To: Blair Larsen, City of Sweet Home

Date: April 20, 2022

From: Todd Chase & Tim Wood; FCS GROUP

CC: Scott Fregonese, 3J Consulting

RE: Sweet Home **Draft 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 2022 through year 2042. 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 Sweet Home includes consideration of demographic and socio-economic trends, housing market characteristics and long-range population growth projections.

Regional (Linn 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 Sweet Home. 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 (2022 estimate) and forecast year (2042 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.

DEMOGRAHIC AND SOCIO-ECONOMICS

Population

The City of Sweet Home attained a record-high population of 9,415 people in 2020. Linn County population is currently estimated at 127,320 year-round residents. In the last twenty years, the population in Sweet Home has grown more slowly than the Linn County average (**Exhibit 1**).

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Exhibit 1: Population Trends (1990-2020)

Population Estimates, Linn County and City of Sweet Home , 1990-2020					CAGR
	1990	2000	2010	2020	2000-2020
Linn County	91,227	103,069	116,672	127,320	1.06%
City of Sweet Home	6,850	8,016	8,925	9,415	0.81%

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 1,720 new residents will be added to the Sweet Home Urban Growth Boundary (UGB) over the next 20 years. This equates to a projected annual average growth rate (CAGR) of 0.76% for the city (see **Exhibit 2**).
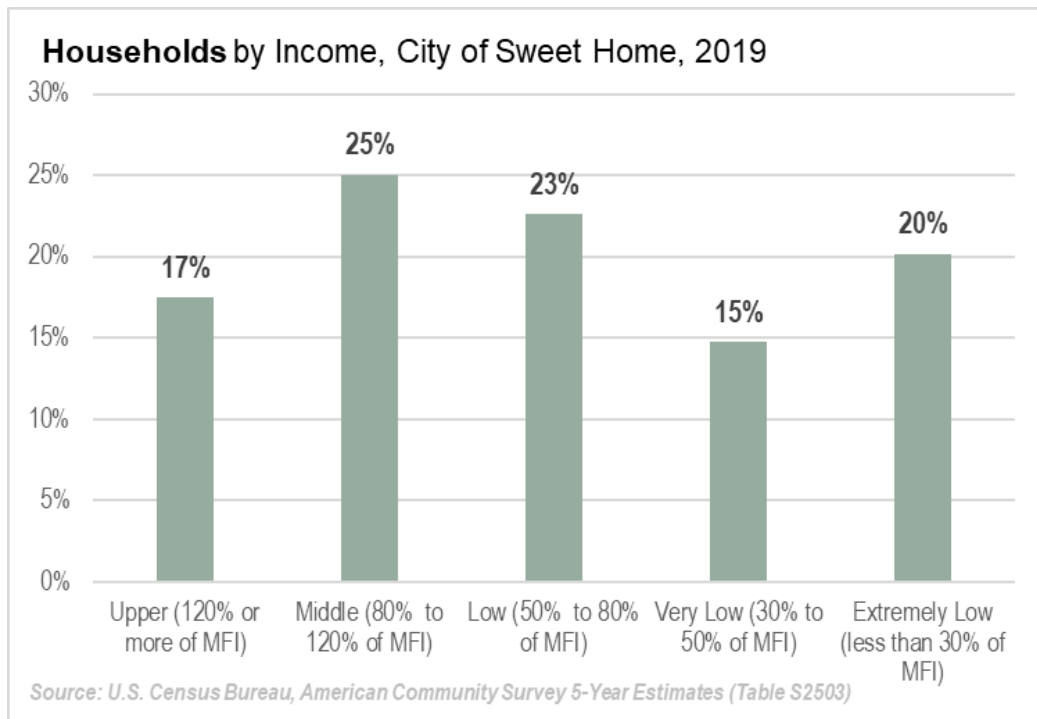
Exhibit 2: Population Projections (2020-2045)
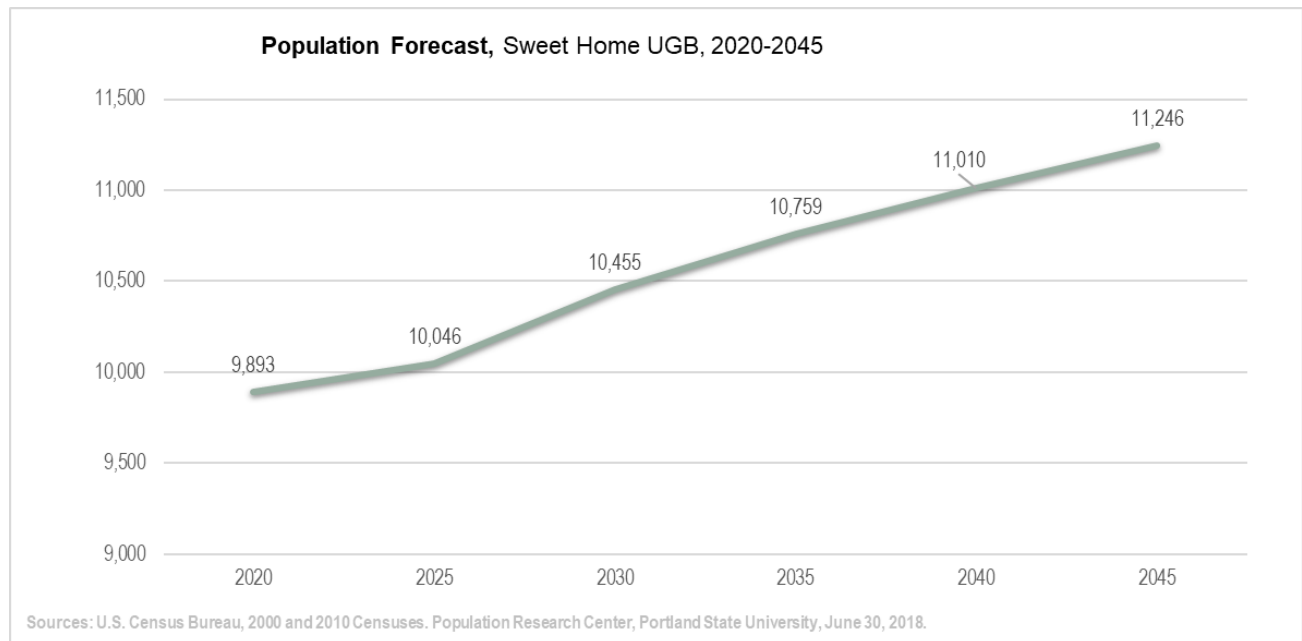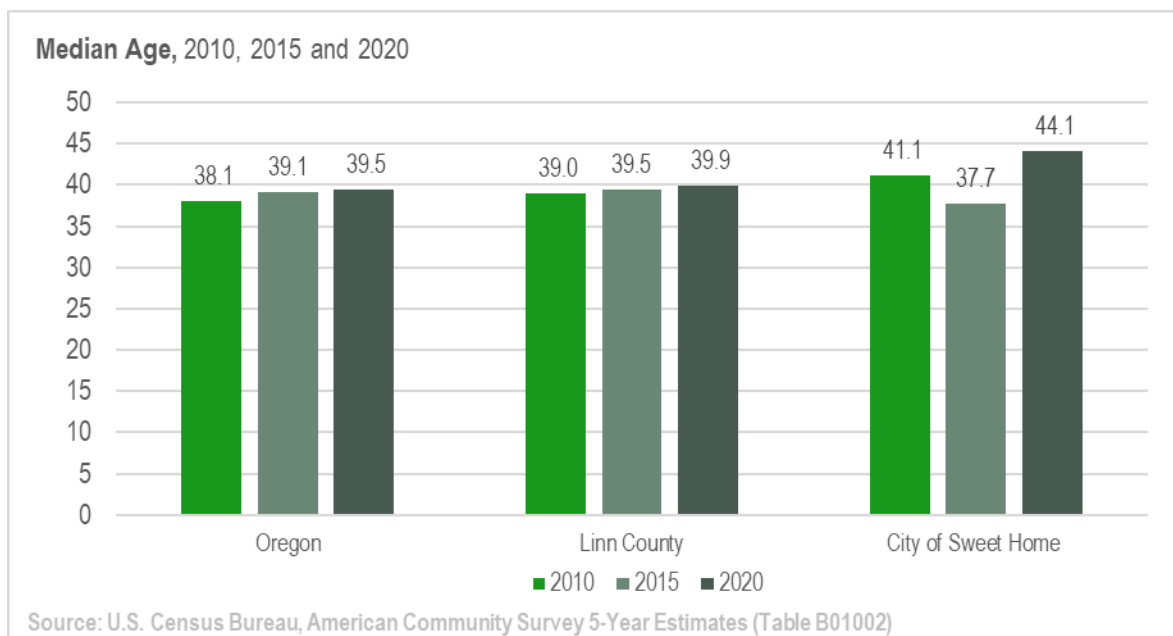

