Ordinance No. 12-22
Exhibit A

Salem Housing Needs Analysis 2015 to 2035

Prepared for:

City of Salem

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ECONorthwest
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1 Introduction

This report is part of the Salem Housing Needs Analysis. The full study is contained in three documents:

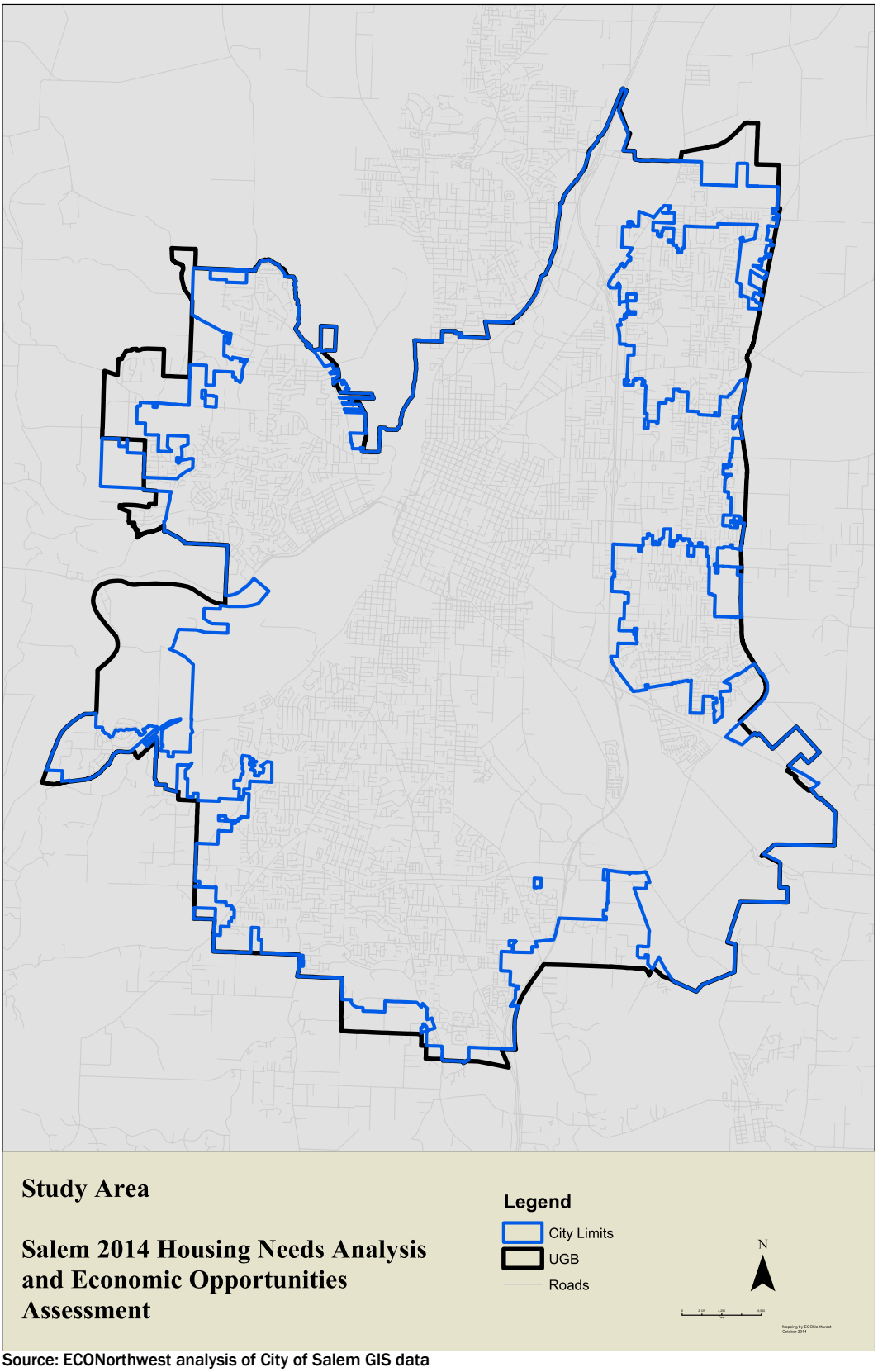
- **Housing Needs Analysis and Economic Opportunities Analysis: Summary** briefly presents the key findings and conclusions of the residential and employment land studies.
- **Salem Housing Needs Analysis 2015 to 2035** presents the full results of the housing needs analysis (HNA) for the City of Salem and is intended to comply with statewide planning policies.
- **Salem Housing Need Implementation Strategy** presents recommendations for revisions to policies in Salem's Comprehensive Plan Housing Element and implementation measures to meet Salem's identified housing needs.

This report presents the Salem Housing Needs Analysis 2015 to 2035. It is intended to comply with statewide planning policies that govern planning for housing and residential development, Goal 10, ORS 197.296, and OAR 660-008. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996). Where appropriate, the analysis uses "safe harbor" provisions found in OAR 660-024.

This report provides Salem with a factual basis to support future planning efforts related to housing and options for addressing unmet housing needs in Salem. It builds from the *Salem-Keizer Housing Needs Analysis* prepared by ECONorthwest for the Salem-Keizer region. This study updates information from the Regional analysis and provides specific analysis that is required for a single jurisdiction to comply with state policies.

Map 1 shows the study area for the HNA, which includes all land within the Salem portion of the Salem-Keizer Urban Growth Boundary (UGB). This includes land within the Salem city limits, as well as land outside the city limits but within the UGB in Marion and Polk counties.

Map 1. Salem Housing Needs Analysis and Economic Opportunities Analysis Study Area, 2014



Source: ECONorthwest analysis of City of Salem GIS data

GOAL 10 REQUIREMENTS

Economists view housing as a bundle of services for which people are willing to pay: shelter certainly, but also proximity to other attractions (job, shopping, recreation), amenities (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced by both economic forces and government policy. Moreover, different households will value what they can get differently. They will have different preferences, which in turn are a function of many factors like income, age of household head, number of people and children in the household, number of workers and job locations, number of automobiles, and so on.

Thus, housing choices of individual households are influenced in complex ways by dozens of factors; and the housing market in the Salem-Keizer region and in Marion and Polk counties are the result of the individual decisions of hundreds of thousands of households. These points help to underscore the complexity of projecting what types of housing will be built in Salem between 2015 and 2035.

The complex nature of the housing market was demonstrated by the unprecedented boom and bust during the past decade. This complexity does not eliminate the need for some type of forecast of future housing demand and need, with the resulting implications for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need. Thus, we start our housing analysis with a framework for thinking about housing and residential markets, and how public policy affects those markets.

The passage of the Oregon Land Use Planning Act of 1974 (ORS Chapter 197), established the Land Conservation and Development Commission (LCDC), and the Department of Land Conservation and Development (DLCD). The Act required the LCDC to develop and adopt a set of statewide planning goals. Goal 10 addresses housing in Oregon and provides guidelines for local governments to follow in developing their local comprehensive land use plans and implementing policies.

At a minimum, local housing policies must meet the requirements of Goal 10 (ORS 197.295 to 197.314, ORS 197.475 to 197.490, and OAR 600-008). Goal 10 requires incorporated cities to complete an inventory of buildable residential

lands[1] and to encourage the availability of adequate numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households.

Goal 10 defines needed housing types as "housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels." ORS 197.303 defines needed housing types:

(a) Housing that includes, but is not limited to, attached and detached single-family housing and multiple family housing for both owner and renter occupancy;

(b) Government assisted housing;[2]

(c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490; and

(d) Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.

DLCD provides guidance on conducting a housing needs analysis in the document "Planning for Residential Growth: A Workbook for Oregon's Urban Areas,"[3] referred to as the Workbook. In addition, cities with a population of 25,000 or more (including Salem) are required to comply with ORS 197.296 and must conduct an analysis of housing need by housing type and density range to determine the number of needed dwelling units and amount of land needed for each needed housing type in the next 20-years (ORS 197.296(3)(b)).

In summary, Salem must identify needs for all of the housing types listed above as well as adopt policies that increase the likelihood that needed housing types will be developed. This housing needs analysis was developed to meet the requirements of Goal 10 and its implementing administrative rules and statutes.

ORGANIZATION OF THE REPORT

The main document presents a summary of key data and analysis used in the housing needs analysis. The appendices present detailed tables and charts for the housing needs analysis. This document is organized as follows:

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[1] The definition of buildable residential land from OAR 660-008 is presented in the glossary in Appendix A.

[2] Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

[3] "Planning for Residential Growth: A Workbook for Oregon's Urban Areas" was prepared for the State by ECONorthwest and Lane Council of Governments in June 1997.

- **Chapter 2. Residential Buildable Lands Inventory** summarizes the inventory of vacant, suitable residential land.
- **Chapter 3. Historical and Recent Development Trends** presents a high-level summary of residential development in Salem. Detailed tables and charts are presented in Appendix B.
- **Chapter 4. Housing Demand and Need** presents a housing needs analysis consistent with ORS 197.296 requirements and the Planning for Residential Growth Workbook. Detailed tables and charts supporting the demographic and other information discussed in Chapter 4 is presented in Appendix B.
- **Chapter 5 Residential Land Sufficiency** estimates residential land sufficiency in the Salem portion of the UGB needed to accommodate expected growth over the planning period.
- **Appendix A. Residential Buildable Land Inventory Report**
- **Appendix B. Trends Affecting Housing Need in Salem**

2 Residential Buildable Lands Inventory

This chapter provides a summary of the buildable lands inventory for the Salem portion of the Salem-Keizer UGB. Appendix A presents the full buildable lands inventory, including the methodology for developing the inventory and the full results of the inventory.

DEFINITIONS

For the purposes of this study, the following definitions were used:

- **Developed Land** – properties with improvements that are considered committed to existing uses for the 20-year planning period.
- **Vacant Land** - properties with no current development and available for future employment development. The inventory included all land designated for residential uses and as a result is more comprehensive (e.g., includes more land) than would be inventoried using the standard definitions of vacant land in OAR 660-009-0005(14).
- **Partially Vacant Land** – properties that are partially vacant (e.g., partially developed) in the baseline inventory with a residential use and by the criteria developed for this study could support additional development.
- **Excluded** – properties where the existing land use excludes or essentially precludes any future development. Examples include publicly-owned lands; designated open spaces; GIS parcels representing water bodies; power lines, electrical substations, water towers or reservoirs, etc.; and airport expansion areas. Publicly-owned lands were evaluated and many (not all) were excluded because they are not intended to convert to residential use during the planning period.
- **Constrained land** – land that is not available for development based upon one or more factors such as, environmental protections, or lands committed for public use. Constrained land was deducted from the buildable land inventory in order to determine the amount of unconstrained "buildable acres" available for development over the planning horizon. Appendix A describes the constraints identified and excluded in the BLI.

RESIDENTIAL BUILDABLE LAND INVENTORY RESULTS

The Residential Buildable Land Inventory includes a review of the following residential and mixed-use comprehensive plan designations:

- Single Family Residential (SF)
- Multi-Family Residential (MF)
- Developing Residential (DR)
- Mixed Use (MU)
- River-Oriented Mixed Use (ROM)

Table 1 shows residential land in Salem by classification (development status). The results show that Salem has 17,659 acres in residential plan designations (including mixed-use designations that allow residential development). By classification, about 62% of the land is developed, 22% partially vacant, and 17% vacant. About 83% of residential land is in single-family designations (DR and SF); 14% in the multifamily designation and 3% in mixed-use designations (MU and ROM).

Table 1. Residential Land by Classification, Salem UGB, 2014

	Plan Designation						Percent of
Development Status	**DR**	**MF**	**SF**	**MU**	**ROM**	**Total**	**Total**
Developed	1,405	2,191	7,179	33	75	10,883	**62%**
Partially Vacant	2,401	76	1,286	46		3,810	**22%**
Vacant	1,753	276	662	227	49	2,966	**17%**
Total	**5,559**	**2,543**	**9,127**	**306**	**124**	**17,659**	**100%**
Percent of Total	**31%**	**14%**	**52%**	**2%**	**1%**	**100%**	

Source: ECONorthwest analysis of City of Salem GIS data
Note: DR=developing residential; MF = multifamily residential; SF=single-family residential; MU=mixed use; ROM=river oriented mixed use.

Table 2 shows buildable acres (e.g., acres in taxlots after constraints are deducted) for vacant and partially vacant land by plan designation. The results show that Salem has about 5,538 buildable residential acres (including areas in mixed-use plan designations). Of this, about half is in tax lots classified as vacant, and half in tax lots classified as partially vacant. Nearly two-thirds of the buildable residential land (3,611 acres) is in the developing residential plan designation and 24% (1,347 acres) in the single-family residential plan designation. Six percent (313 acres) is in the multifamily plan designation with the remaining acreage in mixed-use designations (MU and ROM).

Table 2. Buildable acres in vacant and partially vacant tax lots by plan designation, Salem UGB, 2014

	Plan Designation						Percent of
Development Status	DR	MF	MU	ROM	SF	Total	Total
Partially Vacant	2,027	56	45		752	2,880	52%
Vacant	1,584	258	215	7	595	2,658	48%
Total	**3,611**	**313**	**260**	**7**	**1,347**	**5,538**	**100%**
Percent of Total	**65%**	**6%**	**5%**	**0%**	**24%**	**100%**	

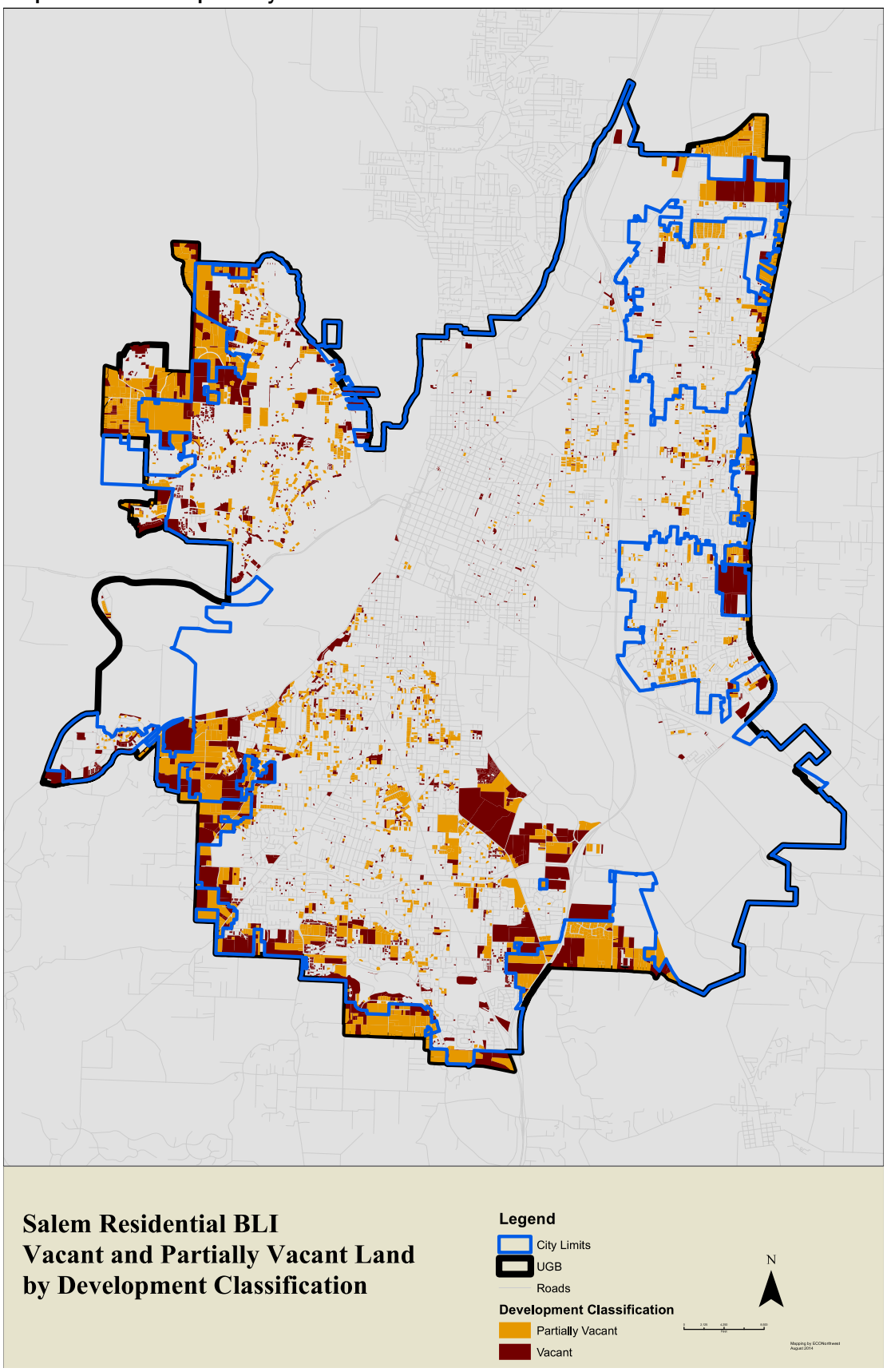
Source: ECONorthwest analysis of City of Salem GIS data

Map 2 and Map 3 show vacant and partially vacant residential and mixed-use land in Salem.

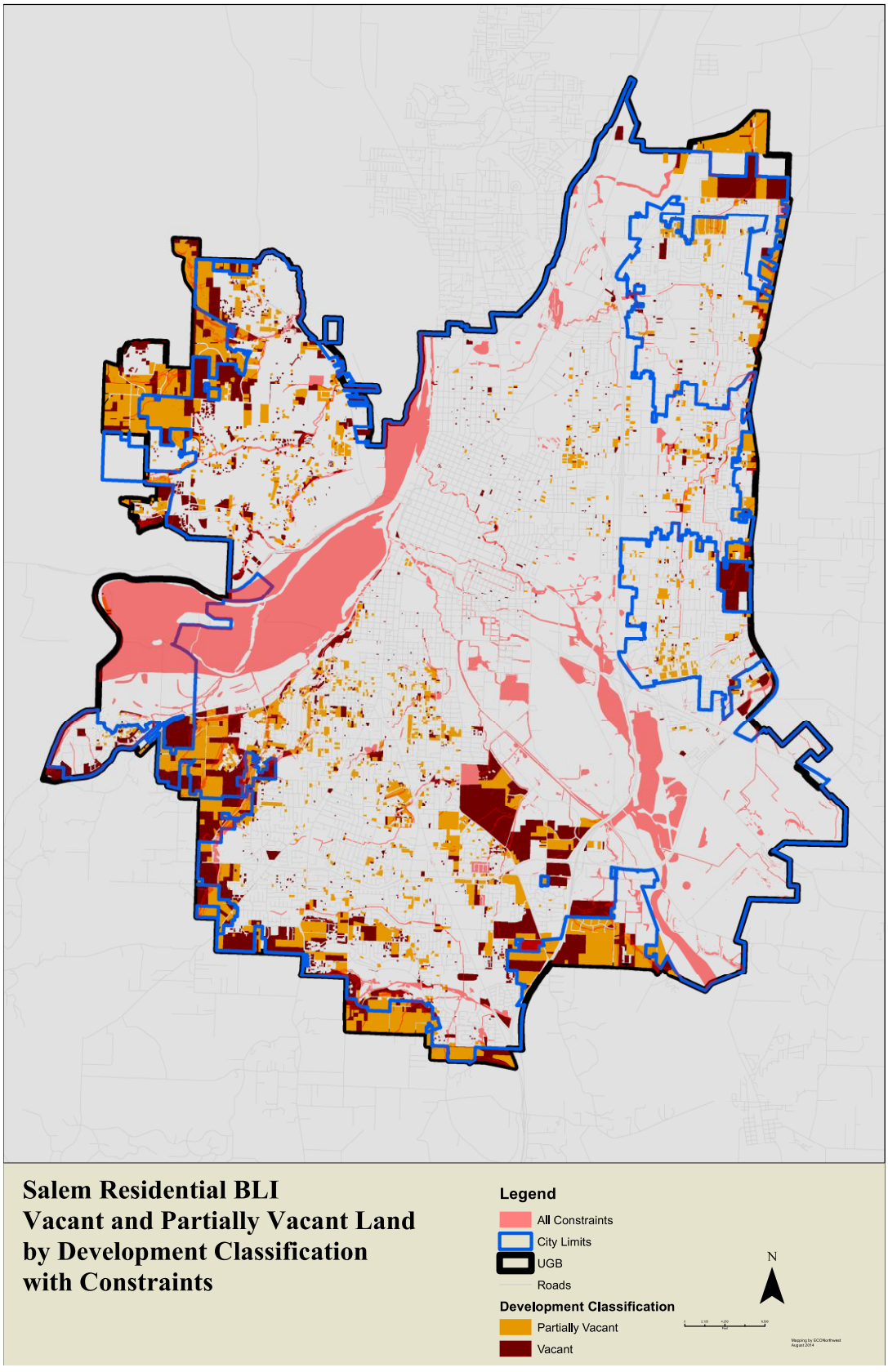
Chapter 5 presents the analysis of capacity of buildable vacant and partially vacant lands in Salem. The capacity analysis also includes an analysis of capacity of commercial land to accommodate residential development - through development of mixed-use buildings - on vacant and redevelopable lands.

