overview

# Housing

Housing is simple - do we all have a place to sleep at night? But it is also complex - not least of all because the answer to that question for some of us is "no," we have no home. Ultimately, providing housing is one of the most basic and yet most complicated tasks a city must do. Affordability, quality, maintenance, safety - all come into play. So does proximity to other basic needs - jobs, transportation, schools, services - to say nothing of proximity to amenities like parks and entertainment that make for a high quality of life that Portlanders like to boast about.

Not surprisingly for such a complex topic, the background information on housing gathered by City staff and consultants encompasses a vast array of research to provide a foundation for community discussion about future programs and policies. The housing topic research consists of four separate research projects:

- *Housing Supply Background Report* – an inventory of existing housing units
- *Housing Affordability Background Report* – comparison of housing costs and income levels of Portlanders
- *Housing and Transportation Cost Study* – transportation costs as a key component of housing affordability
- *Household Supply and Demand Projections Background Report* – considers the effects that projected population growth will have on the City's housing needs over the 30-year timeframe to 2035. Specifically, the report examines whether housing supply will be able to meet demand, and in which areas of the City certain types of housing could be needed most.

This overview of the housing topic pulls together highlights of each of the housing background research reports.

## Current Conditions

### Population increases –

- The population of the Portland metropolitan area has **grown steadily** over the past several decades, with a large spike in the most recent recorded decade (1990-2000), when the area's population reached the 1.9 million mark.
- During 1990-2000, the population of **Portland proper** grew to some **500,000**, with residents living in about 243,000 households.
- Portland remains poised for **significant continued growth** in the coming decades.

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## More housing choices –

- Over the last several decades, housing choices in Portland have been **evolving**. Into the existing mix of mostly single-family homes and clusters of multifamily housing units, most of the new housing that's been constructed is **more urban, dense and in neighborhoods with a mix of uses.**
- The more urban, dense mix of new housing is especially true for units built in **town centers, near light rail stations and along major corridors.**

## Higher costs –

- Costs of both new and existing housing have **risen faster than incomes,** leaving fewer housing options for households of limited means.
- Households of limited means have been **priced out** of neighborhoods that have good access to transit, jobs, shopping and services and often can only find affordable housing to **rent or buy farther out,** in less convenient locations, where their commuting costs are higher.

## Housing types –

- **Sixty percent** of the housing units in Portland are **single-family detached homes,** and most of the rest are multifamily housing.
- Mix of housing types varies across the city, with more **multifamily housing** in the city's core and adjacent **close-in neighborhoods.**
- Most housing units have **two or three bedrooms.** The exception is in Portland's Central City core area, which has many single-room occupancy units, studios and one bedrooms.
- **The Central City core area** has a higher percentage of **newer units** (35 percent built since 1989) than other parts of Portland.

## Ownership rates –

- Overall homeownership rate 57 percent - a steady increase since 1990.
- Highest homeownership rate 64 percent in Northeast Portland.
- Lower homeownership rates in the city's core and adjacent close-in neighborhoods.

## Housing supply –

- Has been **growing** – an estimated 12,621 new housing units have been added to the existing stock since the 2000 census count.
- Is **adequate** for the current demand.
- As the Portland area population increases, significant additional housing will be needed.
- Existing housing stock **will need to be maintained**. Nearly 35 percent of Portland's housing units were built before 1940. If these older homes are not kept up and retrofitted for energy efficiency, the inventory of existing stock may decline. The preservation of older multifamily housing, in particular, is critical because this housing type often is more affordable and contributes more towards neighborhood character than new housing.

Why do we count households instead of people? The short answer is that people live in households, whether the household is one person or many, and whether the "household group" lives in a large freestanding unit or small unit in a high-density "multi-family" building. And when people search for housing, they "shop" as a household.