SOCIO-ECONOMIC CHARACTERISTICS

In 2020, the median family income (MFI) in Linn County was $64,500. As shown below in **Exhibit 3**, income is relatively evenly distributed with 17% of households making more than $77,400, 25% of households making between $77,400 and $51,600, 23% of households making between $51,600 and $32,250, 15% of households making between $32,250 and $19,350 and 20% of households making less than $19,350.

Exhibit 3: Households by Income Level, 2015-2019

Households by Income, City of Sweet Home, 2019

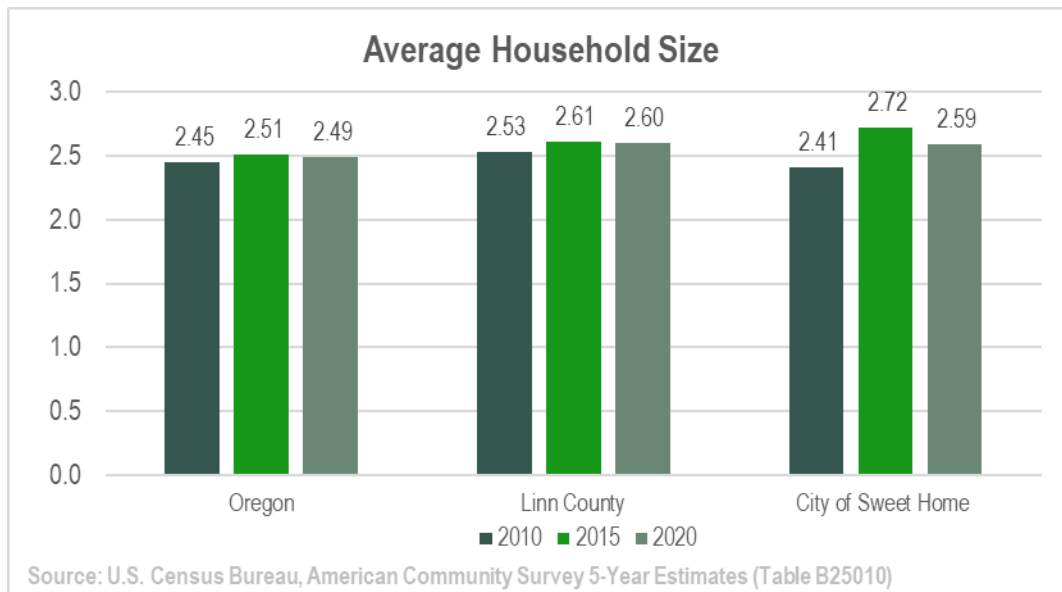Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (Table S2503)

The median age in Sweet Home (44.1) is above the Linn County average (39.6) and is also below the statewide average (**Exhibit 4**).

Exhibit 4: Median Age, 2010-2019

Median Age, 2010, 2015 and 2020

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (Table B01002)

Average household size in Sweet Home has fluctuated slightly over the last two decades, ranging between 2.72 and 2.41 residents per household. In 2020, there were 2.59 residents per household, slightly above the statewide average of 2.49 and below the countywide average of 2.6 (**Exhibit 5**).

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Exhibit 5: City of Sweet Home Average Household Size 2010-2020

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (Table B25010)

HOUSING INVENTORY AND TENANCY

Local housing inventory and tenancy sheds light on housing conditions and market demand preferences. In 2020, there were 4,137 housing units in Sweet Home of which 3,935 units were classified as occupied and 202 units were vacant.