Table 11 (in Chapter 5) shows residential development capacity on commercial land in the Mixed-Use designation, the River-Oriented Mixed Use zone, and on land designated for commercial uses.

Map 2. Vacant and partially vacant residential and mixed-use land



Map 3. Vacant and partially vacant residential and mixed-use land and development constraints



3 Historical and Recent Development Trends

Analysis of historical development trends in Salem provides insight into the functioning of the local housing market, and is required by ORS 197.296. The mix of housing types and densities, in particular, are key variables in forecasting future land need. The specific steps are described in Task 2 of the DLCD *Planning for Residential Lands* Workbook:

1. Determine the time period for which the data must be gathered
2. Identify types of housing to address (all needed housing types)
3. Evaluate permit/subdivision data to calculate the actual mix, average actual gross density, and average actual net density of all housing types

ORS 197.296 requires the analysis of housing mix and density to cover the past five years, or since the most recent periodic review (whichever time period is greater).[4] Salem completed periodic review in 2009. This study, however, uses data from a longer period to describe development activity in Salem's portion of the UGB. The analysis of development activity builds on the analysis from the regional HNA, which analyzed building permits issued between 1999 and 2009. To that, this study adds information about building permits issued between 2010 and 2013. Information from this longer 15-year period gives a better picture of recent and long-term development trends in Salem.

The housing needs analysis presents information about residential development by housing type. There are multiple ways that housing types can be grouped; for example, they can be grouped by:

(1) Structure type (e.g., single-family detached, apartments, etc.)
(2) Tenure (e.g., distinguishing unit type by owner or renter units)
(3) Housing affordability (e.g., units affordable at given income levels)
(4) Some combination of these categories

For the purposes of this study, we grouped housing types based on: (1) whether the structure is stand-alone or attached to another structure and (2) the number of dwelling units in each structure. Tenure and affordability are address in Chapter 4. The housing types used in this analysis are:

[4] Specifically, ORS 197.296(5) (b) states: "A local government shall make the determination described in paragraph (a) of this subsection using a shorter time period than the time period described in paragraph (a) of this subsection if the local government finds that the shorter time period will provide more accurate and reliable data related to housing capacity and need. The shorter time period may not be less than three years."

- **Single-family detached** includes single-family detached units and manufactured homes on lots and in mobile home parks.
- **Single-family attached** is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.
- **Multifamily** is all attached structures (e.g., duplexes, tri-plexes, quad-plexes, and structures with five or more units) other than single-family detached units, manufactured units, or single-family attached units.

This section summarizes historical and recent development trends, described in detail in Appendix B.

Residential development trends

Single-family housing types make up the largest share of Salem's housing stock.

- Single-family detached housing accounts for about 65% of Salem's housing stock.
- Single-family attached housing accounts for about 5% of Salem's housing stock.
- Multifamily housing accounts for about 30% of Salem's housing stock.
- Over the 1999 to 2013 period, Salem issued permits for nearly 11,600 dwellings, with about 770 units permitted each year.
- Sixty-nine percent of new housing permitted in Salem between 1999 and 2013 was single-family (which includes single-family detached, single-family attached, and manufactured housing types). Nearly 8,000 single-family dwelling units were permitted over the 15-year period.
- The share of multifamily housing permitted increased to more than half of units permitted between 2010 and 2013, consistent with residential development trends across Oregon and the nation. More than 3,600 multifamily dwelling units were permitted over the 15-year period.

More than half of Salem's residents own their home.

- Homeownership rates remained stable over the last decade. Roughly 56% of housing in Salem was owner-occupied in 2000 and 2010.
- Nearly all (96%) of owner-occupied housing is single-family detached.
- Renter-occupied housing is a mixture of multifamily (57%), single-family detached (33%), and single-family attached (10%).

Salem's vacancy rate is similar to Marion and Polk counties and lower than the State average.

- In 2010, Salem's vacancy rate (6.5%) was similar to Marion and Polk counties (both at 6.6%) and lower than Oregon (9.3%).

Residential development density remained relatively stable between 1999 and 2013.

- Average density in the Salem was 8.0 dwelling units per net acre (dwelling units per net acre) over the 1999 to 2013 period.
- Density was similar across the 15-year period, with higher density during the 2010 to 2013 period (9.4 dwelling units per net acre) than during the 1999 to 2009 period (7.7 dwelling units per net acre). This is consistent with the higher proportion of multifamily units permitted.
- Density was lowest in DR (6.6 dwelling units per net acre) and SF (7.3 dwelling units per net acre) and highest in mixed use developments (between 16.8 and 25.9 dwelling units per net acre)

4 Housing Demand and Need

Appendix B describes the framework for conducting a housing "needs" analysis. ORS 197.296 requires cities over 25,000 or fast growing cities to conduct a housing needs analysis, and Salem must meet the requirements of this statute. A recommended approach is described in "Planning for Residential Growth: A Workbook for Oregon's Urban Areas," the Department of Land Conservation and Development's guidebook on local housing needs studies. As described in the Workbook, the specific steps in the housing needs analysis are:

1. Project number of new housing units needed in the next 20 years.
2. Identify relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix.
3. Describe the demographic characteristics of the population and, if possible, housing trends that relate to demand for different types of housing.
4. Determine the types of housing that are likely to be affordable to the projected households based on household income.
5. Determine the needed housing mix and density ranges for each plan designation and the average needed net density for all structure types.
6. Estimate the number of additional needed units by structure type.

This chapter is structured around these steps. It summarizes information presented in tables and charts presented in Appendix B.

STEP 1: PROJECT NUMBER OF NEW HOUSING UNITS NEEDED IN THE NEXT 20 YEARS

Step 1 in the housing needs analysis is to project the number of *new* housing units needed during the planning period. This section describes the key assumptions and presents an estimate of new housing units needed in Salem between 2015 and 2035. The key assumptions are based on the best available data and may rely on safe harbor provisions, when available.[5] Trends that may affect these assumptions and Salem's housing need are described in Step 2 of the housing needs analysis.

- **Population.** A 20-year population forecast (in this instance, 2015 to 2035) is the foundation for estimating needed new dwelling units. Table B-7 in Appendix B **shows that the Salem portion of the Salem-Keizer UGB will grow from 210,035 people in 2015 to 269,274 people in 2035, adding 59,239 people over the 20-year period[6].**
- **Persons in Group Quarters.** Persons in group quarters do not consume standard housing units: thus, any forecast of new people in group quarters is typically backed out of the population forecast for the purpose of estimating housing demand. Group quarters can have a big influence on housing in cities with colleges (dorms), prisons, or a large elderly population (nursing homes). In general, any new requirements for these housing types will be met by institutions (colleges, government agencies, health-care corporations) operating outside what is typically defined as the housing market. Group quarters, however, require residential land. They are typically built at densities that are comparable to multiple-family dwellings.

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[5] A safe harbor is an assumption that a city can use in a housing needs analysis that the State has said will satisfy the requirements of Goal 14. OAR 660-024 defined a safe harbor as "… an optional course of action that a local government may use to satisfy a requirement of Goal 14. Use of a safe harbor prescribed in this division will satisfy the requirement for which it is prescribed. A safe harbor is not the only way or necessarily the preferred way to comply with a requirement and it is not intended to interpret the requirement for any purpose other than applying a safe harbor within this division."

[6] This forecast is based on Marion County's adopted population forecast, which is documented in: "Population forecasts for Marion County, its Cities and Unincorporated Areas 2010-2030" Prepared by the Population Research Center, College of Urban and prepared by the Population Research Center, College of Urban and Affairs, Portland State University.

It is also based on Keizer's adopted population forecast for 2032, which is documented in Ordinance number 2012-656, adopted by Keizer on May 7, 2012.

In 2010, 5.6% of the City's population was in group quarters. **For the 2015 to 2035 period, we assume that 5.6% of new population, 3,317 people, will be in group quarters.**

- **Household Size.** OAR 660-024 established a safe harbor assumption for average household size—which is the figure from the most recent Census. According to the U.S. Census, the average household size in Salem in 2010 was 2.55 people. **For the 2015 to 2035 period, we assume an average household size of 2.55 persons per household.**
- **Vacancy Rate.** Vacancy rates are cyclical and represent the lag between demand and the market's response to demand in additional dwelling units. Vacancy rates for rental and multiple family units are typically higher than those for owner-occupied and single-family dwelling units.

  OAR 660-024 established a safe harbor assumption for vacancy rate—which is the figure from the most recent Census. According to the U.S. Census, Salem's vacancy rate was 6.5% in 2010. **For the 2015 to 2035 period, we assume a vacancy rate of 6.5%.**

Table 3 shows the forecast of demand for new dwelling units in the Salem portion of the UGB for the 2015 to 2035 period, based on the assumptions described above. Salem will have demand for 23,355 new dwelling units over the 20 year period, with an annual average of 1,168 dwelling units.

Table 3. Forecast of demand for new dwelling units, Salem UGB, 2015 to 2035

Variable	New Dwelling Units (2015-2035)
Change in persons	59,239
minus Change in persons in group quarters	3,317
equals Persons in households	55,922
Average household size	2.55
New occupied DU	21,930
times Aggregate vacancy rate	6.5%
equals Vacant dwelling units	1,425
Total new dwelling units (2015-2035)	**23,355**
Annual average of new dwelling units	**1,168**

Source: Calculations by ECONorthwest based on the Salem-Keizer adopted population forecast and U.S. Census data
Note: The annual average number of new units (1,168) is the average number of units over the 20-year period. Development will happen in uneven cycles, with more development some years and less other years.

STEP 2: IDENTIFY RELEVANT NATIONAL, STATE, AND LOCAL DEMOGRAPHIC AND ECONOMIC TRENDS AND FACTORS THAT MAY AFFECT THE 20-YEAR PROJECTION OF STRUCTURE TYPE MIX

National Trends

Appendix B presents a full review of national housing trends. This brief summary builds on previous work by ECONorthwest, Urban Land Institute (ULI) reports, and conclusions from *The State of the Nation's Housing, 2013* report from the Joint Center for Housing Studies of Harvard University.[7] The Harvard report summarizes the national housing outlook as follows:

> "The long-awaited housing recovery finally took hold in 2012, heralded by rising home prices and further rental market tightening. While still at historically low levels, housing construction also turned the corner, giving the economy a much-needed boost. But even as the most glaring problems recede, millions of homeowners are delinquent on their mortgages or owe more than their homes are worth. Worse still, the number of households with severe housing cost burdens has set a new record."

Several challenges to a strong and sustainable housing market remain. Demand for housing is closely tied to jobs and incomes, which are taking longer to recover than in previous cycles. While trending downward, the numbers of underwater homeowners, delinquent loans, and vacancies remain high. *The State of the Nation's Housing* report projects that it will take several years for market conditions to return to normal and, until then, the housing recovery will likely unfold at a moderate pace.

National housing market trends include:[8]

- **First signs of post-recession market recovery.** In 2012, existing home sales accelerated to their fastest pace since 2007, new home sales registered their first year-over-year increase since the downturn began, single-family starts increased by 24 percent, and multifamily starts climbed for the second year in a row.
- **Continued declines in homeownership.** After 13 successive years of increases, the national homeownership rate declined each year from

[7] http://www.jchs.harvard.edu/research/state_nations_housing

[8] These trends are based on information from: (1) The Joint Center for Housing Studies of Harvard University's publication "the State of the Nation's Housing 2013," (2) Urban Land Institute, "2011 Emerging Trends in Real Estate," and (3) the U.S. Census.

2005 to 2012, and is currently at 65%. The Urban Land Institute projects that homeownership will continue to decline to somewhere in the low 60% range.

- **Housing affordability.** In 2012, more than one-third of American households spent more than 30% of income on housing. Nearly 40% of low-income households with one or more full-time workers are severely cost burdened (i.e., spent 50% or more of income on housing), and roughly 60% of low-income households with one part-time worker are severely cost burdened.

- **Changes in housing characteristics.** National trends show that the size of single-family and multi-family units, and the number of household amenities (e.g., fireplace or two or more bathrooms) increased since the early 1990s. Between 2007 and 2009, the median size of new single-family units decreased by 6% nationally and in the western region. In addition, the share of new units with amenities (e.g., central air conditioning or fireplaces) all decreased slightly during this time. Since 2009, housing sizes have been increasing annually; median housing sizes increased by 8% between 2009 and 2012 nationwide, and 7% in the western region. The short term, post-recession trends regarding amenities are mixed, but generally appear to be increasing (albeit more slowly than housing sizes).While housing size and number of amenities are increasing with the recovery of the economy, the future trajectory of these trends remains unclear.

- **Long-term growth and housing demand.** The Joint Center for Housing Studies indicates that demand for new homes could total as many as 17 million units nationally between 2010 and 2020. Much of the demand will come from baby boomers, Millennials,[9] and immigrants.

- **Changes in housing preference.** Housing preference will be affected by changes in demographics, most notably the aging of the baby boomers, housing demand from the echo-boomers, and growth foreign-born immigrants. Baby boomers' housing choices will affect housing preference and homeownership, with some boomers likely to stay in their home as long as they are able and some preferring other housing products, such as multifamily housing or age-restricted

[9] Millennials are, broadly speaking, the children of Baby Boomers, born from the early 1980's through the early 2000's.

housing developments.

In the near-term, echo-boomers and new immigrants may increase demand for rental units. The long-term housing preference of echo-boomers and new immigrants is uncertain. They may have different housing preferences as a result of the current housing market turmoil and may prefer smaller owner-occupied units or rental units. On the other hand, their housing preferences may be similar the baby-boomers, with a preference for larger units with more amenities.

State Trends

Oregon's *2011-2015 Consolidated Plan* includes a detailed housing needs analysis as well as strategies for addressing housing needs statewide.[10] The plan concludes that "Oregon's changing population demographics are having a significant impact on its housing market." It identified the following population and demographic trends that influence housing need statewide. Oregon is:

- Facing housing cost increases due to higher unemployment and lower wages, when compared to the nation
- Experiencing higher foreclosure rates since 2005, compared with the previous two decades
- Losing federal subsidies on about 8% of federally subsidized Section 8 housing units
- Losing housing value throughout the State
- Losing manufactured housing parks, with a 25% decrease in the number of manufactured home parks between 2003 and 2010
- Increasingly older, more diverse, and, has less affluent households[11]

[10] http://www.ohcs.oregon.gov/OHCS/HRS_Consolidated_Plan_5yearplan.shtml

[11] State of Oregon *Consolidated Plan 2011 to 2015*. http://www.oregon.gov/ohcs/hd/hrs/consplan/2011_2015_consolidated_plan.pdf

Regional and Local Demographic Trends

Salem has a growing population. Salem's growing population will drive future demand for Salem over the planning period.

- Salem grew by more than 50,000 people, a 48% increase in population, at an average annual rate of 1.7% over the 1990 to 2013 period.
- Salem grew at a faster rate than the nation as a whole (1.1% per year), Oregon (1.4% per year), and Marion County (1.5%) over this period.
- Salem's portion of the UGB is forecast to grow by about 59,000 people between 2015 and 2035, at a 1.25% average annual growth rate.

Salem's population is younger than the state, on average. Salem has a larger share of relatively young people, including young families with children, and a relatively small share of people over 45 years. If Salem continues to attract people in these age categories, then Salem will continue to have demand for housing for families, especially housing affordable to younger families with moderate incomes.

- In 2010, the median age in Salem was 36.7 years old, compared to the State median of 38.5.
- Compared to the state of Oregon as a whole, a higher percentage of Salem's population is younger than 30 years old, and a lower percentage is older than 50.

Salem's population is growing older. Although Salem has a smaller share of people over 45 years old than the State average, Salem's population is growing older, consistent with State and national trends. Demand for housing for retirees will grow over the planning period, as the Baby Boomers continue to age and retire. However, Salem's demand for housing for seniors will grow at a slower rate than across the State.

- The fastest growing age group over the 2000 to 2010 period in Salem was people aged 45 years and older, with the most growth in people aged 45 to 64.
- In Salem, people aged 45 to 64 grew by nearly 9,600 people (a 34% increase) between 2000 and 2010.
- While the State does not generate population predictions for the City of Salem specifically, it does forecast population change for Marion and Polk counties. State forecasts show the share of population that is 70 years and older is forecast to increase from 10% of the population in 2015 to 14% of the population in 2035. The share of population 29 years and younger, meanwhile, is forecast to decrease from 42% in 2015 to 39% in 2035.

Salem is becoming more ethnically diverse. Growth in Hispanic and Latino population will affect Salem's housing needs in a variety of needs. Growth in

first and, to a lesser extent, second and third generation Hispanic and Latino immigrants will increase demand for larger dwelling units to accommodate the, on average, larger household sizes for these households. Households for Hispanic and Latino immigrants are more likely to include multiple generations, requiring more space than smaller household sizes. As Hispanic and Latino households integrate over generations, household size typically decreases and housing needs become similar to housing needs for all households.

- Salem's Hispanic and Latino population grew by more than 11,000 people (57%) over the 2000 to 2010 period.
- By 2010, Hispanic and Latino population accounted for 20% of Salem's total population, compared to the State average of 12%.

Salem's household size is similar to State averages.

- Salem's average household size was 2.55 persons per household, compared with the regional average of 2.68 persons per household.
- The size of households in Salem grew slightly over the ten-year period between 2000 and 2010 (2.53 to 2.55). Over the same period, the average household size in the Salem MSA rose from 2.66 to 2.68, while the State's average fell from 2.51 to 2.47.

Salem has a relatively high percentage of families with children, as well as single-person and non-family households.

- Salem has a larger share of families with children (34%) than the State average (27%), Polk County (31%), or Marion County (33%).
- Salem had a larger share of single-person households (29% in 2012) than the regional average (25% in 2012).
- Salem had a larger share of non-family households (34% in 2012) than the regional average (29%).

Homeownership and household size are related with age. The relationship between age, income, and homeownership are well-documented.[12] In general, as population ages, income and homeownership rates increase, plateauing around age 60 to 65. This trend is present in Salem's housing market. While homeownership decreases after age 74, many people continue to live in an owner-occupied dwelling until they are unable to do so. However, household size and rental rates increase with age. As Salem's population ages, there may be more demand for smaller owner-occupied dwellings, rental housing, and housing for seniors.

- More than half of householders aged 35 and older were homeowners. Homeownership increases with age until 74 years old.
- After age 75, homeownership decreases.
- Householders younger than 35 years were more likely to be renters.
- Householders 65 years and older were more likely to be homeowners in single-person households.

Salem is part of a complex, interconnected regional economy.

- Commuting is typical throughout the region: 42% of Salem's working residents commuted outside the city, and about 58% of those who work in the city live outside the city itself.
- The majority of jobs in Salem are in Government (30% of jobs), Health Care and Social Assistance (15%), Accommodations and Food Service (15%), Retail Trade (11%), and Manufacturing (6%).
- The average pay per year for all employees in all sectors in Salem is about $42,000. The sectors with the most employment in Salem and above average wages are Government (average wage of $56,600) and Health Care and Social Assistance ($48,000). Average pay is lower than

[12] The research about the relationship between demographics and housing demand is based on numerous articles and sources of information about housing, including:

The Case for Multi-family Housing. Urban Land Institute. 2003

E. Zietz. *Multi-family Housing: A Review of Theory and Evidence.* Journal of Real Estate Research, Volume 25, Number 2. 2003.

C. Rombouts. *Changing Demographics of Homebuyers and Renters.* Multi-family Trends. Winter 2004.

J. McIlwain. *Housing in America: The New Decade.* Urban Land Institute. 2010.

D. Myers and S. Ryu. *Aging Baby Boomers and the Generational Housing Bubble*. Journal of the American Planning Association. Winter 2008.

M. Riche. *The Implications of Changing U.S. Demographics for Housing Choice and Location in Cities.* The Brookings Institution Center on Urban and Metropolitan Policy. March 2001.

L. Lachman and D. Brett. *Generation Y: America's New Housing Wave.* Urban Land Institute. 2010.

the city's overall average for Manufacturing ($37,900), Retail Trade ($26,800), and Accommodations and Food Service ($16,500).

Housing types are trending towards larger units on smaller lots.

- Between 1990 and 2012, the median size of new single-family dwellings increased 21% nationally from 1,905 sq. ft. to 2,306 sq. ft. and 15% in the western region from 1,985 sq. ft. to 2,281 sq. ft. In addition to larger homes, a move towards smaller lot sizes is seen nationally. Between 1990 and 2012, the percentage of lots under 7,000 sq. ft. increased from 27% of lots to 36% of lots.
- Both African American families and Hispanic families had significantly lower likelihood of homeownership, lower house values (for owners) and lower rents (for renters) - even controlling for income and savings, level of education, age, marital status, family size, the housing market in which the unit was located - compared to whites.[13]

[13] Boehm, Thomas P. and Alan M. Schlottmann, "Housing Tenure, Expenditure, and Satisfaction Across Hispanic, African American, and White Households: Evidence from the American Housing Survey." US Department of Housing and Urban Development, February 2006.