## Housing Affordability –

- Increasingly, housing **affordability is seen as a function** not just of income and direct housing costs but also **of location** – that is, a home's proximity to jobs, transit, shopping and services greatly affects its overall affordability, especially as **transportation costs** have been not only high but increasing.
- The combined **housing and transportation** costs leave many **lower income households "cost burdened,"** meaning that they **spend more than average 45-50 percent of their household income on housing and transportation costs.**
- In Portland, many of the **neighborhoods with the best access** to jobs, transit and services (centrally located neighborhoods such as downtown, the Lloyd and River Districts, Northwest and the inner eastside) also have become the **most expensive,** leading lower income households to move further out, where rents and housing prices are lower but transportation costs are higher. Rents by both number of bedrooms and by square foot are as much as twice as high near the center of the city as farther out
- Housing prices are **most affordable** in areas to the north and east, **farthest from the city's center,** which is the region's largest job center. The transportation costs and commuting times for households seeking affordable housing in these areas are likely to be high.
- Although Portland has a substantial supply of **subsidized rental housing** that is dispersed throughout the city, supply is not equal to demand.
- Use of rental housing (Section 8) **vouchers** is increasing in the far north and east areas of the City and decreasing in the inner eastside neighborhoods. These close-in neighborhoods have locational advantages that would benefit lower income households, such as frequent transit service, convenient neighborhood commercial areas and proximity to the central city—the region's largest job center.
- As of the third quarter of 2009, there were 6,123 properties in the Portland metro area with foreclosure filings, according to Realty Trac, a national firm that tracks foreclosures. Approximately one in every 145 housing units has had a filing.

## Trends

- **Demand for homes will increase** as the **population** of the Portland metropolitan area is expected to continue to **grow.**
- More than twice the number of **multifamily units** than single family units are being built in the City of Portland since 2003 and this **trend is likely to continue** given smaller household sizes and the scarcity of vacant land designated for single family development.
- The most notable trend affecting the Portland housing market in the last decade is the **decline in affordability.** From 2000 to 2007, the median Portland housing price rose almost 75 percent—from $166,000 to $288,900—and monthly housing costs rose roughly 40 percent.
- **Utilities costs,** which add to housing costs, are also expected to continue to **rise.**
- **Incomes have not kept pace** with these cost increases, leaving many households cost burdened.
- Between 2000 and 2007, the **supply of affordable** owner-occupied and renter-occupied housing units **decreased.**
- The number of **rental units** with monthly housing costs of **less $700 declined substantially.** Units in the $400 to $600 range would be affordable to households with incomes of between $16,000 and $24,000 a year. A minimum wage worker working full time makes about $17,500 a year.
- During the same period, the number of owner-occupied **homes valued at more than $200,000 increased** dramatically, from 18 to 73 percent.

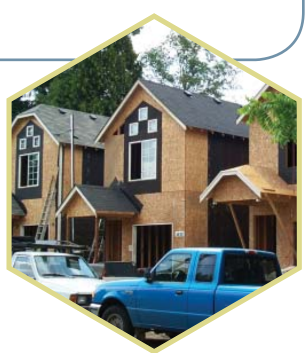
## Recommendations

- Encourage new development of affordably-priced rental units by both for and nonprofit developers, particularly in areas of the City that have good access to frequent service transit, jobs and services. Remove any regulatory and other barriers to this development.
- Support the construction of new attached and multifamily housing that can provide more affordable and energy-efficient opportunities for homeownership than single-family detached housing.
- Consider tools such as location-efficient mortgages, tax abatements for transit-oriented development, and employer-based incentive programs to address housing and transportation cost burdens of lower income households.

# Projections for 2035

**Stated in the broadest of terms, the Metroscope computer model tells us that:**

- The number of households in the Metro region and the City of Portland will grow
- There will be adequate supply of housing for the additional residents
- The highest level of housing demand will be for multi-family residences



## The Metroscope Forecast

The Metro regional government is responsible for forecasting the amount of growth the metropolitan area will experience. The Metroscope computer model calculates a wealth of detailed projections of what the region's population and demographics will be in 2035.

### The Forecast is a Baseline

The Metroscope model assumes that existing policies and trends continue; in this way, the forecast is useful as a baseline by which to evaluate potential changes in policy. The forecast calculates three growth level scenarios – high, medium and low.