Like most cities in Oregon, single-family detached housing is the most prevalent housing type representing 73% of the housing stock. The remaining inventory in Sweet Home includes mobile homes (13%), multifamily (7%), and townhomes and plexes (7%), as shown in **Exhibit 6**.

Exhibit 6: Existing Housing Inventory, 2020, City Sweet Home

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (Table DP04)
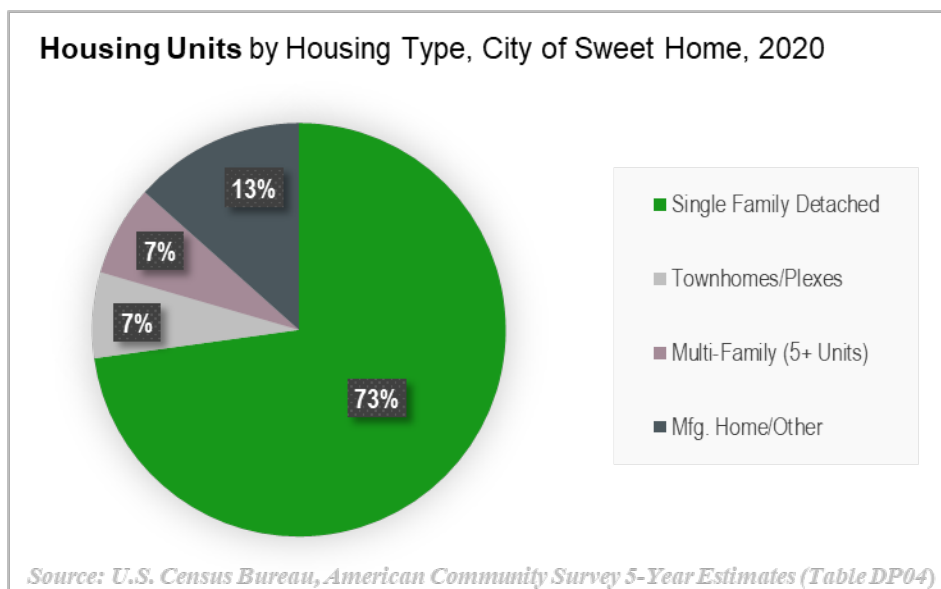
Owner-occupied housing units represent 60% of the occupied housing inventory while renter-occupied units account for the other 40% of the inventory (**Exhibit 7**). Ownership is most prevalent

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, 2020, City of Sweet Home

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (Table B25032)
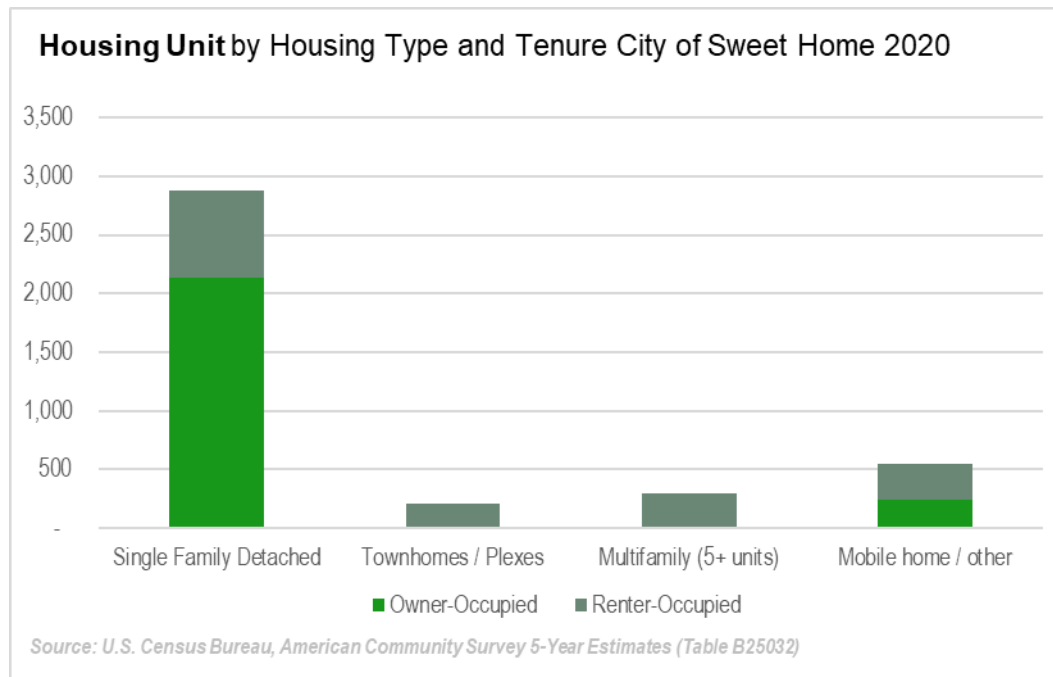
HOUSING MARKET CHARACTERISTICS