STEP 3: DESCRIBE THE DEMOGRAPHIC CHARACTERISTICS OF THE POPULATION AND, IF POSSIBLE, HOUSING TRENDS THAT RELATE TO DEMAND FOR DIFFERENT TYPES OF HOUSING

The purpose of the analysis thus far has been to give some background on the kinds of factors that influence housing choice, and in doing so, to convey why the number and interrelationships among those factors ensure that generalizations about housing choice are difficult and prone to inaccuracies.

There is no question that age affects housing type and tenure. Mobility is substantially higher for people aged 20 to 34. People in that age group will also have, on average, less income than people who are older. They are less likely to have children. All of these factors mean that younger households are much more likely to be renters, and renters are more likely to be in multi-family housing.

The data illustrate what more detailed research has shown and what most people understand intuitively: life cycle and housing choice interact in ways that are predictable in the aggregate; age of the household head is correlated with household size and income; household size and age of household head affect housing preferences; income affects the ability of a household to afford a preferred housing type. The connection between socioeconomic and demographic factors, on the one hand, and housing choice, on the other, is often described informally by giving names to households with certain combinations of characteristics: the "traditional family," the "never marrieds," the "dinks" (dual-income, no kids), the "empty nesters."[14] Thus, simply looking at the long wave of demographic trends can provide good information for estimating future housing demand.

Thus, one is ultimately left with the need to make a qualitative assessment of the future housing market. Following is a discussion of how demographic and housing trends are likely to affect housing Salem over the next 20-years:

- **Growth in housing will be driven by growth in population.** Between 1990 and 2012, Salem's housing grew by 3.9% per year, while its population grew by roughly 1.7% per year. The forecasts for growth show population and housing growing at about the same rate over the 20-year period.
- **On average, future housing will look a lot like past housing.** That is the assumption that underlies any trend forecast, and one that allows some quantification of the composition of demand for new housing. As

[14] See *Planning for Residential Growth: A Workbook for Oregon's Urban Areas* (June 1997).

a first approximation, the next three to five years of residential growth will look a lot like the last three to five years.

- **If the future differs from the past, it is likely to move in the direction (on average) of smaller units and more diverse housing types.** Most of the evidence suggests that the bulk of the change will be in the direction of smaller average house and lot sizes for single-family housing.

  Key demographic trends that will affect Salem's future housing needs are: (1) the aging of the Baby Boomers, (2) aging of the Millennials, and (3) continued growth in Hispanic and Latino population:

  - *The Baby Boomer's population is continuing to age.* By 2035, 24% of the population in Marion and Polk counties will be over 60 years old, compared with 16% in 2000. The changes that affect Salem's housing demand as the population ages are that household sizes decrease and homeownership rates decrease (generally after 74 years old).
  - *Millennials will continue to age.* By 2035, Millennials will be roughly between about 35 years old to 55 years old. As they age, generally speaking, their household sizes will increase and homeownership rates will peak by about age 55. Between 2015 and 2035, Millennials will be a key driver in demand for housing for families with children.
  - *Hispanic and Latino population will continue to grow.* The U.S. Census projects that, by about 2040, Hispanic and Latino population will account for more than one-quarter of the nation's population. The share of Hispanic and Latino population in the western U.S. is likely to be higher. Growth in Hispanic and Latino population will drive demand for housing for families with children. Given the lower income for Hispanic and Latino households,[15] growth in this group will also drive demand for affordable housing, both for ownership and renters.

  In summary, an aging population, increasing housing costs, housing affordability concerns for Millennials and the Hispanic and Latino populations, and other variables are factors that support the conclusion

[15] The following article describes household income trends for Hispanic and Latino families, including differences in income levels for first, second, and third generation households. In short, Hispanic and Latino households have lower median income than the national averages. First and second generation Hispanic and Latino households have median incomes below the average for all Hispanic and Latino households.

Pew Research Center. *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*, February 7, 2012

of smaller and less expensive units and a broader array of housing choices.

Millennials and immigrants will drive demand for affordable housing types, including demand for small, affordable single-family units (many of which may be ownership units) and for affordable multifamily units (many of which may be rental units).

- **No amount of analysis is likely to make the distant future any more certain: the purpose of the housing forecasting in this study is to get an approximate idea about the future so policy choices can be made today.** It is axiomatic among economic forecasters that any economic forecast more than three (or at most five) years out is highly speculative. At one year, one is protected from being disastrously wrong by the shear inertia of the economic machine. But a variety of factors or events could cause growth forecasts to be substantially different.

STEP 4: DETERMINE THE TYPES OF HOUSING THAT ARE LIKELY TO BE AFFORDABLE TO THE PROJECTED HOUSEHOLDS BASED ON HOUSEHOLD INCOME.

Salem's income is comparable to regional and state averages. Income is a key determinant of housing affordability. Since 2000, Salem's income has decreased (in inflation-adjusted dollars), consistent with state trends.

- Salem's median household income ($46,500) was about 5% lower than the state median ($49,200) in 2012.
- Inflation-adjusted income decreased in Salem from about $53,400 in 2000 to $46,500 in 2012 (in 2012 dollars). This is consistent with state and regional trends.
- Poverty rates increased in Salem from 15% of the population below poverty in 2000 to nearly 20% in 2010. This is consistent with state and regional trends.
- Salem had a larger share of population below the federal poverty line in 2010 (19.8%) than the State average (17.2%).

Homeownership is increasingly expensive in Salem. Sales prices for single-family housing increased over 2004 to 2013 period, consistent with national trends. While housing prices peaked in 2007, 2013 sales prices grew by about 16% since 2004.

- Housing costs increased 62% between 1990 and 2012, while income levels remained virtually the same (increasing by about 15% in the first decade, and declining by nearly the same amount over the second).
- In 2012, the typical value of an owner-occupied house was four times median household income. This is a substantial increase from twice median household income in 1990.
- Median sales prices for single-family housing increased by about 20% between 2004 and 2013. Median housing prices generally peaked in 2007, at roughly $215,000. By 2013, prices had decreased to about $166,000.
- Since 2004, median housing price increased by 14% in Salem, compared to a 25% increase Statewide, 30% in Portland, 23% in Eugene, and 47% in Corvallis.

Rental costs grew more slowly than income.

- Rental costs grew at about half the rate of income between 1990 and 2000. Rental costs have remained virtually constant over the 2000 to 2012 period, while income has declined by about 13%.

More than one-third of Salem's households have affordability problems. Despite the facts that rental costs grew with income and housing is comparatively more affordable in Salem, the community still has an affordability problem, especially for renters.

- Thirty-nine percent of Salem's households were cost burdened (i.e., pay more than 30% of their income on rent or homeownership costs) in 2012. This is consistent with the state averages.
- More than 50% of Salem's renter households were cost burdened in 2010. About one-quarter of renters were severely cost burdened (i.e., pay more than 50% of their income on rent).
- Thirty percent of Salem's homeowners were cost burdened in 2010. About 11% of homeowners were severely cost burdened (i.e., pay more than 50% of their income on homeownership costs).
- Salem has a deficit of nearly 6,400 dwelling units that are affordable to households earning less than $25,000 annually.

Future housing affordability will depend on the relationship between income and housing price. The key question, which is difficult to answer based on historical data, is whether housing prices will continue to outpace income growth. Over the next five years, income increases are likely to keep pace with increases in housing prices and rents.

STEP 5: DETERMINE THE NEEDED HOUSING MIX AND DENSITY RANGES FOR EACH PLAN DESIGNATION AND THE AVERAGE NEEDED NET DENSITY FOR ALL STRUCTURE TYPES.

Cities are required to determine the average density and mix of *needed* housing over the 20-year planning period (ORS 197.296(5)). The statute requires the determination of the Housing Needs Projection (e.g., needed density and mix) consider the following factors that may affect future housing need:

A. The number, density and average mix of housing types of urban residential development that have actually occurred;

B. Trends in density and average mix of housing types of urban residential development;

C. Demographic and population trends;

D. Economic trends and cycles; and

E. The number, density and average mix of housing types that have occurred on the buildable lands.

Thus, the Housing Needs Projection must consider a range of factors, and they do not lend themselves to an empirical formula. The remainder of this section presents ECO's preliminary Housing Needs Projection and the rationale upon which that determination is based.

ECO concludes that needed housing density and mix for the 2015 to 2035 period in Salem is different than actual housing density and mix, based on the following factors (as specified in ORS 197.296(5)(a)):

Housing mix (ORS 197.296(5)(A) and (E)). The most common type of housing developed in Salem was single-family housing types.

- The share of single-family detached housing types in Salem was relatively stable between 1990 and 2012, fluctuating between 66% to 69% of housing in Salem. The share of single-family attached housing increased from about 4% in 1990 to 6% of all housing in 2012. The share of multifamily housing varied from 26% to 30% of all housing in Salem between 1990 and 2012.
- Salem issued approximately 31% of the region's multifamily housing permits between 1999 and 2013.
- Fifty-six percent of housing in Salem was owner-occupied in 2010, a decline of 1% from 2000.

Housing Density (ORS 197.296(5)(A), (B) and (E)). The average density of single-family housing was more than 7 dwelling units per net acre and for multi-family housing was generally greater than 10 dwelling units per acre.

- The average net density for all residential development occurring in Salem's portion of the UGB between 1999 and 2013 was 8.0 units per net acre.
    - The net density in the Single-Family Residential designation (SF) was 7.3 dwelling units per net acre. The Developing Residential (DR) had an average of 6.6 dwelling units per net acre.
    - Multi-Family Residential designation (MF) had an average of 10.9 dwelling units per net acre.
    - Mixed Use (MU) development in Salem had an average density of 16.7 dwelling units per net acre.

Regional Growth (ORS 197.296(5)(C). Population in Salem increased by 48% between 1990 and 2013. The adopted population forecast projects that population in the UGB will increase by more than one-quarter over the 20-year period.

- Salem has a need for housing of all types, including single-family detached, single-family attached, and multifamily units. This need also includes a need for government assisted dwelling units—which can be any of the housing types listed above.
- The Salem MSA (Marion and Polk counties) is growing, with growth concentrated in Salem. Much of the historical growth was the result of in-migration. The MSA grew by nearly 122,000 people between 1990 and 2013, with about half of this growth in Salem. Salem grew by more than 50,000 people over the 19-year period.
- Based on Marion County's adopted population forecast, Salem will population will grow by 59,239 new people from 2015 to 2035. Housing demand will grow with population growth.

Economic Trends (ORS 197.296(5)(D). The economy in the Salem MSA grew over the last two decades. A separate analysis of economic opportunities show that employment in Salem will continue to grow over the 20-year period.

- Between 1990 and 2013, the Salem MSA added more than 40,000 jobs. The majority of new jobs were in commercial sectors, such as health care and professional services. The per capita income increased by nearly 20% ($5,600) between 1990 and 2012.

- Between 2001 and 2013, the Salem MSA added about 9,500 jobs. While the economy and the housing market recently experienced a severe downturn in growth, Salem can expect to experience one to two complete economic cycles (from faster growth to little or no growth) over the planning period.

Demographic trends (ORS 197.296(5)(C). The population is aging and household sizes are generally decreasing within the region, with an increase in the share of single-person households.

- Future housing demand will be driven by in-migration and changes in age-demographics. New households and existing households are likely to undergo similar changes in age-demographics.
- The Office of Economic Analysis projects that the share of people over 60 years in Marion County will increase from 20% in 2015 to 24% in 2035, and from 23% to 24% in Polk County over the 20-year period. The aging of the population will result in changes in household characteristics. On average, household size decreases as people age and, after age 75, homeownership decreases.
- Older households will make a variety of housing choices. The major impact of the aging of the baby-boomers on demand for new housing will be through demand for housing types specific to seniors, such as assisted living facilities. Baby-boomers will make a range of housing choices in Salem:
    - Many will choose to remain in their houses as long as they are able.
    - As their health fails, some will choose to move to institutional housing, such as assisted living facilities or nursing homes.
    - Some may downsize to smaller single-family homes (detached and attached) or multifamily units. These will be a mixture of owner and renter units.
    - Some may choose to move to retirement or age-restricted communities.
- Growth of Hispanic and Latino households. Hispanic and Latino population grew by more than 11,300 people in Salem over the 2000 to 2010 period, accounting for 20% of its population by 2010. By 2030, Hispanics are projected to account for about 20% of the U.S. population, an increase from about 13% of the U.S. population in 2000. It is reasonable to expect that Hispanic and Latino populations will continue growing in Salem, consistent with State and national trends.

- To the extent that in-migrating households have lower than average income, and that minority households constitute a substantial share of in-migration, then in-migration of ethnic groups will increase demand for housing affordable to low- and moderate-income households relative to demand for other types of housing. The types of housing that are most likely to be affordable to these households are compact housing types, such as duplex, townhouse, and some types of multifamily housing types. These households are more likely to be renters, especially when they first move to Salem.
- Changes in the composition of Salem's population will affect the types of housing needed. The composition of Salem's households has changed over the past decade. The average household size in Salem increased from 2.53 to 2.55 persons per household. Sixty-six percent of Salem households were occupied single-persons in 2012.

Housing Affordability (ORS 197.296(5)(C) and (D)). Salem's housing became less affordable for both renting and owning over the last decade.

- Between 1990 and 2012, growth in homeownership costs outpaced growth in income. In Salem, median owner value increased by 62% between 1990 and 2012, while median household income remained stagnant.
- Between 2004 and 2013, average sales price increased by 14% in Salem.
- Between 2000 and 2012, growth in renter costs outpaced growth in income by a smaller margin than ownership costs. In Salem, median contract rent did not change between 2000 and 2012, while median household income decreased by 13%.
- Thirty-nine percent of Salem's households were cost burdened in 2012, with renters cost burdened more frequently than owners (52% compared to 30%).[16] In comparison, 40% of households in Marion County, 39% of households in Polk County, and 39% of State households were cost burdened in 2012.

[16] Cost burden is a typical standard used by HUD to determine housing affordability, which says that a household should pay no more than a 30% of household income for housing, including payments and interest or rent, utilities, and insurance. We urge readers use caution in interpreting these data; cost burden only considers the ration between income and housing cost and does not address important factors such as household assets, household size, type of dwelling unit, and others.

- In 2012, the Salem MSA had a gap in affordable housing for households that earn less than 30% of the MSA's Median Family Income (MFI), with earnings of nearly $19,000.
    - The Salem MSA had a deficit of about 6,400 dwelling units that would be affordable to households earning $25,000 or less based on the U.S. Department of Housing and Urban Development's (HUD) affordability guidelines.
    - More than 11% of the MSA's households could not afford a studio apartment at HUD's fair market rent level of $559, and one-quarter of households could not afford a two-bedroom apartment at HUD's fair market rent level of $742.
    - A household earning median family income ($60,000) could afford a home valued up to about $167,400.
- Continued increases in housing costs may increase demand for denser housing (e.g., multifamily housing or smaller single-family housing) or locating outside of Salem. To the extent that denser housing types are more affordable than larger housing types, continued increases in regional housing cost will increase demand for denser housing.

When the balance of factors required by ORS 197.296(5) are considered, ECO concludes that the needed density mix for the 20-year planning period is different than the actual density and mix achieved between 1990 and 2013. This is in part because the analysis period largely covers the housing boom period between 2002 and 2007—a period when an extraordinary number of higher cost single-family detached dwellings were built. It is also reflective of the fact that the data suggest the region has a significant affordability gap. This gap suggests that the region needs more lower cost housing, which in turn may be addressed through higher density and smaller housing types.

Table 4 presents the preliminary assessment of needed mix for housing built in Salem over the 2015 to 2035 period. The analysis in Table 4 is based on the following information and assumptions:

- The number of new dwelling units is based on the forecast for new dwelling units in Table 3.
- The mix of housing types is based on the assumption that the needed mix of new housing is different from the mix of existing housing stock (Figure B-1) and the mix of housing produced over the last decade (Table B-1). The increase of multifamily and single-family attached housing is based on the trends described above, such as:
    - Growth in people over 60 years old. Households over 60 typically have lower income than younger households. Those

without accumulated wealth (e.g., housing equity or investments) may choose lower-cost multifamily housing.

- Growth in Hispanic and Latino population. To the extent that in-migrating Hispanic and Latino households have lower than average income, then in-migration of ethnic groups will increase demand for housing affordable to low- and moderate-income households relative to demand for other types of housing. The types of housing that are most likely to be affordable to these households are denser housing types, such as duplex, townhouse, and some types of multifamily housing types. These households are more likely to be renters, especially when they first move to Salem.
- The need for affordable housing in the Salem MSA, much of which is likely to be located in Salem, the largest metropolitan area in the region.

Table 4. Needed mix for housing built in the Salem portion of the UGB, 2015 to 2035 period

Variable	Mix of New Housing Units (2015-2035)
Total new dwelling units (2015-2035)	23,355
Dwelling units by structure type	
Single-family detached	
Percent single-family detached DU	60%
***equals* Total new single-family detached DU**	14,013
Single-family attached	
Percent single-family attached DU	5%
***equals* Total new single-family attached DU**	1,168
Multifamily	
Percent multifamily detached DU	35%
Total new multifamily DU	8,174
equals Total new dwelling units (2015-2035)	**23,355**

Source: ECONorthwest
Note: DU is dwelling unit.

Table 5 presents the preliminary assessment of needed density mix for housing built in Salem over the 2015 to 2035 period. The analysis in Table 5 is based on the following information and assumptions:

- The mix of housing shown in Table 4.
- The needed density of housing will be:
  - Single-family detached: 6.3 dwellings per net acre in Salem based on the density analysis. The historical density for single-family housing includes single-family attached units, which is

typically built at a greater density than single-family detached housing.

- Single-family attached: 12.0 dwellings per net acre, based ECO's estimate of single-family attached housing based on the share of single-family housing and the overall average housing density. This estimate seems reasonable, given that a density of 12.0 dwellings per net acre is a typical density of single-family attached housing in other cities.
- Multifamily housing: 18.5 dwellings per net acre in Salem. New multifamily housing in Salem developed at an average density of 17.5 dwelling units per acre. Housing in the MF designation developed at 10.9 dwelling units per net acre over the 1999 to 2013 period, while housing in MU and commercial designations developed at an average density of 16.8 and 25.9 dwelling units per acre.

  The assumption that multifamily housing will develop at 18.5 dwelling units per acre is based on the assumption that more of Salem's multifamily housing will occur in more urban areas, such as those zoned RM2 or mixed use areas.

- The needed housing density is based on the assumption that the housing densities for single-family detached and single-family attached will remain stable over the 20-year period. The needed housing density assumes that densities for multifamily housing will increase slightly over the 20 year period.
- The overall average density in Salem will increase from an average of 8.0 dwelling units per net acre to 8.5 dwelling units per net acre, an 6% increase in average density. This increase is the result of the increase in the share of multifamily housing and a small increase in multifamily densities.

Table 5. Needed density and mix for housing built in the Salem portion of the UGB, 2015 to 2035 period

Housing type	New Dwelling Units (DU)	Percent	Net Acres		Net to Gross Factor	Gross Acres	
			Density	Acres		Density	Acres
Single-family detached	14,013	60%	6.3	2,224	20%	5.0	2,780
Single-family attached	1,168	5%	12.0	97	20%	9.6	122
Multifamily	8,174	35%	18.5	442	15%	15.7	520
Total	23,355		8.5	2,763		6.8	3,422

Source: ECONorthwest
Note: DU is dwelling unit.

Table 6 allocates needed housing to plan designations in Salem. The allocation is based, in part, on the types of housing allowed in the zoning designations in each

plan designation. The allocation also reflects assumptions about development in mixed-use and commercial designations (described in Chapter 5). Table 6 shows:

- **Single-Family and Developing Residential** will accommodate the majority of new single-family detached housing, with some townhouses and duplexes (a multifamily housing type).
- **Multi-Family Residential** will predominantly accommodate multifamily housing types, with some townhouses and single-family detached housing.
- **Mixed Use and ROM** will accommodate a mixture of single-family detached, townhouses, and multifamily housing. The majority of this housing will be accommodated in the Fairview Mixed-Use area. The mixture of housing in Table 6 reflects the Fairview Master Plan assumptions about residential development.
- **Commercial** plan designations will accommodate multifamily housing as part of mixed-use buildings.

Table 6. Allocation of needed housing by housing type and plan designation, Salem portion of the UGB, 2015 to 2035 period

	Plan Designation				
	Single-Family and Developing Residential	Multi-Family Residential	Mixed Use and ROM	Commercial Designations	Total
Dwelling Units					
Single-family detached	12,996	117	900	-	14,013
Single-family attached	329	409	430	-	1,168
Multifamily	467	6,773	639	295	8,174
Total	13,792	7,299	1,969	295	23,355
Percent of Units					
Single-family detached	56%	1%	4%	0%	60%
Single-family attached	1%	2%	2%	0%	5%
Multifamily	2%	29%	3%	1%	35%
Total	59%	31%	8%	1%	100%

Source: ECONorthwest
Note: DU is dwelling unit.

Need for government assisted and manufactured housing

ORS 197.303 requires cities to plan for government-assisted housing, manufactured housing on lots, and manufactured housing in parks.

