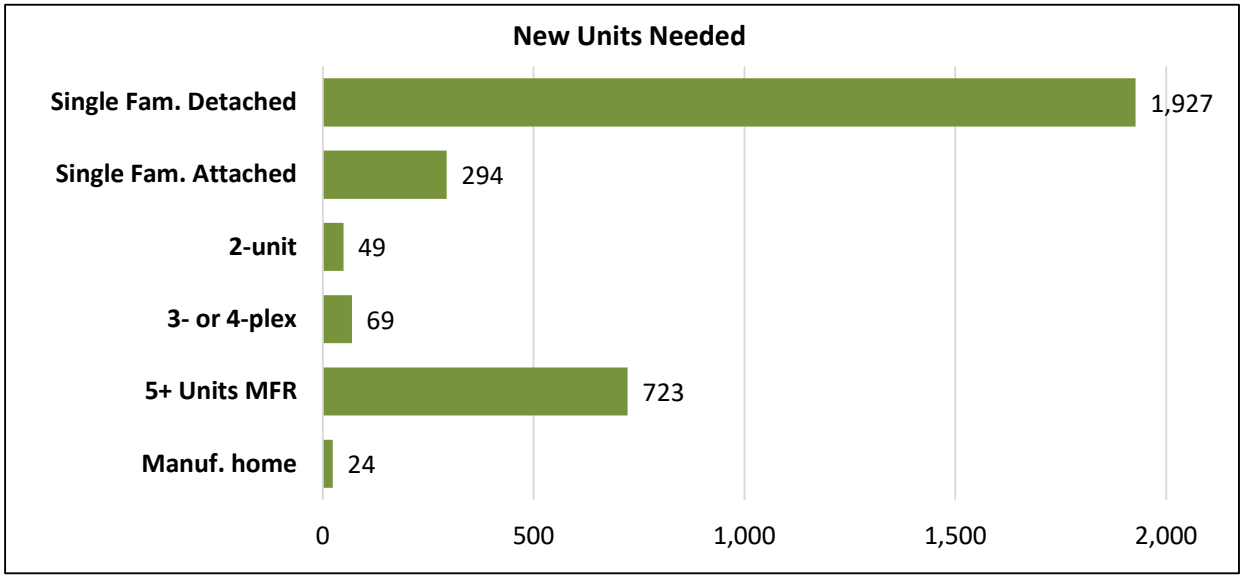
Rural-Density Zones: As noted, there a currently areas within the City limits that feature a legacy rural residential zoning. Housing development in these areas will depend on urban infrastructure and urban zoning designations being applied in the future through planning efforts such as the Pleasant Valley/North Carver Comprehensive Plan. The BLI finds that there is a total of 524 developable acres in these zones. This is significant future capacity that is *in addition to* that presented in Figure 6.1.

Future Plan Areas: Planning for the Pleasant Valley/North Carver area is currently underway through a separate planning process. Initial findings indicate that this area may accommodate over 7,000 additional housing units in the future. As these new lands are planned and become accessible for development, it is likely that they will accommodate some of the forecasted demand discussed in this report, but are also likely to induce additional growth as new supply become available. Due to the constraints of the Metro-wide Urban Growth Boundary, regional growth often shifts to where new homes are available.

The following table summarizes the forecasted future unit need for Happy Valley. These are the summarized results from Section V of this report, presented here for reference.

FIGURE 6.2: SUMMARY OF FORECASTED FUTURE UNIT NEED (2040)

TOTAL HOUSING UNITS									
			Multi-Family						
Unit Type:	Single Family Detached	Single Family Attached	2-unit	3- or 4-plex	5+ Units MFR	Manuf. home	Boat, RV, other temp	Total Units	% of Units
Totals:	1,927	294	49	69	723	24	0	**3,087**	**100%**
Percentage:	62.4%	9.5%	1.6%	2.2%	23.4%	0.8%	0.0%	100%	



Sources: PSU Population Research Center, Census, Johnson Economics

Comparison of Housing Need and Capacity

There is a total forecasted need for roughly 3,087 units over the next 20 years based on the forecasted growth rate. This is below the estimated total capacity of 3,726 units. Figure 6.3 below presents a comparison of the BLI capacity for new housing units, compared to the estimate for new unit need by 2040. It breaks down need by general zoning category (LDR, MDR, HDR).

- The results find sufficient capacity for medium -density housing, and higher-density housing.
- The capacity of land dedicated to "low-density housing" is lower than the projected demand for single family housing types. While attached housing types are forecast to make up a much larger share of future housing needs, over 60% of future housing units are still projected to be single family homes.
- This is mostly the function of the very-low density at which these LDR zones are assumed to build out (3.2 units/acre). This is partially due to how the zones were designed, and partially due the prevalence of environmental constraints, such as slope, that further reduce the capacity of available parcels.
- Under recently adopted state rules (HB2001, 2019), Happy Valley as a Metro-area city will be required in the future to allow for additional housing types in low-density residential zones. This includes attached single-family homes (townhomes), duplex-to-fourplex, and compact small-unit "cottage cluster" developments.
- In the case of Happy Valley, given the shortage of LDR-zoned land presented below, it becomes more likely that available land in that zone will be developed with detached homes, as other lands to accommodate these units is scarce. At the same time, there is capacity in the MDR zones to accommodate demand for most of the attached types listed above.
- These findings assume that under newly adopted state rules, 2% of available buildable parcels in the LDR zone will used for the various types of attached units (single-family attached townhomes, duplex – fourplex). This amounts to a total of 87 attached units, plus 1,927 detached units in the LDR zone.

FIGURE 6.3: COMPARISON OF FORECASTED FUTURE LAND NEED (2040) WITH AVAILABLE CAPACITY

WITHIN CITY LIMITS		SUPPLY			DEMAND		
Zone & Plan Category	Typical Housing Type	Buildable Land Inventory (Total)			Growth Rate (1.8%)		
		Developable Acres	Unit Capacity	Avg. Density (units/ac)	New Unit Need (2040)	Surplus or (Deficit)	
						Units	Acres
Low-Density	Single-family detached; Some SF attached & plex	362.9	1,164	3.2	2,014	(850)	(265)
Med-Density	SF attached; Manufact. home; 2-4 plexes	96.1	639	6.6	349	290	44
High-Density	Multi-family apartments	114.3	1,923	16.8	723	1,200	71
	TOTALS:	*573.3*	*3,726*	*6.5*	*3,087*	*639*	*(150)*

Sources: Angelo Planning Group, Johnson Economics

- These findings do not require rezoning of medium- or high-density zoned land to meet the need for low-density land. A range of potential housing policies and strategies are considered in a subsequent phase of this project, including the ability of future plan areas, and incorporated land that still has rural zoning, to meet the need for low-density housing during the 20-year planning period.