To help gauge housing attainability in Sweet Home, FCS GROUP examined current median family income (MFI) levels using U.S. Housing and Urban Development (HUD) guidelines. By applying the assumptions shown in **Exhibit 8** below, based on the 2020 median family income (MFI) for Linn County ($64,500), using HUD guidelines for upper middle households earning 80% of the MFI, a 4-person family should be able to afford monthly rents at $1,290

Exhibit 8: Sweet Home Affordable Housing Analysis Assumptions

Assumptions		
Interest Rate (conventional)	4.50%	
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: Sweet Home Affordable Housing Analysis

Linn County Median Family Income Level (2019)*		$64,500
Qualifying Income Level: Renters	**Lower-end**	**Upper-End**
Upper (120% or more of MFI)	$77,400	or more
Middle (80% to 120% of MFI)	$51,600	$77,400
Low (50% to 80% of MFI)	$32,250	$51,600
Very Low (30% to 50% of MFI)	$19,350	$32,250
Extremely Low (less than 30% of MFI)	$19,350	or less
Attainable Monthly Housing Cost: Renters (@30% of income	**Lower-end**	**Upper-End**
Upper (120% or more of MFI)	$1,935	or more
Middle (80% to 120% of MFI)	$1,290	$1,935
Low (50% to 80% of MFI)	$806	$1,290
Very Low (30% to 50% of MFI)	$484	$806
Extremely Low (less than 30% of MFI)	$484	or less

Monthly housing costs are much 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 8** above, the expected housing cost for owners at 80% MFI level is $1,744, which should be sufficient to afford a home priced at $265,000 (**Exhibit 10**). Unfortunately for households at 80% or below MFI, there are few homes listed for sale at attainable price levels.

Exhibit 10: Sweet Home Affordable Housing Analysis: Homeowners

Linn County Median Family Income Level (2019)*		$64,500
HUD Qualifying Income Level	**Lower-end**	**Upper-End**
Upper (120% or more of MFI)	$77,400	or more
Middle (80% to 120% of MFI)	$51,600	$77,400
Low (50% to 80% of MFI)	$32,250	$51,600
Very Low (30% to 50% of MFI)	$19,350	$32,250
Extremely Low (less than 30% of MFI)	$19,350	or less
Supportable Housing Price: Mortgage Principal & Interest	**Lower-end**	**Upper-End**
Upper (120% or more of MFI)	$397,000	or more
Middle (80% to 120% of MFI)	$265,000	$397,000
Low (50% to 80% of MFI)	$165,000	$265,000
Very Low (30% to 50% of MFI)	$99,000	$165,000
Extremely Low (less than 30% of MFI)	$99,000	or less
Monthly Housing Costs for Owners: PIT & Insurance**	**Lower-end**	**Upper-End**
Upper (120% or more of MFI)	$2,616	or more
Middle (80% to 120% of MFI)	$1,744	$2,616
Low (50% to 80% of MFI)	$1,089	$1,744
Very Low (30% to 50% of MFI)	$653	$1,089
Extremely Low (less than 30% of MFI)	$653	or less
Min. Required Income Level: Owners	**Lower-end**	**Upper-End**
Upper (120% or more of MFI)	$104,628	or more
Middle (80% to 120% of MFI)	$69,775	$104,628
Low (50% to 80% of MFI)	$43,566	$69,775
Very Low (30% to 50% of MFI)	$26,140	$43,566
Extremely Low (less than 30% of MFI)	$26,140	or less

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Sweet Home home values have increased significantly in recent years. As indicated in **Exhibit 11**, median home values in Sweet Home increased to $348,0000 in March 2022, an annual increase of 19.4% over the past two years. Other cities in the region have experienced similar housing cost increases.