- **Government-subsidized housing.** Government-subsidies can apply to all housing types (e.g., single family detached, apartments, etc.). Salem allows development of government-assisted housing in all residential plan designations, with the same development standards for market-rate housing. This analysis assumes that Salem will continue to allow government housing in all of its residential plan designations. Because government assisted housing is similar in character to other housing (with the exception the subsidies), it is not necessary to develop separate forecasts for government-subsidized housing.
- **Manufactured housing on lots.** Salem allows manufactured homes on lots in single-family zones as a special use. Salem requires the following standards for manufactured homes on lots:[17]
    - The manufactured home is multi-sectional and has at least 860 square feet of enclosed space.
    - The manufactured home is on a foundation that is continuously enclosed at the perimeter, using materials similar to foundations in surrounding dwellings.
    - The manufactured home has a pitched roof with a slope of at least three feet in height for each 12 feet in width.
    - The manufactured home's exterior siding and roofing is similar in appearance, color and materials to surrounding dwellings or are similar to those commonly used on dwellings in the community.
    - The manufactured home has an exterior thermal envelope meeting performance standards equivalent to those for single-family dwellings.
    - The manufactured home has a garage or carport constructed of like materials.

    Salem does not have special siting requirements for manufactured homes. Since manufactured homes are subject to the same siting requirements as site-built homes, it is not necessary to develop separate forecasts for manufactured housing on lots.
- **Manufactured housing in parks.** OAR 197.480(4) requires cities to inventory the mobile home or manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial or high

[17] These standards are presented in Chapter 700 of the SRC, section 700.025.

density residential development. According to the Oregon Housing and Community Services' Manufactured Dwelling Park Directory,[18] Salem has 45 manufactured home parks with 3,637 spaces and 176 vacant spaces

ORS 197.480(2) requires Salem to project need for mobile home or manufactured dwelling parks based on: (1) population projections, (2) household income levels, (3) housing market trends, and (4) an inventory of manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial or high density residential.

- Table 3shows that the Salem planning area will grow by 23,555 dwelling units over the 2015 to 2035 period.
- Analysis of housing affordability (in Table 8) shows that about 33% of Salem's new households will be low income, earning 50% or less of the region's median family income. One type of housing affordable to these households is manufactured housing.
- Manufactured housing in parks accounts for about 6% (about 3,460 dwelling units) of Salem's current housing stock.
- National, state, and regional trends during the 2000 to 2010 period showed that manufactured housing parks were closing, rather than being created. For example, between 2003 and 2010, Oregon had a statewide decrease of 25% in the number of manufactured home parks. Two manufactured home parks closed in Salem since 2000: the Herrin Pointe Estates (with 40 spaces) closed in 2003 and Riverside Trailer Park (with 26 spaces) closed in 2008.
- The longer-term trend for closing manufactured home parks is the result of manufactured home park landowners selling or redeveloping their land for uses with higher rates of return, rather than lack of demand for spaces in manufactured home parks. Manufactured home parks contribute to the supply of lower-cost affordable housing options, especially for affordable homeownership. The trend in closure of manufactured home parks increases the shortage of manufactured home park spaces. Without some form of public investment to encourage continued operation of existing manufactured home parks and construction of new manufactured home parks, this shortage will continue.

  Table 8 shows that the households most likely to live in manufactured

[18] Oregon Housing and Community Services, Oregon Manufactured Dwelling Park Directory, http://o.hcs.state.or.us/MDPCRParks/ParkDirQuery.jsp

homes in parks are those with incomes between $18,000 and $30,000 (30% to 50% of median family income). Assuming that about 5% of Salem's new single-family detached households (14,013 new dwellings) choose to live in manufactured housing parks, the City may need about 700 new manufactured home spaces. At an average of 8 dwelling units per net acre, this results in demand for about 85 acres of land.

The City allows development of manufactured housing parks in residential zones, except the RD and RH zones, through a manufactured dwelling park permit. The City has about 5,000 vacant suitable buildable acres of land in single-family zones.

However, development of a new manufactured home park in Salem over the planning period may be unlikely, given the trend towards closing manufactured home parks. The land needed for development of a manufactured housing park is part of the forecast in Table 6.

STEP 6: ESTIMATE THE NUMBER OF ADDITIONAL NEEDED UNITS BY STRUCTURE TYPE

Step five of the housing needs assessment results in an estimate of need for housing by income and housing type. This requires some estimate of the income distribution of future households in the community. ECO developed these estimates based on (1) secondary data from the Census, and (2) analysis by ECONorthwest.

The next step in the analysis is to relate income levels to tenure and structure type. Table 7 shows tenure by structure type from the 2012 Census. Table 7 shows an estimate of needed housing by structure type and tenure for the 2015-2035 planning period. The housing needs analysis assumes that homeownership rates will not change substantially in the future, with an average of 55% owner-occupied units and 45% renter occupied units in Salem.

Table 7. Estimate of needed dwelling units by type and tenure, Salem, 2015-2035

	Owner-Occupied		Renter-Occupied		Total	
Structure Type	New DU by Type	Percent by Type	New DU by Type	Percent by Type	New DU by Type	Percent of Total DU
Single-family detached	11,210	80%	2,803	20%	14,013	60%
Single-family attached	350	30%	818	70%	1,168	5%
Multifamily	1,226	15%	6,948	85%	8,174	35%
Total	12,786	55%	10,569	45%	23,355	

Source: ECONorthwest
Note: DU is dwelling unit.

The next step in estimating units by structure type is to evaluate income as it relates to housing affordability. Table 8 shows an estimate of needed dwelling units by income level for the 2015-2035 period. The analysis uses market segments consistent with HUD income level categories.

The analysis shows that about 49% of households in Salem could be considered high or upper-middle income in 2012 and that about 48% of the housing need in the 2015-2035 period will derive from households in these categories. The analysis also shows that 52% of Salem's households could be considered lower-middle, low, or very low income in 2012 and that about 52% of the housing need in the 2015-2035 period will derive from households in these categories.

Table 8. Estimate of needed dwelling units by income level, Salem, 2015-2035

		New Households 2015-2025		Financially Attainable Products		
Market Segment by Income	Income range	Number of Households	Percent of Households	Owner-occupied	Renter-occupied	
High (120% or more of MFI)	$72,000 or more	6,306	27%	All housing types; higher prices	All housing types; higher prices	↑
Upper Middle (80%-120% of MFI)	$48,000 to $72,000	4,905	21%	All housing types; lower values	All housing types; lower values	Primarily New Housing
Lower Middle (50%-80% of MFI	$30,000 to $48,000	4,437	19%	Manufactured on lots; single-family attached; duplexes	Single-family attached; detached; manufactured on lots; apartments	Primarily Existing Housing
Low (30%-50% or less of MFI)	$18,000 to $30,000	3,036	13%	Manufactured in parks	Apartments; manufactured in parks; duplexes	↓
Very Low (Less than 30% of MFI)	Less than $18,000	4,671	20%	None	Apartments; new and used government assisted housing	

Source: Analysis by ECONorthwest;
Number of households by income range from the 2012 American Community Survey, Table B19001
Income range based on HUD's 2012 Median Family Income of $60,000

5 Residential Land Sufficiency

This chapter presents an evaluation of the sufficiency of vacant residential land in Salem to accommodate expected residential growth over the 2015 to 2035 period. This chapter includes an estimate of residential development capacity (measured in new dwelling units) and an estimate of Salem's ability to accommodate needed new housing units for the 2015 to 2035 period, based on the analysis in the housing needs analysis. The chapter includes conclusions and recommendations, based on the results of the housing needs analysis.

RESIDENTIAL DEVELOPMENT CAPACITY

This section presents a summary of the analysis used to estimate Salem's residential development capacity.

Framework for the capacity analysis

The BLI provides a *supply* analysis (buildable land by type) and the preceding section provides a *demand* analysis (population and growth leading to demand for more residential development). The comparison of supply and demand allows the determination of land sufficiency.

There are two ways to get estimates of supply and demand into common units of measurement so that they can be compared: (1) housing demand can be converted into acres, or (2) residential land supply can be converted into dwelling units. A complication of either approach is that not all land has the same characteristics. Factors such as plan designation, slope, parcel size and shape, can all affect the ability of land to accommodate housing. Methods that recognize this fact are more robust and produce more realistic results. This analysis uses the second approach: it estimates the ability of vacant residential lands within the UGB to accommodate new housing. This analysis, sometimes called a "capacity analysis,"[19] can be used to evaluate different ways that vacant residential land may build out by applying different assumptions.

[19] There is ambiguity in the term *capacity analysis*. It would not be unreasonable for one to say that the "capacity" of vacant land is the maximum number of dwellings that could be built based on density limits defined legally by plan designation or zoning, and that development usually occurs—for physical and market reasons—at something less than full capacity. For that reason, we have used the longer phrase to describe our analysis: "estimating how many new dwelling units the vacant residential land in the UGB is likely to accommodate." That phrase is, however, cumbersome, and it is common in Oregon and elsewhere to refer to that type of analysis as "capacity analysis," so we use that shorthand occasionally in this memorandum.

Capacity analysis results

The capacity analysis estimates the development potential of vacant residential land to accommodate new housing based on the needed densities by the housing type categories shown in Table 5.

Table 10 shows that **Salem vacant residential land has capacity to accommodate approximately 27,325 new dwelling units**, based on the following assumptions:

- **Buildable residential land.** The capacity estimates build from the number of buildable acres in residential plan designations as shown in Chapter 2.
- **Capacity deductions.** The buildable land inventory makes deductions for constrained lands that are considered unbuildable. The capacity analysis makes additional deductions for lands that are in slopes between 5% and 25%. The deductions are based on empirical analysis of existing residential development in Salem and Keizer, developed in the *Salem-Keizer Regional Housing Needs Analysis 2012-2032*.

  The Regional HNA study found that dwellings built on slopes between 5% to 25% slope were built at about 70% of the density of dwellings built on flat land or land with slopes of up to 5%. Land with slopes greater than 25% is assumed to have no development capacity.

  The capacity analysis assumes that land with a slope up to 5% can be developed at the full needed densities (in Table 5). Land with slopes of 5% to 25% is assumed to have 70% of the capacity of the needed densities.
- **Needed densities.** The capacity analysis assumes development will occur at needed densities (as opposed to historical observed densities). Those densities were derived from historical development densities and the needed densities shown in Table 5. They are as follows:
  - Single-Family (SF) and Developing Residential (DR). The assumed density for SF was 7.3 and for DR was 6.6 dwelling units per net acre (before deductions for slopes).
  - Multifamily Residential (MF). The assumed density for MF was 18.5 dwelling units per net acre (before deductions for slopes).
  - Mixed-use. Capacity in mixed use areas is shown in Table 11.
- **Land for rights-of-way.** The capacity analysis also uses net-to-gross factors to make deductions for right of way. The assumption for the conversion from net-to-gross acres is based on analysis in the *Salem-*

Keizer Regional Housing Needs Analysis 2012-2032.

Table 9 shows that the base factors are 20% for single-family designations and 15% for multifamily designations. The net-to-gross factors are also scaled by lot size. Lots under 1 acre are assumed to require no additional right-of-way. Lots between 1 and 5 acres are assumed to need 70% of the base right-of way factor (e.g., they require 30% less right-of-way than lots over 5 acres). Lots over 5 acres are assumed to require 100% of the base right-of-way assumption.

Table 9. Net-to-gross factors used for the capacity analysis

	Lot Size		
Plan Designation	<1 ac	1-5 ac	5+ ac
SF	0%	14%	20%
DR	0%	14%	20%
MF	0%	11%	15%

Source: ECONorthwest

Table 10 presents the residential capacity estimates based on the assumptions described above. The results show that Salem has capacity for 27,325 dwellings (22,923 dwelling units in SF and DR and 4,402 in MF).

The primary reason that the derived densities in Table 10 are lower than the needed densities (in Table 5) is density deductions for land on slopes. About 70% of Salem's land in SF and DR and about 50% of MF land is on slopes of 5% to 25%. In addition, 25% of land in SF and DR and 50% of land in MF are on lots smaller than 5 acres, which have lower or no land needed for rights-of-way.

Table 10. Estimated housing development potential on vacant residential lands, number of dwelling units, Salem portion of the UGB

		DU Capacity by Slope			
Plan Designation	Buildable Acres	0-5%	5%-25%	Capacity (dwelling units)	Derived Density (DU/ GRA)
SF	1,347	4,391	3,172	7,563	5.6
DR	3,611	4,711	10,649	15,360	4.3
MF	313	2,649	1,753	4,402	14.0
Total	5,271	11,751	15,574	27,325	5.2

Source: ECONorthwest
Note: lands with over 25% slope were considered unbuildable in the BLI
Note: In Salem, new development SF includes capacity on vacant land in SF and DR. There is more than 3,600 acres of buildable land in DR.
Note: DU is dwelling unit.

Table 11 shows the estimated capacity in mixed-use and commercial areas that allow residential development. The assumptions in Table 11 are based on:

- **MU (Fairview).** This is the Fairview Mixed-use area. The assumptions in Table 11 are based on estimates of development capacity in the Fairview Master Plan, in the Traffic Impact Analysis.[20]
- **MU (West Salem).** This is the approximately 12 acres of Mixed-Use land in West Salem, which is zoned for Neighborhood Center Mixed-Use. Table 11 assumes that 10 of the vacant acres will be available for residential development at a density of 7.3 dwelling units per acre. This density assumption is consistent with the density of development in SF because the majority of housing likely to be developed in this area is likely to be single-family housing types.
- **ROM.** This area includes about 3.7 vacant acres zoned for RH in ROM. Table 11 assumes a development density of 25.9 dwelling units per acre on this land, consistent with mixed-use development in commercial zones over the 1999 to 2013 period. This density is appropriate because development in this area is expected to be denser mixed-use development.

  In addition, this area also includes the approximately 3.4-acre south block of the former Boise Cascade site. The Salem Planning Division recently granted site plan review and design review approval on this site, where the developer plans to build 115 residential units.[21]
- **Commercial.** Over the 1999 to 2013 period, Salem had development of 222 dwelling units in Commercial designations as part of mixed-use development. On average, this development resulted in the addition of 14.8 dwelling units per year. Assuming this development rate continues through the planning period, Salem will add another approximately 296 dwellings as part of mixed-use buildings on commercial land.

Based on these assumptions, Salem has capacity for an additional 903 single-family detached units and 1,361 single-family attached and multifamily units.

[20] The Fairview Master Plan is available at: http://www.cityofsalem.net/Departments/CommunityDevelopment/Planning/FairviewMasterPlan/Pages/default.aspx

[21] As of the date of this report, the developer had applied to construct an additional 70 dwelling units as part of a proposed future phase of the mixed-use development at the former Boise Cascade site.

Table 11. Estimated capacity in areas designated for mixed-use and commercial uses, Salem portion of the UGB

Plan Designation	Capacity (dwelling units)
MU (Fairview)	
Single-family detached	830
Single-family attached and multifamily	856
MU (West Salem)	73
ROM	209
Commercial	296
Total	2,264
Single-family detached	903
Single-family attached and multifamily	1,361

Source: ECONorthwest

The estimated capacity in Table 10 and Table 11 includes assumptions about infill and redevelopment occurring in Salem over the 2015 to 2035 period. More than half of the capacity in the SF and DR designations is from partially vacant land. We assume that, over the 20-year period, that much of the partially vacant land will infill and develop at urban densities. In addition, we assume that redevelopment in the MU designations will occur, both on the Fairview and a portion of the former Boise Cascade site.

RESIDENTIAL LAND SUFFICIENCY

The last step in the analysis of the sufficiency of residential land within Salem is to compare the demand for land by Plan Designation (Table 6) with the capacity of land by Plan Designation (Table 10 and Table 11). Table 12 shows:

- **Single–Family and Developing Residential.** Salem has surplus capacity for about 9,130 dwelling units in these plan designations.
- **Multi-Family Residential.** Salem has a deficit of land for nearly 2,900 dwelling units in the Multi-Family Residential designation. At an average density of 14 dwelling units per gross acre (the density used in the capacity analysis, accounting for density deductions for slopes and land for rights-of-way), Salem has a deficit of about 207 gross acres of land in Multi-Family Residential.
- **Mixed-Use and Commercial.** The estimate of land demand in Mixed-Use and Commercial designations (Table 11) was based on the estimated capacity in these designations. As a result, Table 12 shows no surplus or deficit of land needed in these designations.

Table 12. Comparison of capacity of existing residential land with demand for new dwelling units, Salem portion of the UGB, 2015-2035

			Sufficiency of Residential Land	
Housing Type / Plan Designation	Capacity (DU)	Housing Demand (DU)	DU Surplus or (Deficit)	Land Surplus or (Deficit) (gross acres)
Single-Family and Developing Residential	22,923	13,792	9,131	1,975
Multi-Family Residential	4,402	7,299	(2,897)	(207)
Mixed-Use and Commercial	2,264	2,264	0	

Source: ECONorthwest
Note: DU is dwelling unit.

Salem's economic opportunities analysis showed a need for 59 acres of land to accommodate employment growth over 2015 to 2035. Much of this land would likely be needed for retail and services in neighborhood centers, such as grocery stores, banks, or small doctors' offices. As a result, the surplus of 1,975 acres of Single-family and Developing Residential land would decrease by 59 acres to 1,916 acres.

CONCLUSIONS AND RECOMMENDATIONS

The key finding of the HNA is that Salem has a deficit of about 207 acres of land in the Multi-Family plan designation. The deficit of multifamily land is an ongoing problem and was documented in the *Salem-Keizer Regional Housing Needs Analysis 2012-2032*.

Salem will need to take action to address this land deficiency before adopting the housing needs analysis, based on our interpretation of the McMinnville decision (Friends Of Yamhill County, Community Development Law Center And 1000 Friends Of Oregon, vs. City Of McMinnville, LUBA No. 2001-093).[22] In that case, LUBA concluded that the City of McMinnville erred by adopting a housing needs analysis as a post-acknowledgement plan amendment independent of addressing land need deficiencies identified in the HNA.

In the context of this issue and the conditions in Salem, we offer the following recommendations about how Salem can address its Multi-Family land deficit and the need for more affordable housing in Salem. The recommendations below are discussed in detail in the *Residential Implementation Strategy* memorandum.

- **Redesignate or rezone land to Multi-Family.** Salem's biggest opportunity to address the deficit of Multi-Family land will be through redesignating land from SF (or possibly DR) to MF. There may be opportunities to upzone existing residential land to increase capacity, such as from RM1 to RM2.

  Redesignating or rezoning land will be a complex process. We recommend the City form an advisory group to work with City staff to identify opportunities to redesignate land from the Single-Family Residential Designation (SF) to the Multi-Family Residential Designation (MF). The process should result in city-initiated plan amendment(s) and zone change(s) to address the multifamily land deficit.

- **Evaluate tools to increase redevelopment activity and mixed-use development.** Another important way to address the deficit of multifamily land is through increasing redevelopment activity or mixed-use development. Residential redevelopment typically occurs in areas with single-family, where zoning allows denser development. Salem has a number of well-established single-family neighborhoods where the zoning allows denser development. Within this 20-year planning period, these areas may not offer the best opportunities for redevelopment to higher-density housing.

[22] http://www.oregon.gov/LUBA/docs/opinions/2001/12-01/01093.pdf

Salem's primary redevelopment opportunities are in commercial areas or redeveloping industrial areas, with opportunities for mixed-use development that includes multifamily development. Examples of redevelopment in Salem are the redevelopment of a portion of the former Boise-Cascade site, with a mixed-use development that has been approved to include 115 multifamily dwellings. The Fairview Mixed-Use area is a redevelopment that includes about 1,600 dwelling units as part of a master planned area.[23]

The *Residential Implementation Strategy* memorandum discusses potential tools to increase residential redevelopment activity.

- **Increase land available for multifamily housing types in single-family designations.** One approach to addressing a portion of the deficit of Multi-Family land is to increase opportunities for development of townhouses, duplexes, tri-plexes, and quad-plexes in the Single-Family and (possibly) Developing Residential designations. These types of multifamily housing are generally compatible with single-family detached housing.
- **Lower barriers to multifamily development.** Salem's residential development policies may create barriers to multifamily development. Some opportunities to lower these barriers are: revising the City's PUD ordinance to allow for more flexibility; creating alternative approaches to complying with the City's design standards; and simplifying or clarifying Comprehensive Plan policies that guide redesignating or rezoning of land for multifamily housing. These strategies are discussed in detail in the *Residential Implementation Strategy* memorandum.
- **Increase opportunities for development of affordable housing.** Salem has a substantial need for affordable housing, both for low- and moderate-income households. Some approaches to increase affordable housing development include: allowing accessory dwelling units in single-family areas; developing and implementing affordable housing policies and strategies; and creating an affordable housing committee that is responsible for developing affordable housing policies and strategies and reporting on progress on affordable housing development.
- **Monitor and report on multifamily development activity and land sufficiency.** The City should monitor and report on the deficit of multifamily land, tracking land redesignations and rezonings, and multifamily development. Monitoring can help the City understand the

[23] Note that both of these redevelopment opportunities were considered in the capacity analysis.

market demand for multifamily and other housing types, allowing the City to better respond to the market. Monitoring also allows the City to track the amount of residential development and land availability, as part of ensuring a long-term supply of all types of residential land.