### Projections show that:

- Number of **households** in Portland will **increase by at least 44 percent** between 2005 and 2035.
- The total number of **new households** in Portland will be between **105,000 and 136,000**, accounting for an annual growth rate of 1.2 to 1.6 percent, which translates into 3,500 to 4,500 new households each year in the 30-year timeframe.
- The annualized growth rate for the Portland metropolitan area as a whole is expected to be just over 1.2 percent.

As a frame of reference, the city added 29,300 new housing units between 1997 and 2007, an average of just under 3,000 units each year, accounting for an average share of 36 percent of the units built in the metro region in that ten-year period. (Please note that this number does not include renovations or additions that create new living units.)

Portland's **share of the growth in households regionally** is projected to decline to approximately 22 percent in 2035 from a baseline 2005 share of 29 percent; this holds true for all three growth level scenarios.

### Housing Distribution

**Where:**

- Portland's **Central Business District** is the area that will see the **highest growth** in demand for housing – nearly **277 percent.**
- The **lowest levels of growth** in number of households are projected for **Northeast and Southeast Portland,** at 17 and 15 percent, respectively.
- **Southeast** Portland will be home to the **largest number of households** – 23 percent of all the housing units in the city.

**Type:**

- The most dramatic growth will be in the number of **condominiums and other owner-occupied multifamily housing units;** these will be in demand throughout the city.
- Single-family rental housing will become less available, as few such homes are expected to be added to the existing housing stock.

## Household Characteristics

Demographers have studied the characteristics of Portland's expected residents in 2035, grouped them using **eight different profiles,** and projected how many of which groups will be living where in Portland. This information has bearing on the types of housing that will be needed in different parts of town.

Overall projections are that the **distribution of household types** in 2035 will be **similar to the current distribution.**

- Higher income households will be concentrated in **West** (with about half of the city's highest income households) and **Southeast** Portland.
- **Low-income singles** will be more evenly distributed throughout the city than other groups, although North Portland will account for about one-third of the city's lowest income households.
- **North, East and West Portland** will have more **variety** in household type than the Central Business District, Northeast and Southeast Portland.

**Notable changes** expected by 2035 include:

- An **increase in the share of low-income singles living in North Portland,** where this group currently makes up one-third of all households. Many of these are elderly renters.
- In **Southeast** Portland, there will be more **smaller households** (one or two people) than now.
- **East Portland's share of higher income households will decline,** while its share of lower income households will increase.
- Portland's **Central** Business District will have a higher portion of the city's **established singles** than it currently does.

### Housing Capacity

- Modeling suggests that **all the different areas of Portland** (North, Northeast, etc.) **have the capacity** to meet their projected housing needs.
- Approximately **189,000** housing units (mostly multifamily) **can be built** in the city.
- Construction on **underutilized lots** alone could add more than **120,000 units.**
- In **Southeast and North Portland,** building on **underutilized land would provide enough housing** to meet demand under both low-growth and medium-growth scenarios.
- In **Northeast and West Portland, housing beyond what could be built on underutilized land will be needed,** even under a low-growth scenario.
- Both East Portland and the Central Business District can easily satisfy their expected housing demand under all growth scenarios.

## How to Use This Information

As mentioned earlier, we need a clear idea of expected growth so that we can plan well ahead for transportation, schools, and other facilities and services for the city and region. Just as we ask, "Where will the new households go?" we will need to decide where the new facilities should be located. The geographic distribution of the different types of households, with their various ages, incomes, and other characteristics, has many implications. Will the housing units be small (studios for young single people) or larger (three- and four-bedroom homes for families with young children)?

A good example is the projected rise in lowest income households (Group 1 - "Low-income Singles") forecast for the North Portland subarea. Metro's profile of characteristics for this group is not just that they are low income and single, but also that they are primarily older people. To see the numbers of this type of household increase in North Portland from 29% to 34% means an increase in the numbers of housing units that will need to be, for instance, able to accommodate wheelchairs. If we built only new "live-work" units accessible by stairs in North Portland, that would not be a good match to what the expected population there will need.