Exhibit 11: Zillow Home Value Price Index in Select Markets

	Mar-20	Mar-21	Mar-22	Annual Change %
Sweet Home	$244,000	$283,000	$348,000	19.4%
Lebanon	$277,000	$315,000	$387,000	18.2%
Brownsville	$300,000	$346,000	$420,000	18.3%
Albany	$304,000	$338,000	$414,000	16.7%
Junction City	$333,000	$373,000	$447,000	15.9%

Source: Zillow.com; analysis by FCS Group 4/18/22

HOUSING NEEDS FORECAST

Summary of Housing Needs

Based on the population projections described earlier and most current household size estimates of 2.59 people per household, the total net new housing need within the Sweet Home UGB is forecasted over the next 20 years is approximately 691 housing units plus 16 people living in group quarters (see **Exhibit 12**). 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 12: Sweet Home Housing Need Forecast

	2022 Est.	2042 forecast	Change
City of Sweet Home UGB Population	9,968	11,688	1,720
Less Group Quarters (1%)	95	111	16
Pop in Households	9,873	11,577	1,703
Avg. Household Size	2.59	2.59	
Households (year round)	3,812	4,470	658
Vacancy and Seasonal Housing Assumption	4.9%	4.9%	34
Growth-related Housing Demand (dwelling units)	4,008	4,699	**691**

Housing Demand by Dwelling Type and Tenancy

This baseline housing need forecast is generally consistent with the observed mix of housing types in Sweet Home. 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 mixed-use development in the downtown area.

- Ability to provide adequate infrastructure (water, sewer, and road capacity) to create new planned unit developments or single-family subdivisions.

- Changes in low density land use designations to create additional opportunities for middle housing types, such as duplexes and townhomes.

The baseline housing forecast predicts a range in the demand for housing types to address market preferences. The housing demand forecast includes: 503 single-family detached homes (such as small lot and standard lot subdivisions); 46 townhomes/duplexes; 49 multifamily units (apartments); and 93 manufactured housing units or cottage homes.

Exhibit 13: Sweet Home Housing Need by Tenure & Housing Type

	Owner-Occupied Dwelling Units	Renter-Occupied Dwelling Units	Vacancy Assumption	Total Dwelling Units
Housing Tenure Distribution:	**397**	**261**	**34**	**691**
Housing Type Distribution				
Single Family Detached	356	125	22	503
Townhomes / Plexes	-	35	11	46
Multi family (5+ units)	-	49	0	49
Mfg. home/other	41	51	0	93
Total	397	261	34	691

In addition, it is anticipated that there will also be the need to accommodate approximately 16 people in some form of group quarters housing (such as seminary/student housing, congregate care, in-patient care, etc.).

Exhibit 14 identifies that housing products that are most consistent with the projected housing need for Sweet Home.

Exhibit 14: Projected Housing Demand by Income Level, Sweet Home

Housing Type	Owner-Occupied Dwellings	Renter-Occupied Dwellings	Total Dwelling Units	Attainable Housing Products
Upper (120% or more of MFI)	292	46	338	Standard Homes
Upper Middle (80% to 120% of MFI)	83	36	119	Cottage Homes, Townhomes, Apartments
Lower Middle (50% to 80% of MFI)	42	77	119	Townhomes, Mfgd. Homes, Plexes, Apts.
Low (less than 50% of MFI)	0	38	38	Govt. Assisted Apts. & ADUs
Very Low (less than 30% of MFI)	0	77	77	Govt. Assisted Apts. & ADUs
Total	417	274	691	

This housing needs forecast for Sweet Home will be refined during the planning process with input from the City, Advisory Committee and the public at large.