Appendix A. Appendix A. Residential Buildable Lands Inventory

In 2011, the Mid-Willamette Valley Council of Governments (MWVCOG) completed an inventory of buildable residential lands located within the Salem Keizer Urban Growth Boundary (UGB) as part of the regional housing needs assessment. The COG inventory estimated how much residential land was currently available for development. The inventory also addresses requirements for buildable land inventories found in statewide planning goals 10 (Housing) and 14 (Urbanization).

ECO updated the 2011 inventory using 2014 data for this report. The approach generally follows the methods used by the MVWCOG in the 2011 inventory. This chapter provides an overview of the buildable land inventory methodology and results.

OVERVIEW OF THE METHODOLOGY

The buildable land inventory for the Housing Needs Analysis was completed through two (2) general phases of analysis. Phase One included an analysis of whether or not land was considered to be vacant or developed. Phase Two included an analysis of constrained land that was deducted from the inventory of buildable land.

For the purposes of this study, the following definitions were used:

> ***Developed Land*** – properties with improvements that are considered committed to existing uses for the 20-year planning period.
>
> ***Vacant Land*** - properties with no current development and available for future employment development. The inventory included all land designated for residential uses and as a result is more comprehensive (e.g., includes more land) than would be inventoried using the standard definitions of vacant land in OAR 660-009-0005(14).
>
> ***Partially Vacant Land*** – properties that are partially vacant (e.g., partially developed) in the baseline inventory with a residential use and by the criteria developed for this study could support additional development.
>
> ***Excluded*** – properties where the existing land use excludes or essentially precludes any future development. Examples include publicly owned lands; designated open spaces; GIS parcels representing water bodies;

power lines, electrical substations, water towers or reservoirs, etc.; and airport expansion areas. Publicly-owned lands were evaluated and many (not all) were excluded because they are not intended to convert to residential use during the planning period.

Constrained land includes land that is not available for development based upon one or more factors such as, environmental protections, or lands committed for public use. Constrained land was deducted from the buildable land inventory in order to determine the amount of unconstrained "buildable acres" available for development over the planning horizon. The following constraints were identified and excluded from the buildable land inventory:

- Publicly owned lands, not intended for residential use,
- Designated open spaces,
- Utilities (e.g. power lines, electric substations, water towers, reservoirs, wastewater facility and treatment plant),
- Floodways,
- Wetlands,
- Water bodies and water features,
- Riparian corridors (defined as 25 feet on either side of open mapped waterways), and
- Slopes greater than 25 percent.

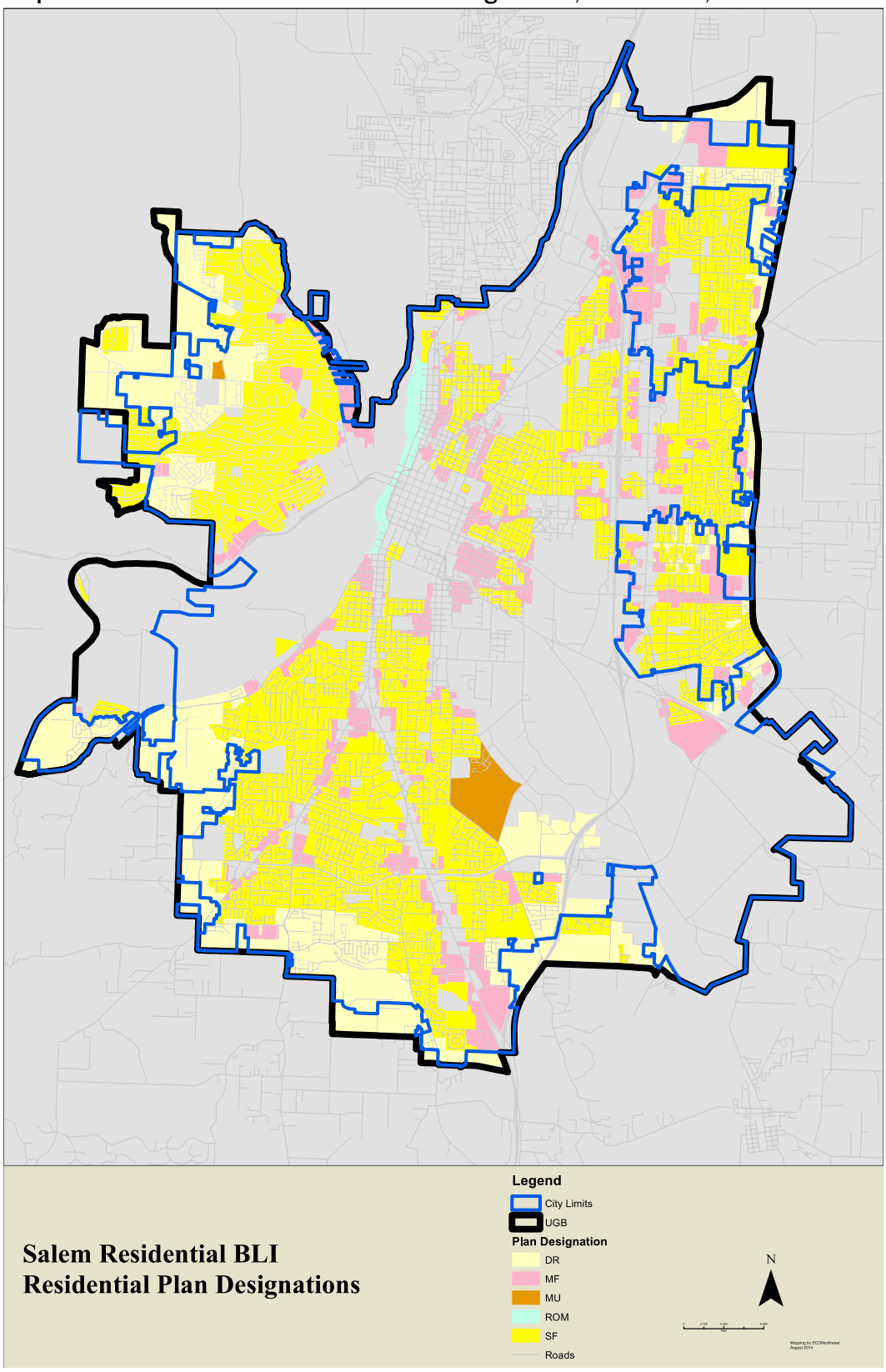
The inventory was completed primarily using Geographic Information Systems (GIS) mapping technology. The output of this analysis is a database of land inventory information, which is summarized in both tabular and map format. Although data for the inventory was gathered and evaluated at the parcel level, the inventory does not present a parcel-level analysis of lot availability and suitability. The results of the inventory have been aggregated by comprehensive plan designations, consistent with state planning requirements. As such, the inventory is considered to be accurate in the aggregate only and not at the parcel-level.

The Residential Buildable Land Inventory includes a review of the following residential and mixed-use comprehensive plan designations:

- Single Family Residential (SF)
- Multi-Family Residential (MF)
- Developing Residential (DR)
- Mixed Use (MU)
- River-Oriented Mixed Use (ROM)

Map A-1 shows lands in residential plan designations in the Salem UGB.

Map A-1: Residential and Mixed-Use Plan Designations, Salem UGB, 2014



RESIDENTIAL BUILDABLE LAND INVENTORY RESULTS

Table A-1 shows residential land in Salem by classification (development status). The results show that Salem has 17,659 acres in residential plan designations (including mixed-use designations that allow residential development). By classification, about 62% of the land is developed, 22% partially vacant, and 17% vacant. About 83% of residential land is in single-family designations (DR and SF); 14% in the multifamily designation and 3% in mixed-use designations (MU and ROM).

Table A-1. Residential Land by Classification, Salem UGB, 2014

	Plan Designation						Percent of
Development Status	DR	MF	SF	MU	ROM	Total	Total
Developed	1,405	2,191	7,179	33	75	10,883	**62%**
Partially Vacant	2,401	76	1,286	46		3,810	**22%**
Vacant	1,753	276	662	227	49	2,966	**17%**
Total	**5,559**	**2,543**	**9,127**	**306**	**124**	**17,659**	**100%**
Percent of Total	**31%**	**14%**	**52%**	**2%**	**1%**	**100%**	

Source: ECONorthwest analysis of City of Salem GIS data
Note: DR=developing residential; MF = multifamily residential; SF=single-family residential; MU=mixed use; ROM=river oriented mixed use.

Table A-2 shows land in all residential and mixed-use plan designations by development and constraint status. Salem has 17,569 acres in 53,722 tax lots in residential and mixed-use plan designations. About 63% of total residential and mixed-use land (11,202 acres) is developed, 5% (919 acres) is constrained, and 31% (5,538 acres) is buildable acres. Notably, 90% of buildable land is in single-family (DR and SF) plan designations.

Table A-2. Residential Land by Plan Designation

Plan Designation	Tax Lots	Total Acres	Developed Acres	Constrained Acres	Buildable Acres
DR Developing residential	6,871	5,559	1,549	399	3,611
MF Multifamily	6,116	2,543	2,144	85	313
MU Mixed Use	193	306	3	43	260
ROM River oriented mixed-use	231	124	62	54	7
SF Single-family	40,291	9,127	7,443	337	1,347
Total	**53,722**	**17,659**	**11,202**	**919**	**5,538**
Percent of Total		**100%**	**63%**	**5%**	**31%**

Source: ECONorthwest analysis of City of Salem GIS data

Table A-3 shows buildable acres (e.g., acres in taxlots after constraints are deducted) for vacant and partially vacant land by plan designation. The results show that Salem has about 5,538 buildable residential acres (including areas in mixed-use plan designations). Of this, about half is in tax lots classified as vacant, and half is in tax lots classified as partially vacant. Nearly two-thirds of the buildable land (3,611 acres) is in the developing residential plan designation, and 24% (1,347 acres) is in the single-family residential plan designation. Six percent

(313 acres) is in the multifamily plan designation with the remaining acreage in mixed-use designations (MU and ROM).

Table A-3. Buildable acres in vacant and partially vacant tax lots by plan designation, Salem UGB, 2014

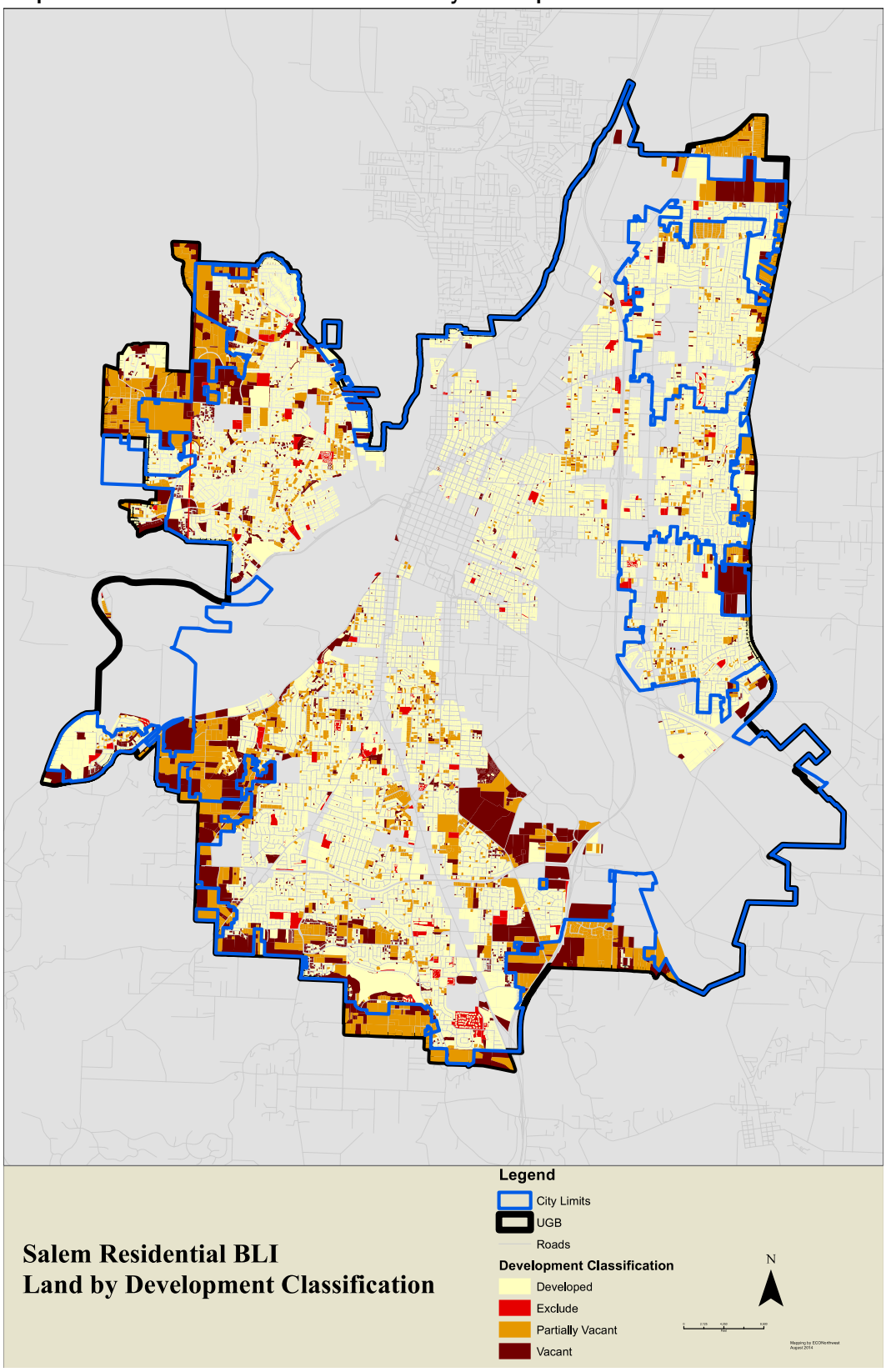
	Plan Designation						Percent of
Development Status	DR	MF	MU	ROM	SF	Total	Total
Partially Vacant	2,027	56	45		752	2,880	52%
Vacant	1,584	258	215	7	595	2,658	48%
Total	**3,611**	**313**	**260**	**7**	**1,347**	**5,538**	**100%**
Percent of Total	**65%**	**6%**	**5%**	**0%**	**24%**	**100%**	

Source: ECONorthwest analysis of City of Salem GIS data

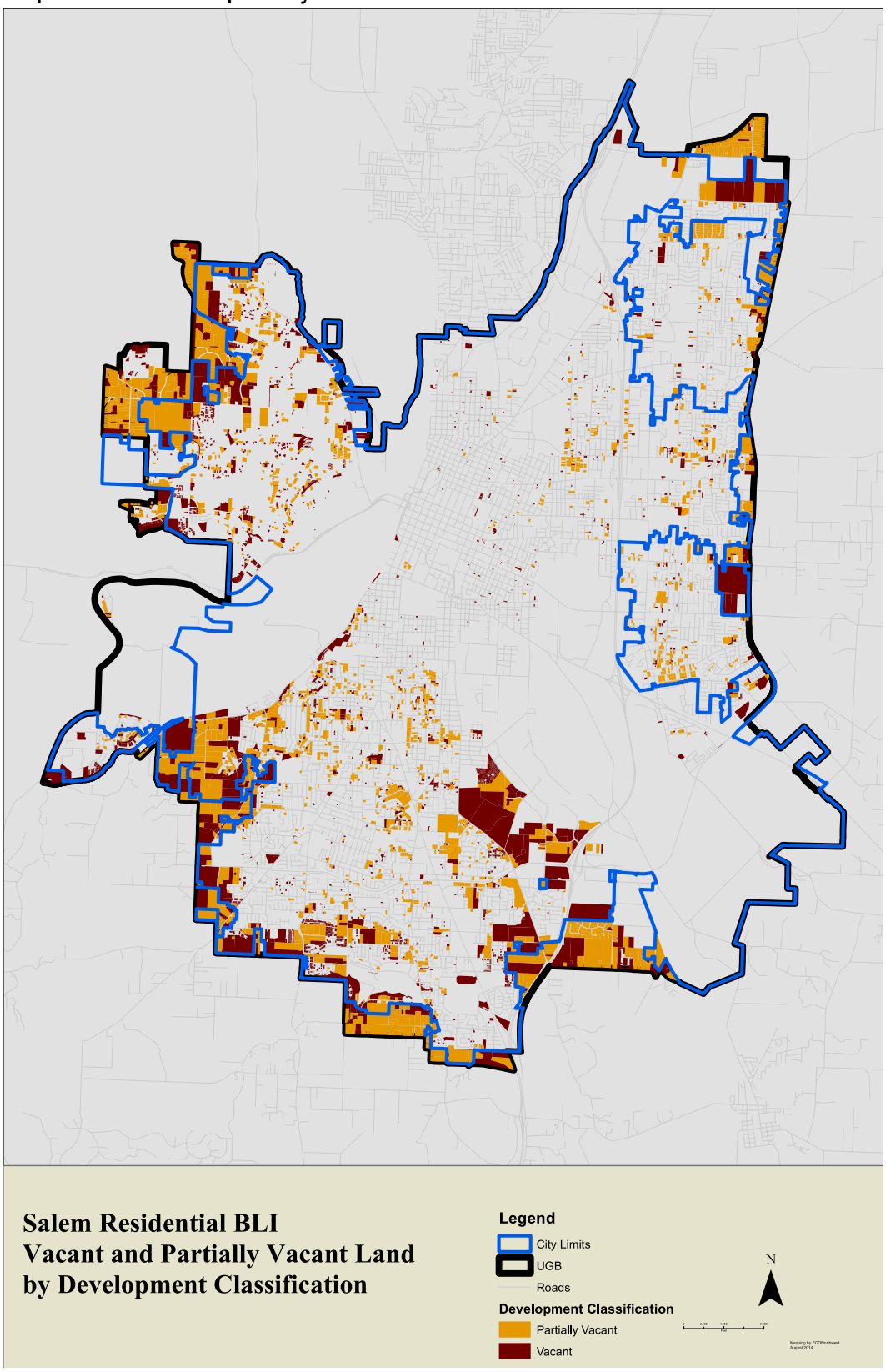
Chapter 5 of the report presents the analysis of capacity of buildable vacant and partially vacant lands in Salem. The capacity analysis also includes analysis of capacity of commercial land to accommodate residential development - through development of mixed-use buildings - on vacant and redevelopable lands.

Table 11 (in Chapter 5) shows residential development capacity on commercial land in the Mixed-Use designation, the River-Oriented Mixed Use zone, and on land designated for commercial uses.

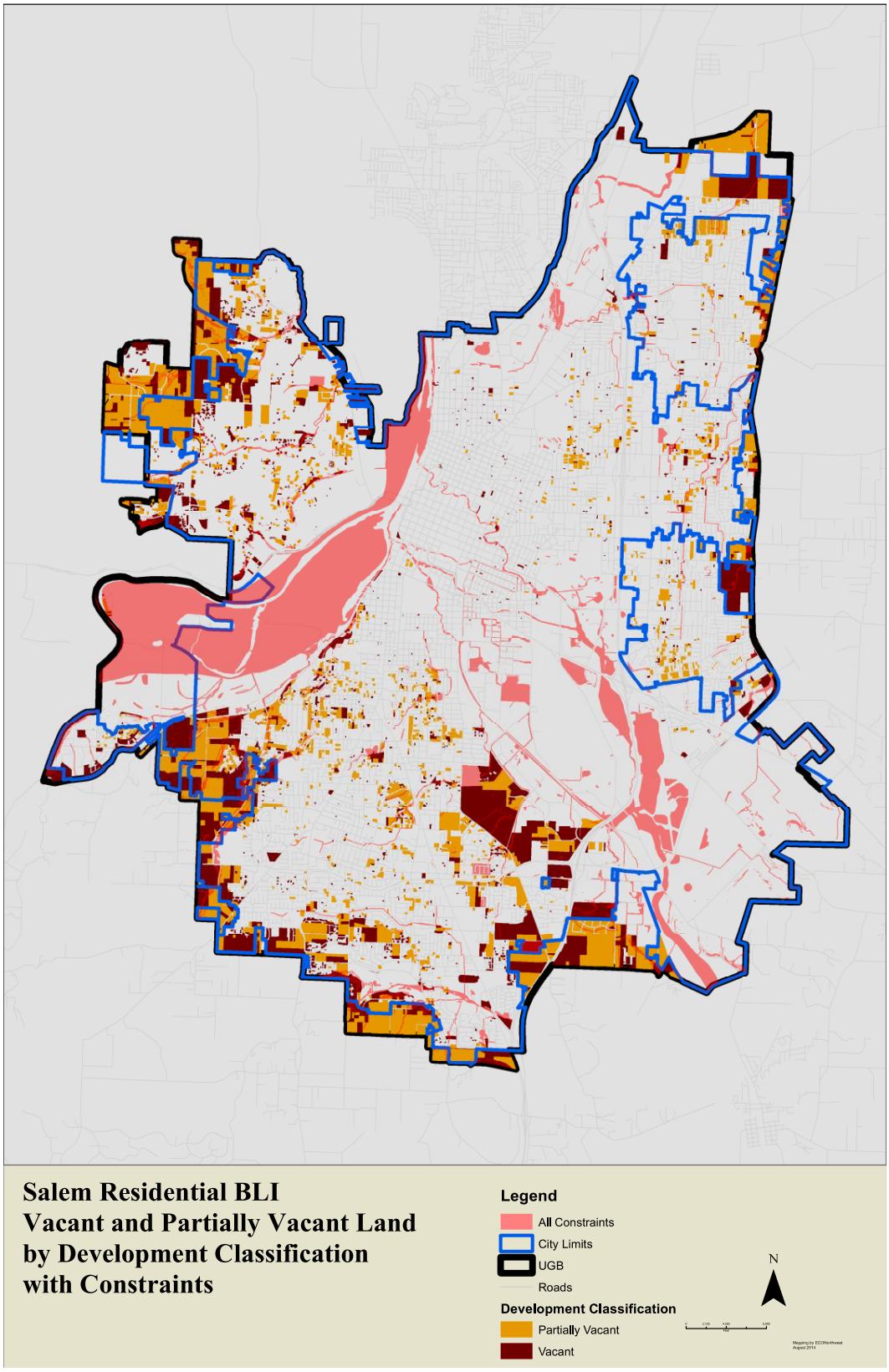
Map A-2: Residential and mixed-use land by development status



Map A-3: Vacant and partially vacant residential and mixed-use land



Map A-4: Vacant and partially vacant residential and mixed-use land and development constraints



Appendix B. Appendix B. Trends Affecting Housing Need in Salem

Historical and Recent Development Trends

Analysis of historical development trends in Salem provides insights into how the local housing market functions. The intent of the analysis is to understand how local market dynamics may affect future housing—particularly the mix and density of housing by type. The housing mix and density by type are also key variables in forecasting future land need. Moreover, such an analysis is required by ORS 197.296. The specific steps are described in Task 2 of the DLCD *Planning for Residential Lands* Workbook:

1. Determine the time period for which the data must be gathered
2. Identify types of housing to address (at a minimum, all needed housing types identified in ORS 197.303)
3. Evaluate permit/subdivision data to calculate the actual mix, average actual gross density, and average actual net density of all housing types

ORS 197.296 requires the analysis of housing mix and density to include the past five years or since the most recent periodic review, whichever time period is greater.[24] Salem completed periodic review in 2009. The period used in the analysis of housing density and mix is 1999 to 2012, which includes both times of high housing production and times of low housing production. This reasons for choosing this period were: (1) Salem recently completed periodic review and a review of housing development trends since 2009 would only include the largest post-World War II downturn in the housing market; (2) the 1999 to 2013 period includes more than one economic cycles, with extreme highs and extreme lows to the housing market; (3) and data prior to 1999 was less reliable and not directly comparable to data for the 1999 to 2013 period.

The housing needs analysis presents information about residential development by housing types. For the purposes of this study, we grouped housing types based on: (1) whether the structure is stand-alone or attached to another

[24] Specifically, ORS 197.296(5) (b) states: "A local government shall make the determination described in paragraph (a) of this subsection using a shorter time period than the time period described in paragraph (a) of this subsection if the local government finds that the shorter time period will provide more accurate and reliable data related to housing capacity and need. The shorter time period may not be less than three years."

structure and (2) the number of dwelling units in each structure. The housing types used in this analysis are:

- **Single-family detached** includes single-family detached units and manufactured homes on lots and in mobile home parks.
- **Single-family attached** is all structures with a common wall where each dwelling unit occupies a separate lot, such as row houses or townhouses.
- **Multifamily** is all attached structures other than single-family detached units, manufactured units, or single-family attached units.

The reason for choosing these categories of housing type for the analysis is that they meet the requirements definition of needed housing types in ORS 197.303.[25]

Data used in this analysis

Throughout this analysis, we use data from multiple sources, choosing data from well-recognized and reliable data sources. One of the key sources for data about housing and household data is the U.S. Census. This report primarily uses data from two Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of all households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of the 2010 Decennial Census, it does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 1990, 2000, and 2010.

- The **American Community Survey (ACS)**, which is completed every year and is a sample of households in the U.S. The 2012 ACS sampled about 3.5 million households in 2012 or about 2.5% of the households in the nation. The ACS collects detailed information about households, such as: demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year

[25] The analysis of development in Salem combines single-family detached and single-family attached housing because the City's building permit system does not distinguish between these two types of housing.

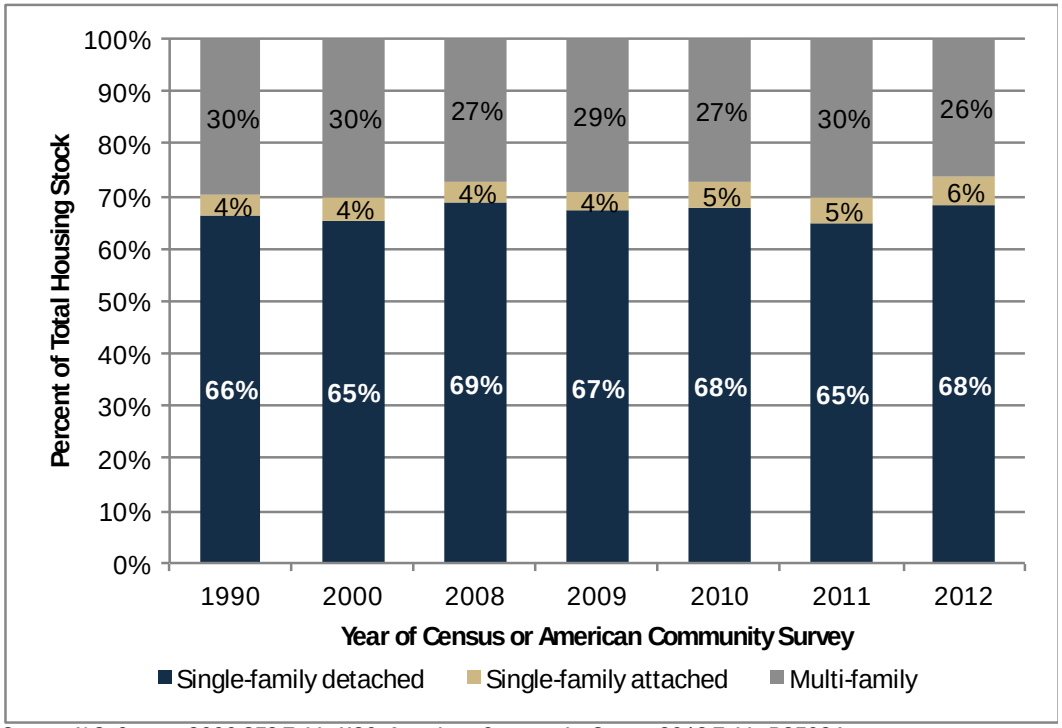
unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.

In general, this report uses data from the 2012 ACS for Salem. Where information is available, we report information from the 2010 Decennial Census.

Trends in housing mix in Salem

Figure B-1 shows change in the mix of housing stock for Salem (city limits) in 1990, 2000, and 2008 to 2012 based on U.S. Census data. Salem's mixture of housing had remained relatively stable since 1990, with about 65% of Salem's housing in single-family detached housing types. About 5% of Salem's housing stock is single-family attached and 30% is multifamily. The variation in the precise share of housing types is a result of the fact that the Census and American Community Survey are based on a survey of households, rather than substantial changes in Salem's housing stock.

Figure B-1. Dwelling units by type, percentage of all housing stock, Salem, 1990, 2000, 2008 to 2012



Source: U.S. Census 2000 SF3 Table H30, American Community Survey 2012 Table B25024

Table B-1 shows information about building permits issued in Salem for new dwelling units. The information is separated into two time periods: 1999 to 2009 and 2010 to 2013. The reason for this separation is that the analysis for 1999 to 2009 was part of the Regional HNA. The more recent period, 2010 to 2013, is new information. Also note that the Regional HNA did not include analysis of

multifamily housing built as part of mixed-use buildings. Table B-1 presents this information for the entire 1999 to 2013 period.[26]

Table B-1 and Figure B-2 show that the mix of housing developed over the 1999 to 2009 period was predominantly single-family housing (including single-family detached, single-family attached, and manufactured housing). Over the 2010 to 2013 period, the majority of housing permitted was multifamily housing. This is consistent with regional, state, and national trends for residential development during that period.

Over the entire 1999 to 2013 period, Salem issued permits for nearly 11,600 dwelling units, with about 770 permits issued per year. About 69% of dwellings permitted were single-family (detached, attached, and manufactured) and 31% were multifamily.

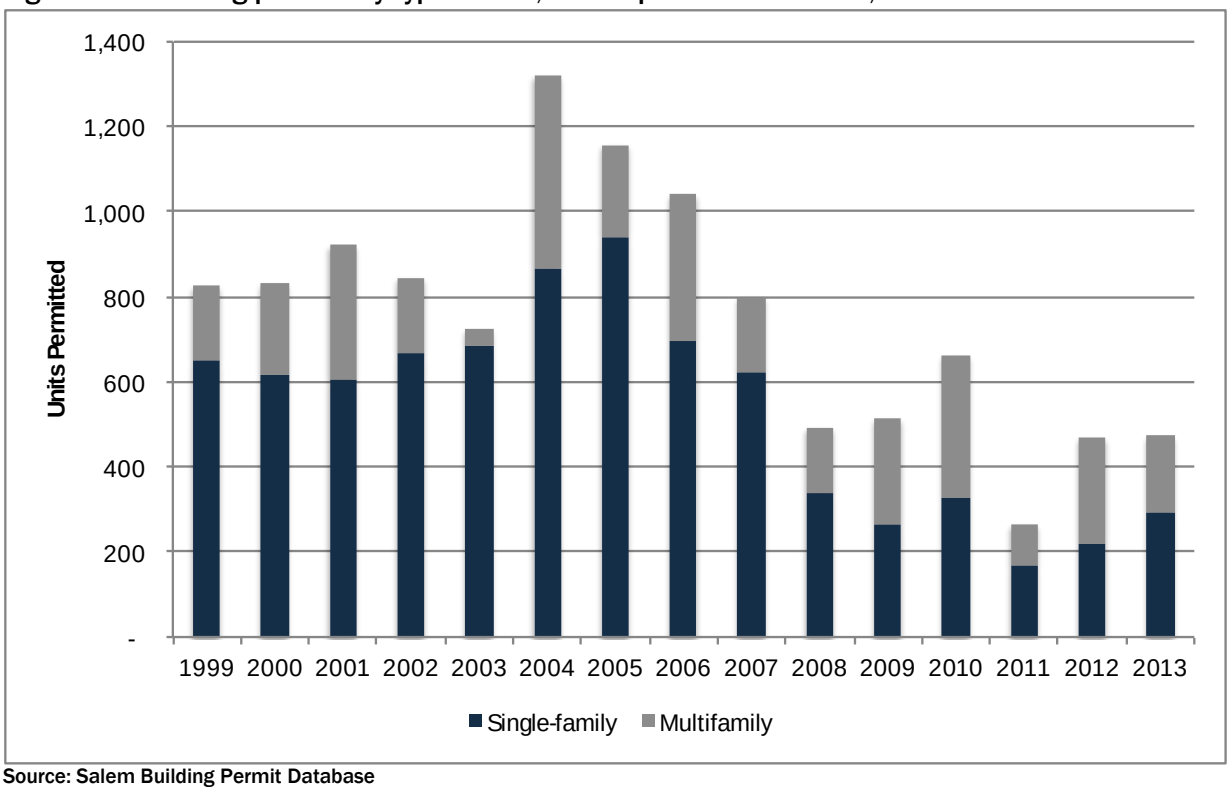
Table B-1. Building permits by type of unit, Salem portion of the UGB, 1999 to 2013

	1999 - 2009		2010 - 2013		Total 1999 to 2013	
Unit Type	Units	Percent of Total	Units	Percent of Total	Units	Percent of Total
Single-Family	6,955	73%	1,008	54%	7,963	69%
Multifamily	2,530	27%	868	46%	3,620	31%
Multifamily	2,530	27%	868	46%	3,398	29%
MF in a Mixed Use Building	*Buildings developed over the 1999 to 2013 period*				222	2%
Total	9,485	100%	1,876	100%	11,583	100%

Source: Salem Building Permit Database
Notes: Salem's building permit data combines single-family detached and single-family attached into one category. The Regional Housing Needs Analysis did not include analysis of multifamily dwellings built in mixed-use buildings. Rather than attempt to incorporate this information into the prior analysis (for 1999 to 2009) we present it for the entire 1999 to 2013 period.

[26] There were ten mixed use projects in Salem that included multifamily housing. These buildings incorporated between six and 55 multifamily dwellings. Other uses in the buildings ranged from a retail space, a grocery store, office space, medical offices, and other commercial uses.

Figure B-2. Building permits by type of unit, Salem portion of the UGB, 1999 to 2013



Source: Salem Building Permit Database
Notes: Salem's building permit data combines single-family detached and single-family attached into one category.
This figure excludes building permits for multifamily dwellings built in mixed-use buildings.

Trends in Tenure

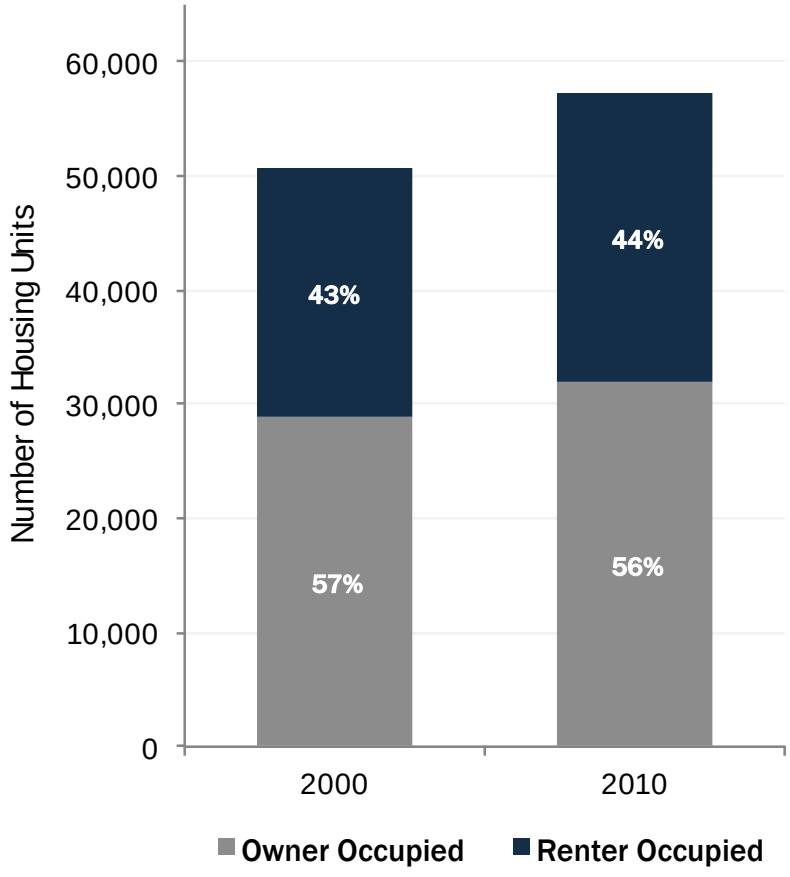
Table B-2 and Figure B-3 show change in tenure (owner versus renter occupied housing units) for the City of Salem over the 2000 to 2010 period. The overall homeownership rate declined slightly, from 57% to 56%, over the ten-year period, while renting increased by 1%. The number of owner occupied housing units increased by about 10% during this period, while rentals increased by 17%.

Table B-2. Change in tenure, occupied units, Salem, 2000 to 2010

	2000		2010		Change 2000-2010	
	Units	Percent	Units	Percent	Units	Percent
Owner Occupied	28,879	57%	31,904	56%	3,025	10%
Renter Occupied	21,766	43%	25,386	44%	3,620	17%
Total	**50,645**	**100%**	**57,290**	**100%**	**6,645**	**13%**

Source: U.S. Census 2000 SF3 Table H032, .S. Census 2010,SF1 Table QT-H2
Note: The number of dwelling units shown in Table B-1, Table B-2, Figure B-1, and Table B-3 differ because they display different information. Table B-1 shows all units, Table B-2 and Figure B-1 show occupied units, and Table B-3 shows occupied units where housing type is known.

Figure B-3. Tenure, occupied units, Salem, 2000 to 2010



Source: U.S. Census 2000 SF3 Table H032, U.S. Census 2010 SF1 Table QT-H2
Note: The number of dwelling units shown in Table B-1, Table B-2, Figure B-1, and Table B-3 differ because they display different information. Table B-1 shows all units, Table B-2 and Figure B-1 show occupied units, and Table B-3 shows occupied units where housing type is known

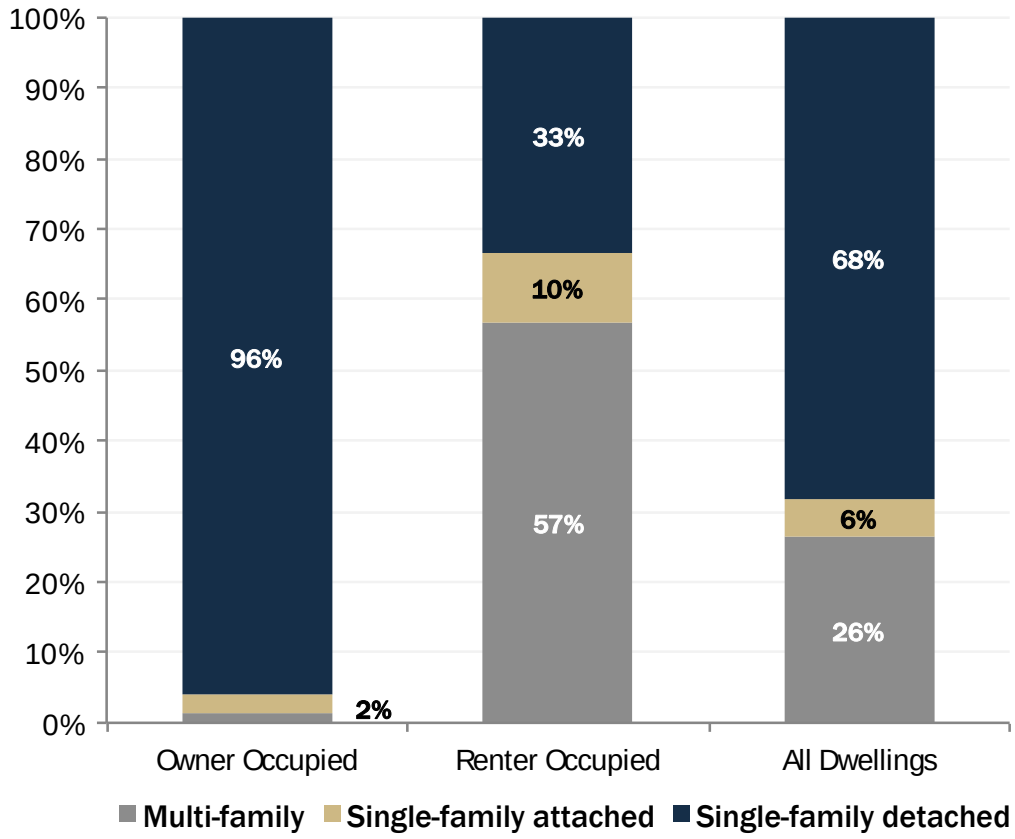
Table B-3 and Figure B-4 show the types of dwelling in Salem in 2012 by tenure (owner/renter-occupied). The results indicate that in Salem single-family housing types are most frequently owner-occupied (54% of all housing is single-family, owner-occupied housing) and multi-family housing is most frequently renter occupied (26% of all housing is multi-family renter-occupied housing).

Table B-3. Housing units by type and tenure, Salem, 2012

	Owner Occupied		Renter Occupied		All Dwellings	
	Number	Percent by type	Number	Percent by type	Number	Percent
Single-family detached	30,281	96%	8,490	33%	38,771	68%
Single-family attached	722	2%	2,475	10%	3,197	6%
Multi-family	488	2%	14,467	57%	14,955	26%
Total	**31,491**	**100%**	**25,432**	**100%**	**56,923**	**100%**

Source: American Community Survey 2012 Table B25032
Note: The number of dwelling units shown in Table B-1, Table B-2, Figure B-1, and Table B-3 differ because they display different information. Table B-1 shows all units, Table B-2 and Figure B-1 show occupied units, and Table B-3 shows occupied units where housing type is known

Figure B-4. Housing units by type and tenure, Salem, 2012



Source: American Community Survey 2012 Table B25032

Vacancy Rates

Table B-4 shows vacancy rates in Oregon, Marion County, Polk County, and Salem between 2000 and 2010. Vacancy rates increased in each jurisdiction during this period, and as of 2010, Salem had a relatively low vacancy rate (6.5%) compared to the Salem MSA (Marion and Polk Counties combined, 6.6%) and Oregon (9.3%).

Table B-4. Vacancy rate, Oregon, Marion County, Polk County, Salem, 2000 to 2010

	Oregon	Marion County	Polk County	Salem
2000	8.2%	6.0%	5.7%	5.8%
2010	9.3%	6.6%	6.6%	6.5%

Source: U.S. Census 2000 SF1 Table H3, U.S. Census 2010 SF1 Table H3

Density

Housing density is the density of housing by structure type, expressed in dwelling units per net or gross acre.[27] Like housing mix, State law requires determination of housing density based on analysis of data and suggests using an analysis of housing density developed over the past five years or since the most recent periodic review, whichever time period is greater, or for a shorter or longer time period.

The U.S. Census does not track residential development density. This study analyzes housing density based on new residential development within the Salem portion of the UGB between 1999 and 2013, similar to the analysis of achieved mix. The analysis of housing density uses two data sets maintained by the Mid-Willamette Council of Governments (MWCOG): (1) building permits; and (2) buildable land inventory. It included data quality assurance steps for records with very high or very low density, such as consulting aerial photographs of individual tax lots.

Table B-5 shows an analysis of residential development density (dwelling units per net acre) over the 15-year period for the Salem portion of the UGB. Table B-5 shows:

- Average density in the Salem was 8.0 dwelling units per net acre (dwelling units per net acre) over the 1999 to 2013 period.

[27] OAR 660-024-0010(6) uses the following definition of net buildable acre. "Net Buildable Acre" "…consists of 43,560 square feet of residentially designated buildable land after excluding future rights-of-way for streets and roads." While the administrative rule does not include a definition of a gross buildable acre, using the definition above, a gross buildable acre will include areas used for rights-of-way for streets and roads. Areas used for rights-of-way are considered unbuildable.

- Density was similar across the 15-year period, with higher density during the 2010 to 2013 period (9.4 dwelling units per net acre) than during the 1999 to 2009 period (7.7 dwelling units per net acre). One reason for higher density during 2010 to 2013 was that more multifamily dwellings were built in that period, and multifamily is denser than single-family development.
- Density was lowest in DR (6.6 dwelling units per net acre) and SF (7.3 dwelling units per net acre)
- Density in MF was 10.9 dwelling units per net acre
- Density was highest in MU and as part of a mixed-use building (16.8 and 25.9 dwelling units per net acre respectively).

Table B-5. Housing density, Salem portion of the UGB, 1999 to 2013

	1999 - 2009			2010 - 2013			Total 1999 to 2013		
Plan Designation	Units	Net Acres	Density	Units	Net Acres	Density	Units	Net Cares	Density
SF Single-Family Residential	3,641	509	7.2	253	26	9.9	[illegible]	[illegible]	7.3
DR Developing Residential	2,653	383	6.9	312	66	4.7	[illegible]	[illegible]	6.6
MF Multi-Family Residential	2,523	251	10.0	708	44	16.0	[illegible]	[illegible]	10.9
MU Mixed Use	5	0	16.7	4	0	17.0	[illegible]	[illegible]	16.8
CBD, COM, ROM*	*Buildings developed over the 1999 to 2013 period*						[illegible]	[illegible]	25.9
Total	8,822	1,144	7.7	1,277	136	9.4	10,321	1,288	8.0

Source: Salem Building Permit Database

Notes: Salem's building permit data combines single-family detached and single-family attached into one category.

The number of dwelling units permitted in Table B-5 is lower than the number shown in Table B-1 because the density analysis in Table B-5 requires information about the location and size of the parcel where the building permit was issued. Some records for building permits did not include information about the parcel location or size.

*The Regional Housing Needs Analysis did not include analysis of multifamily dwellings built in mixed-use buildings. Rather than attempt to incorporate this information into the prior analysis (for 1999 to 2009) we present it for the entire 1999 to 2013 period.

NATIONAL HOUSING TRENDS

The overview of national, state, and local housing trends builds from previous work by ECO, Urban Land Institute (ULI) reports, and conclusions from *The State of the Nation's Housing, 2013* report from the Joint Center for Housing Studies of Harvard University.[28] The Harvard report summarizes the national housing outlook as follows:

> "The long-awaited housing recovery finally took hold in 2012, heralded by rising home prices and further rental market tightening. While still at historically low levels, housing construction also turned the corner, giving the economy a much-needed boost. But even as the most glaring problems recede, millions of homeowners are delinquent on their mortgages or owe more than their homes are worth. Worse still, the number of households with severe housing cost burdens has set a new record."

Several challenges to a strong domestic housing market remain. Demand for housing is closely tied to jobs and incomes, which are taking longer to recover than in previous cycles. While trending downward, the numbers of underwater homeowners, delinquent loans, and vacancies remain high. *The State of the Nation's Housing* report projects that it will take several years for market conditions to return to normal and, until then, the housing recovery will likely unfold at a moderate pace.

Recent trends in home ownership and demand

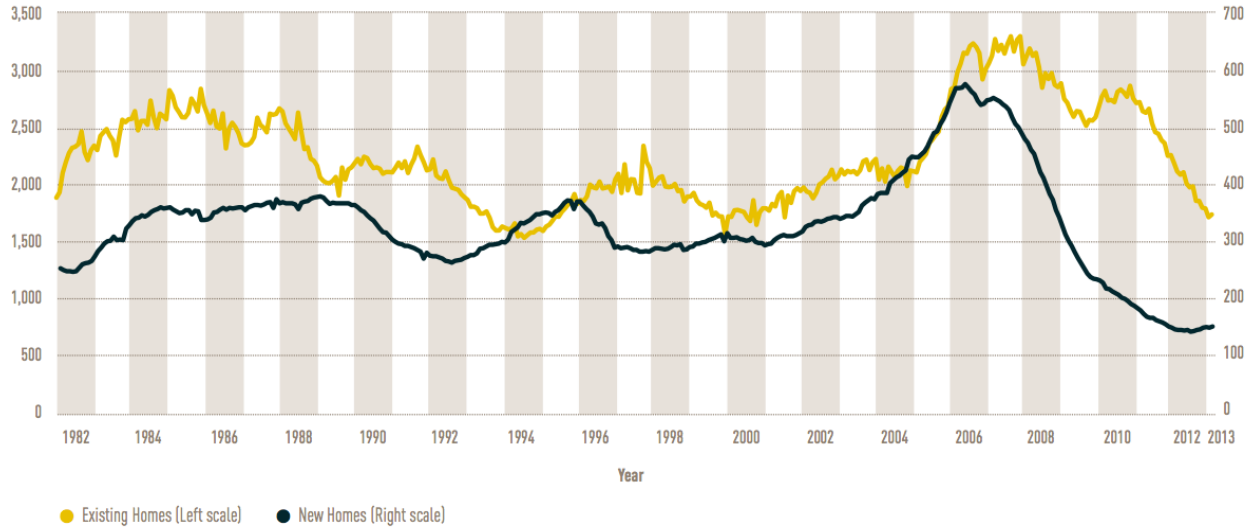
In 2012, housing markets began to show improvement. Existing home sales accelerated to their fastest pace since 2007, new home sales registered their first year-over-year increase since the downturn began, single-family starts increased by 24 percent, and multifamily starts climbed sharply for the second year in a row.

As of December 2012, the typical new home for sale had been on the market for just 4.7 months, down from a recession-era peak of 12.4 months, and marking the shortest lag period since December 2006. According to the Joint Center for Housing Studies, a six-month supply is a rough indicator of market balance and, with inventories down and the pace of sales accelerating, the supply of homes currently for sale is now below the six-month level that usually signals a seller's market.

[28] http://www.jchs.harvard.edu/research/state_nations_housing

Supplies of both new and existing homes for sale remained low in 2012, which may reflect the unwillingness or inability of owners to sell at current prices (Figure B-5). As home prices recover to levels that are more acceptable to sellers, more homes will go on the market.

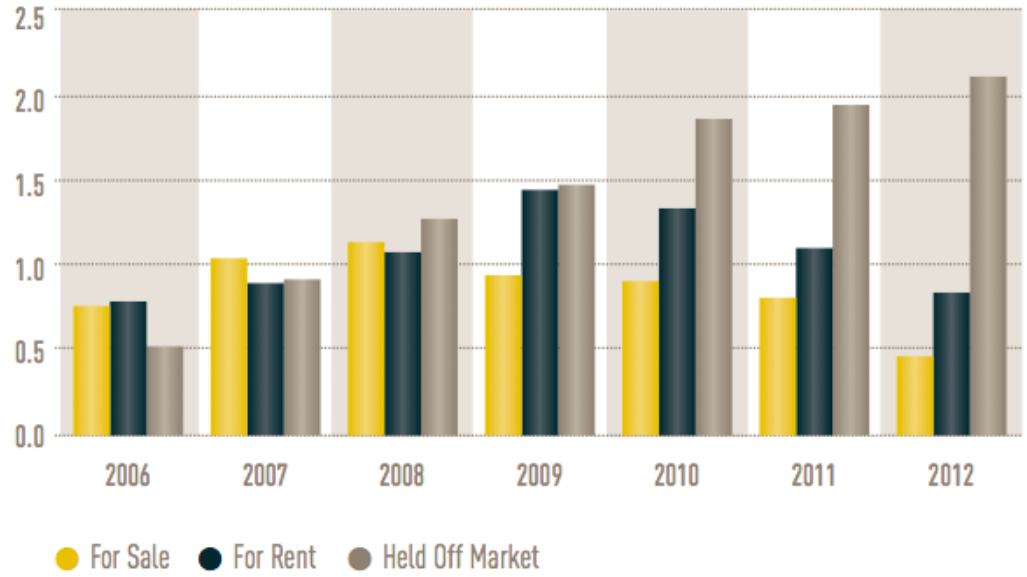
Figure B-5. Inventories of Homes for Sale (thousands)



Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 9. http://www.jchs.harvard.edu/son/index.htm

While the number of vacant for-sale and for-rent units fell in 2012 (Figure B-6), a large inventory of vacant homes was still held off market. Vacant off-market units reached a new record high of 7.4 million, or 5.6 percent of the total housing stock. Once again, it is expected that the uptick in housing prices will gradually bring more of these homes back on the market.

Figure B-6. Change in vacant units, 2000-2012 (millions)

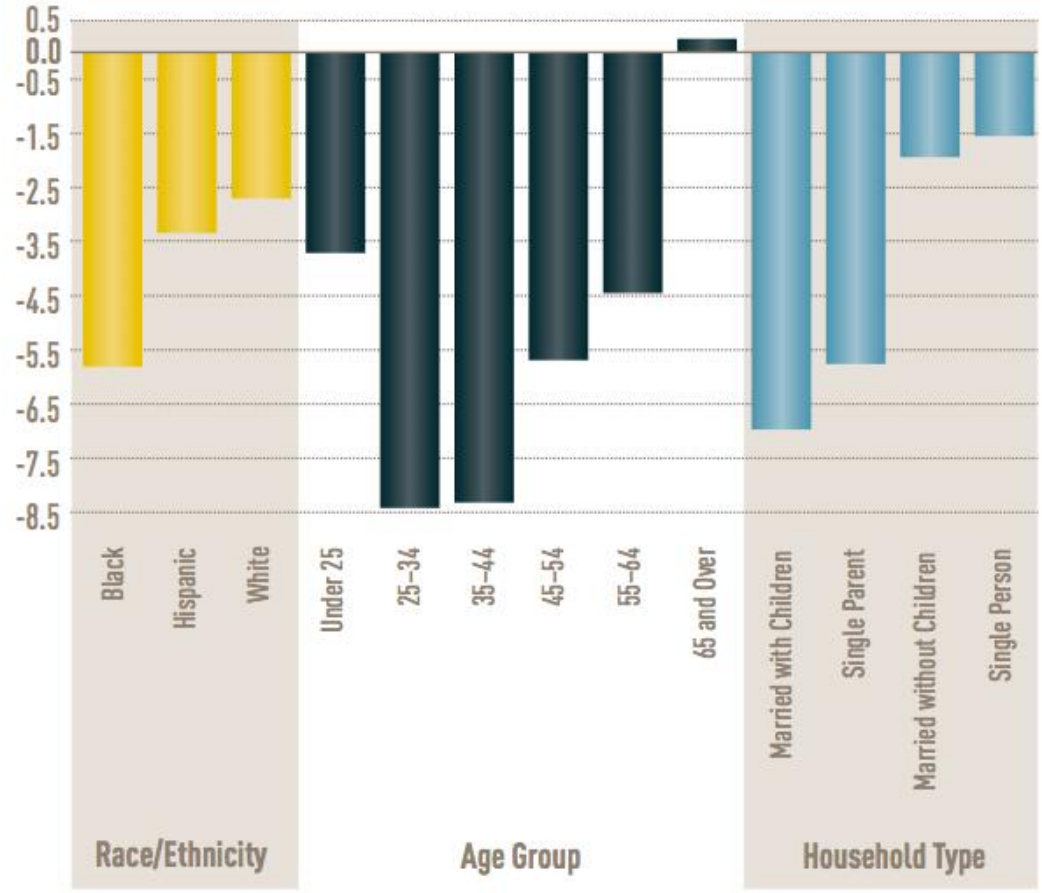


Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 9. http://www.jchs.harvard.edu/son/index.htm

The Joint Center for Housing Studies concludes that the housing market downturn and foreclosure crisis had an immediate and potentially lasting impact on homeownership (Figure B-7). After 13 successive years of increases, the national homeownership rate declined each year from 2005 to 2012, and is currently at approximately 65%.

It is uncertain how much farther homeownership rates will fall. For each 10-year age group between the ages of 25 and 54, the share of households owning homes is already at its lowest point since recordkeeping began in 1976. The overall homeownership rate would be much lower if not for households over the age 65, which currently have the highest rates on record, and also account for an ever-increasing share of the total population.

Figure B-7. Change in Homeownership Rate, 2005-2012 (percentage points)

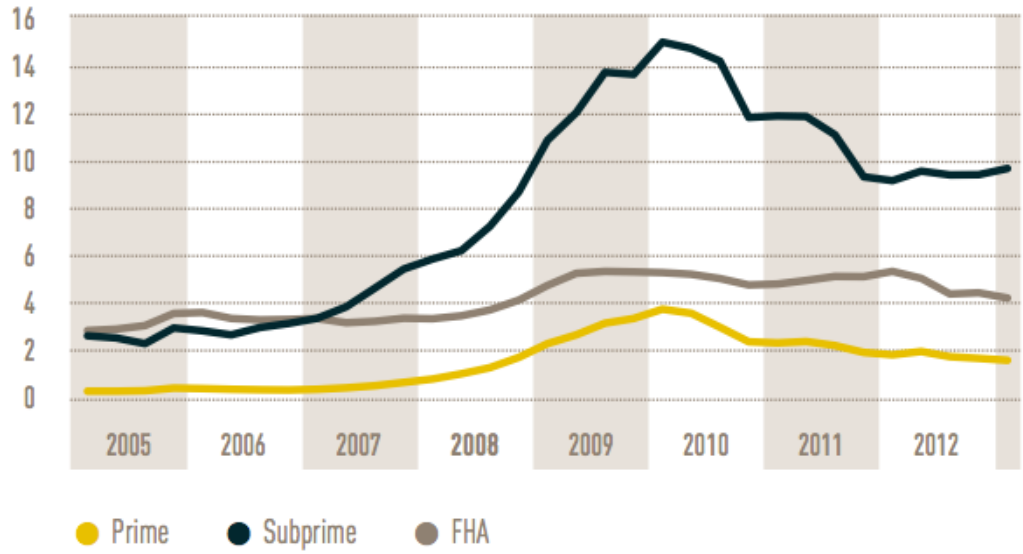


Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 18. http://www.jchs.harvard.edu/son/index.htm

In 2012, the foreclosure crisis appeared to recede. While delinquencies remain well above pre-crisis levels, they fell across all loan types (Figure B-8). In the first quarter of 2013, the share of loans at some stage of delinquency but not yet in foreclosure, declined to 7.3 percent, which is well below the 10.1 percent peak that was experienced in the first quarter of 2010.

The Joint Center for Housing Studies cautions that it is too early to declare an end to the crisis, given the backlog of homes that remain in the foreclosure pipeline. While the number of foreclosures at the end of 2012 was the lowest annual total observed since 2007, roughly 3.6 percent of all mortgages were still in foreclosure. For reference, this share is nearly five times the 1974–1999 average of 0.8 percent.

Figure B-8. Share of Loans at Least 90 Days Delinquent (Percent)



Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 21. http://www.jchs.harvard.edu/son/index.htm

It is worth noting that rising home prices have provided some relief to underwater homeowners (i.e. those owing more on their mortgages than their homes are worth). Nationwide, the number of underwater homeowners fell 1.7 million to 10.4 million between 2011 and 2012.

Long run trends in home ownership and demand

The long-term market outlook shows that homeownership is still the preferred tenure. While further homeownership gains are likely during the next decade, they are not assured. Additional increases depend, in part, on the effect of foreclosures on potential owner's ability to purchase homes in the future, as well as whether the conditions that have led to homeownership growth can be sustained. The Urban Land Institute forecasts that homeownership will decline to the low 60 percent range by 2015.[29]

The Joint Center for Housing Studies indicates that demand for new homes could total as many as 12 million units nationally between 2010 and 2020. The location of these homes may be different than recent trends, which favored lower-density development on the urban fringe and suburban areas. The Urban Land Institute identifies the markets that have the most growth potential are "global gateway, 24-hour markets," which are primary coastal cities with international airport hubs (e.g., Washington D.C., New York City, San Francisco,

[29]John McIlwain, "Housing in America: The Next Decade," Urban Land Institute

or Seattle). Development in these areas may be nearer city centers, with denser infill types of development.[30]

The Joint Center for Housing Studies also indicates that demand for higher density housing types exists among certain demographics. They conclude that because of persistent income disparities, as well as the movement of the Millennials into young adulthood, housing demand may shift away from single-family detached homes toward more affordable multifamily apartments, town homes, and manufactured homes.

Home rental trends

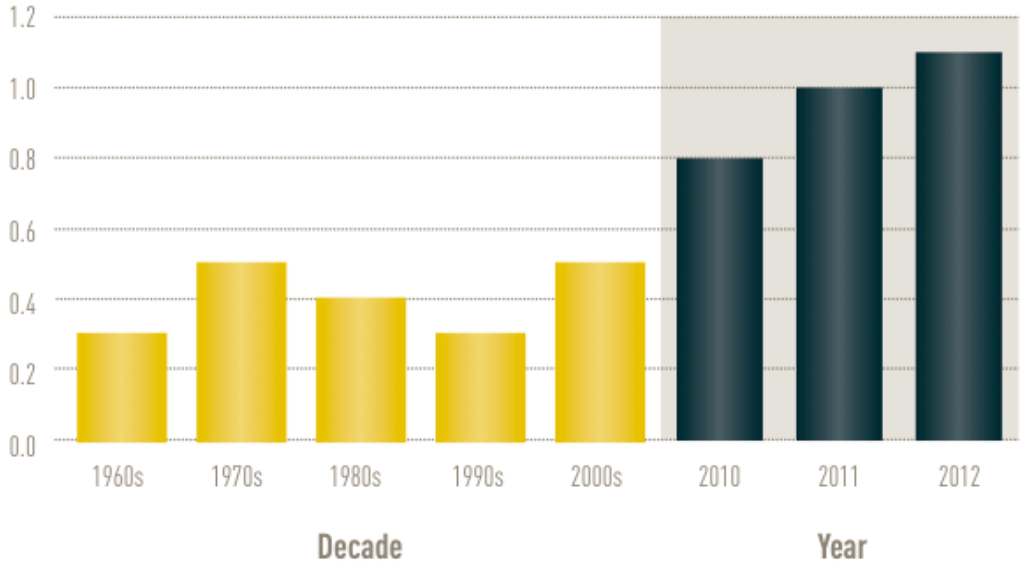
Nationally, the rental market continues to grow. In 2012, the number of households living in rental units increased by 1.1 million, marking the eighth consecutive year of expansion. The million-plus annual increases observed in 2011 and 2012 puts current growth rates on pace to easily surpass the record 5.1 million gain in the 2000s **(**Figure B-9**).**

Rental markets across the country have been tightening, pushing up rents across the majority of markets. Rental vacancy rates also continued to drop in 2012, both nationwide and in most metros. The US rental vacancy rate stood at 8.7 percent in 2012 and, while this is the lowest level observed since 2001, this was still high relative to the 7.6 percent averaged in the 1990s.

Over the longer term, the Joint Center for Housing expects demand for rental housing to continue to grow. Minorities will be the largest driver of rental demand because they are on average younger and less likely to own homes than whites. Demographics will also play a role. Growth in young adult households will increase demand for moderately priced rentals, in part because the oldest Millennials reached their late-20s around 2010. Meanwhile, growth among those between the ages of 45 and 64 will lift demand for higher-end rentals.

[30] Urban Land Institute, "2011 Emerging Trends in Real Estate" and "2012 Emerging Trends in Real Estate"

Figure B-9. Average Annual Growth in Renter Households (millions)



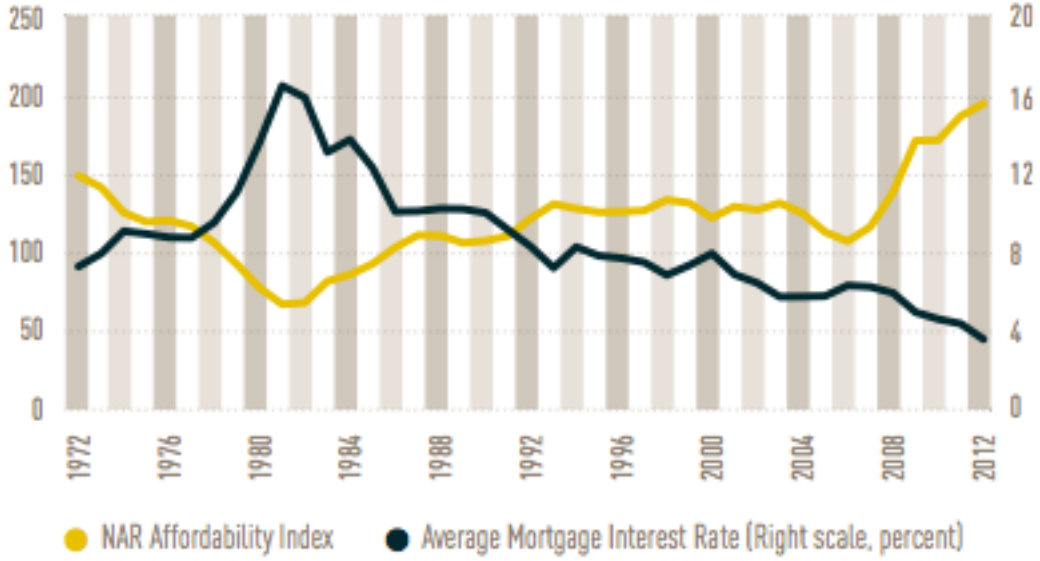
Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 23. http://www.jchs.harvard.edu/son/index.htm

As the homeownership market recovers, the growth in renter households will likely slow. Since much of the increased demand for rental housing has been met through the conversion of single-family homes to rentals, future market adjustments may come from a return of these units to owner-occupancy. Additionally, the echo-boom generation should provide strong demand for rental units in the coming years.

Trends in housing affordability

Low interest rates and housing prices have made monthly mortgage payments for homebuyers more affordable than at any other time in the last 40 years. The National Association of Realtors (NAR) affordability index reflects the ratio of median family income to the income required to qualify for the median-priced home (Figure B-10). The index approached 200 in 2012, meaning that a household earning the median income could afford nearly twice the monthly payment on a median-priced home.

Figure B-10. Affordability Index and Mortgage Interest Rates



Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 19. http://www.jchs.harvard.edu/son/index.htm

Households who spend at least 30% of gross household income on housing costs are considered cost burdened. Those households who spend 50% or more of gross household income on housing costs are considered severely cost burdened.

The number of households with housing cost burdens continued to climb in 2012; the latest increases in the number of severely burdened households represent a jump of 347,000 from 2010, 2.6 million from 2007 when the recession began, and 6.7 million from a decade ago. In 2012, more than one-third of American households (36%) spent more than 30% of income on housing, and 16% spent upwards of 50%.[31]

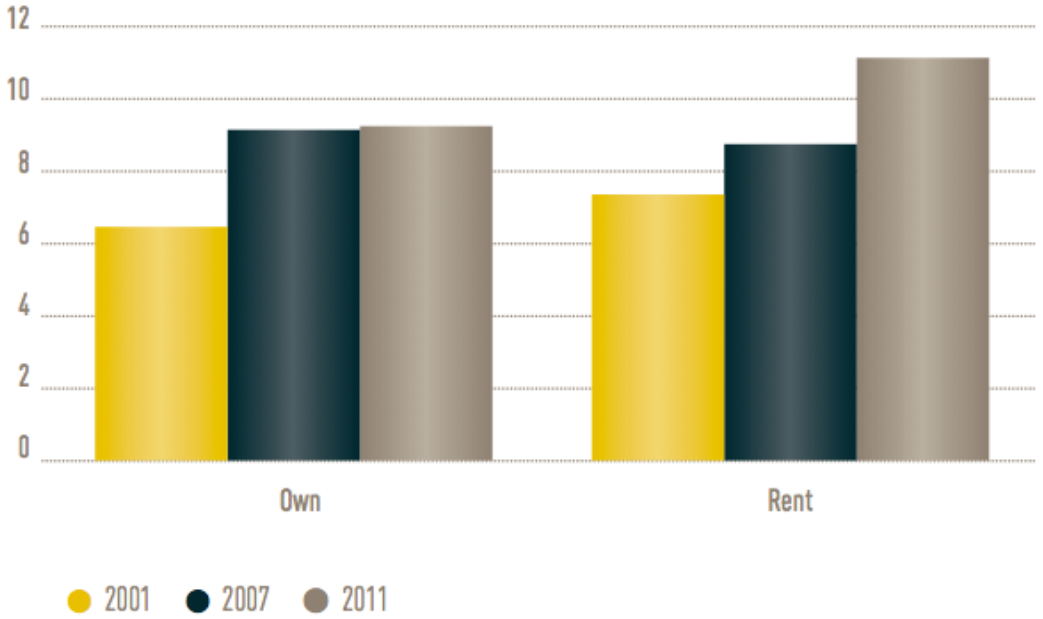
Recent increases in cost burden were almost entirely concentrated among severely burdened renters, whose numbers swelled by 2.5 million between 2007 to 2011, pushing the total share to 27.6 percent (Figure B-11). These increases also come atop the increases experienced between 2001 and 2007, when the sharp rise in house prices and the widespread availability of easy mortgage credit similarly increased the number of cost-burdened homeowners.

Given the substantial decline in home prices and low interest rates, it is notable that the incidence of cost burdens on homeowners has not fallen more dramatically. The lack of progress is perhaps reflective of the fact that many homeowners remain locked into excessive mortgage debt.

[31] 2012 American Community Survey, Table B25091 and Table B25070.

While increasingly prevalent at all income levels, lower-income households are also more likely to be severely cost-burdened. With low-wage jobs increasing and wages for those jobs stagnating, affordability problems will persist even as a strengthening economy lifts the overall trajectory of residential investment.

Figure B-11. Number of severely burdened households 2001-2011 (millions)



Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 23. http://www.jchs.harvard.edu/son/index.htm

The Joint Center for Housing Studies points to widening income disparities, decreasing federal assistance, and depletion of inventory through conversion or demolition as three factors exacerbating the lack of affordable housing. While the Harvard report presents a relatively optimistic long-run outlook for housing markets and for homeownership, it points to the significant difficulties low- and moderate-income households face in finding affordable housing and preserving the affordable units that do exist.

According to the Joint Center for Housing Studies, these statistics understate the true magnitude of the affordability problem because they do not capture the tradeoffs people make to hold down their housing costs. For example, these figures exclude people who live in crowded or structurally inadequate housing units. They also exclude the growing number of households that move to locations distant from work where they can afford to pay for housing, but must spend more for transportation to work. Among households in the lowest expenditure quartile, those living in affordable housing spent an average of $100 more on transportation per month in 2010 than those who are severely housing cost-burdened. With total average monthly outlays of only $1,000, these extra travel costs could amount to roughly 10 percent of the entire household budget.

Demographic trends in housing preference

Demographic changes likely to affect the housing market and homeownership are:

- The aging of the baby boomers, the oldest of whom are in their late-60's in 2012.
- Immigrants and their descendants, who are a faster growing group than other households in the U.S.
- Housing choices of younger baby boomers, who are in their late 40's and early 50's in 2010
- The children of baby boomers, called the Millennials, who range from their late teens to late twenties in 2012[32]

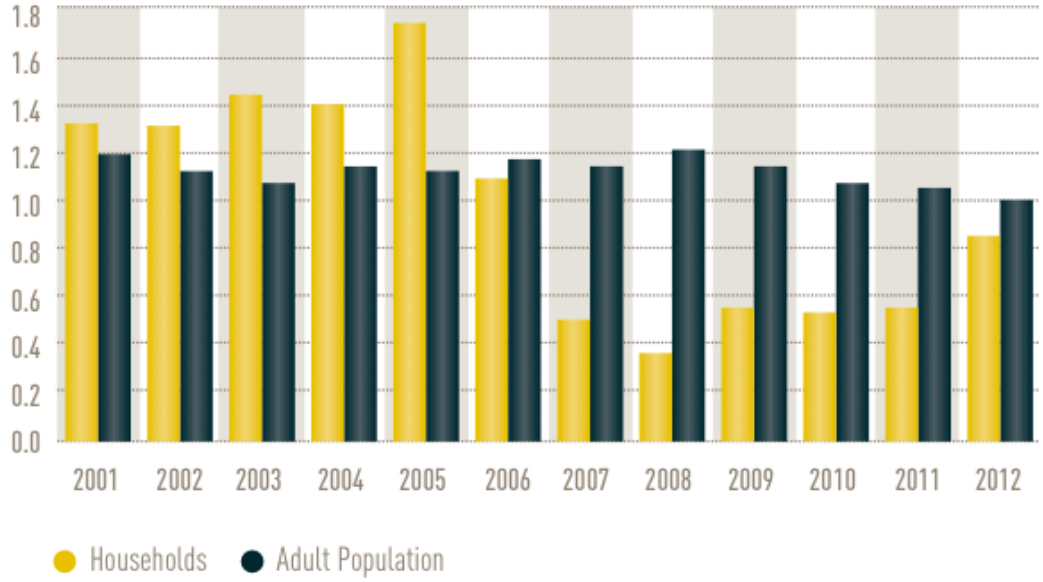
Household growth rates were particularly strong in 2012, as annual household growth approached the 1 million mark for the first time since before the Great Recession. This growth was largely fueled by the echo-boom generation (those born after 1985), who aged into their mid-20s – the age group most likely to form new households.

While the young adult population has been growing, the rate at which members of this age group form their own households has declined. As a result, household growth has not kept pace with overall population growth **(**Figure B-12**).** Even if today's low household formation rates were to persist, however, the aging of the echo-boom cohort into their 30s will likely raise household headship rates due to lifecycle effects. Half of all 30–34 year-olds head an independent household, compared with just a quarter of all 20–24 year-olds. Thus, the Millennial generation, more populous than the baby boomers, is expected to be the primary driver of new household formation over the next twenty years.

It is currently unclear what housing choices the Millennials will make. Some studies suggest that their parents' negative experience in the housing market, with housing values dropping so precipitously and so many foreclosures, will make Millennials less likely to become homeowners. In addition, high unemployment and underemployment may decrease Millennials' earning power and ability to save for a down payment. It is not clear, however, that Millennials' housing preferences will be significantly different from their parents over the long run.

[32] Urban Land Institute, "2011 Emerging Trends in Real Estate"

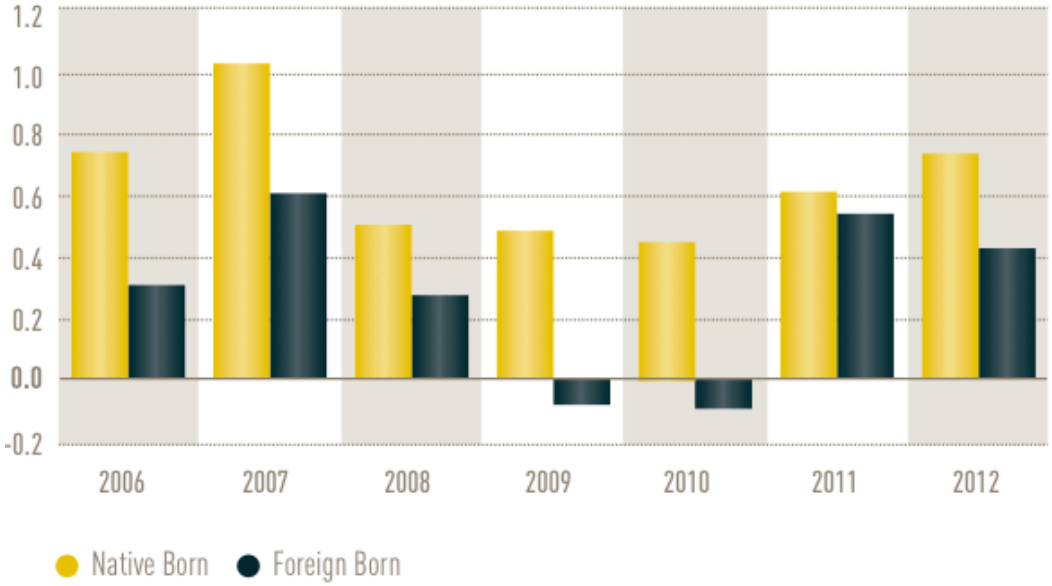
Figure B-12. Annual growth rate (percent)



Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 23. http://www.jchs.harvard.edu/son/index.htm

According to the Joint Center for Housing Studies, immigration will also play a key role in accelerating household growth over the next 10 years (Figure B-13). Current Population Survey estimates indicate that the number of foreign-born households rose by nearly 400,000 annually between 2001 and 2007, and accounted for nearly 30 percent of overall household growth. Beginning in 2008, the influx of immigrants was staunched by the effects of the Great Recession. After a period of declines, however, the foreign born are again contributing to household growth. Census Bureau estimates of net immigration in 2011–12 indicate an increase of 110,000 persons over the previous year, to a total of nearly 900,000.

Figure B-13. Household growth, 2006-2012 (millions)

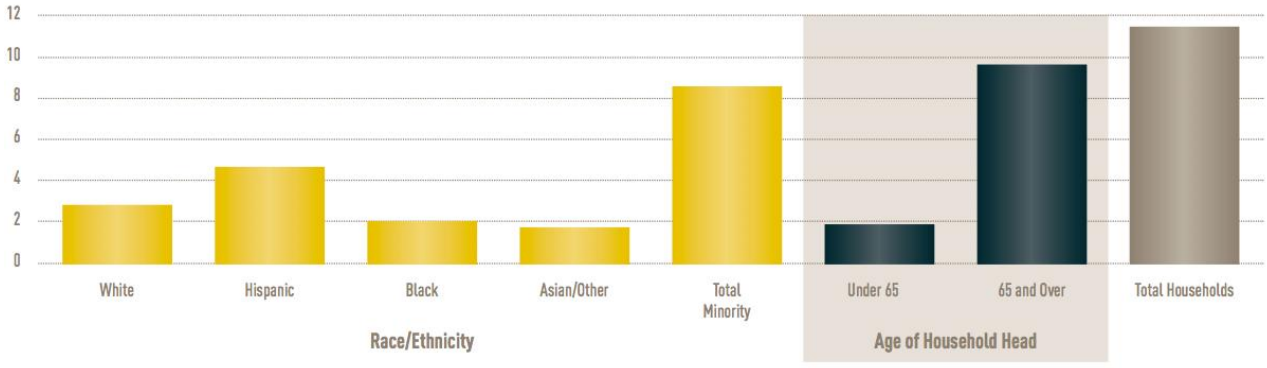


Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 13. http://www.jchs.harvard.edu/son/index.htm

The growing diversity of American households will have a large impact on the domestic housing markets. Over the coming decade, minorities will make up a larger share of young households, and constitute an important source of demand for both rental housing and small homes. While their housing desires are similar to whites, this group also tends to have lower incomes and wealth.

With the baby-boom population moving into the 65-and-over age group, the number of senior households will also surge in 2013– 23 (Figure B-14). The Joint Center for Housing Studies suggests that an aging population, and baby boomers in particular, will drive changes in the age distribution of households in all age groups over 55 years. A recent survey of baby boomers showed that more than a quarter plan to relocate into larger homes and 5% plan to move to smaller homes.

Figure B-14. Projected household growth, 2013-2023 (millions)



Source: The State of The Nation's Housing, 2013, The Joint Center for Housing Studies of Harvard University, p. 16. http://www.jchs.harvard.edu/son/index.htm

People prefer to remain in their community as they age.[33] The challenges that aging seniors face in continuing to live in their community include: changes in healthcare needs, loss of mobility, the difficulty of home maintenance, financial concerns, and increases in property taxes.[34] Not all of these issues can be addressed through housing or land use policies. Communities can address some of these issues through adopting policies that:

- Diversify housing stock to allow development of smaller, comparatively easily maintained houses in single-family zones, such as single story townhouses, condominiums, and apartments.
- Allow commercial uses in residential zones, such as neighborhood markets.
- Allow a mixture of housing densities and structure types in single-family zones, such as single-family detached, single-family attached, condominiums, and apartments.
- Promote the development of group housing for seniors that are unable or choose not to continue living in a private house. These facilities could include retirement communities for active seniors, assisted living facilities, or nursing homes.
- Design public facilities so that they can be used by seniors with limited mobility. For example, design and maintain sidewalks so that they can be used by people in wheel chairs or using walkers.

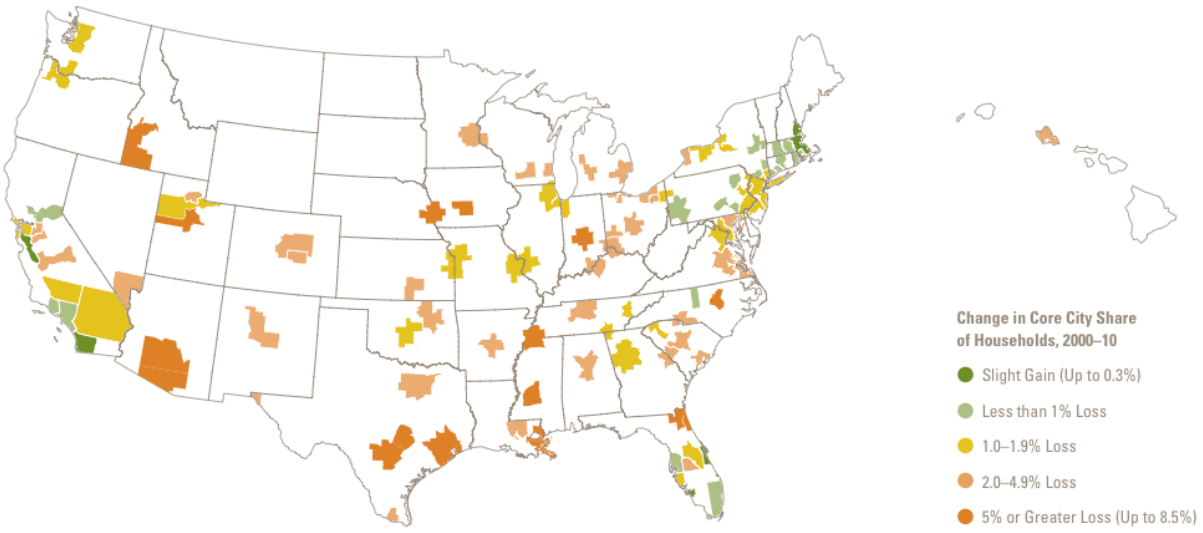
[33] A survey conducted by the AARP indicates that 90% of people 50 years and older want to stay in their current home and community as they age. See http://www.aarp.org/research.

[34] "Aging in Place: A toolkit for Local Governments" by M. Scott Ball.

Trends in Housing Characteristics

Figure B-15 shows that, with few exceptions, suburban and other outlying areas grew faster than core cities during the 2000's.The number of households living in core cities decreased in 28 of the largest 100 metro areas, and was essentially flat in nine other metro areas. The number of households increased in about one-third of large metro areas.

Figure B-15. Change in share of households located in core cities, major metropolitan areas, 2000 to 2010



Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 16. http://www.jchs.harvard.edu/research/state_nations_housing

The U.S Bureau of Census Characteristics of New Housing Report (2012) presents data that show trends in the characteristics of new housing for the nation, state, and local areas. Several long-term trends in the characteristics of housing are evident from the New Housing Report:[35]

- Larger single-family units on smaller lots. Between 1990 and 2012 the median size of new single-family dwellings increased 21% nationally from 1,905 sq. ft. to 2,306 sq. ft. and 15% in the western region from 1,985 sq. ft. to 2,281 sq. ft. Moreover, the percentage of units under 1,400 sq. ft. nationally decreased from 16% in 1999 to 11% in 2012. The percentage of units greater than 3,000 sq. ft. increased from 17% in 1999 to 26% of new one-family homes completed in 2012. In addition to larger homes, a move towards smaller lot sizes is seen nationally. Between 1990 and 2012, the percentage of lots under 7,000 sq. ft. increased from 27% of lots to 36% of lots.

[35] https://www.census.gov/construction/chars/highlights.html

- Larger multifamily units. Between 1999 and 2012, the median size of new multiple family dwelling units increased by 5% nationally and 3% in the western region. The percentage of new multifamily units with more than 1,200 sq. ft. increased from 28% in 1999 to 37% in 2012 nationally, and decreased from 26% to 23% in the western region.
- More household amenities. Between 1990 and 2012, the percentage of single-family units built with amenities such as central air conditioning, 2 or more car garages, or 2 or more baths all increased. The same trend in increased amenities is seen in multifamily units.

During the recession, the trend towards larger units with more amenities faltered. Between 2007 and 2009, for example, the median size of new single-family units decreased by 6% nationally and in the western region. In addition, the share of new units with amenities (e.g., central air conditioning, fireplaces, 2 or more car garages, or 2 or more bath) all decreased slightly during this time. With the recovery, however, housing sizes have been increasing annually; median housing sizes increased by 8% between 2009 and 2012 nationwide, and 7% in the western region. The short term, post-recession trends regarding amenities are mixed, but generally appear to be increasing (albeit more slowly than housing sizes).

It appears that the decrease in unit size and amenities were a short-term trend, resulting from the housing crisis. However, numerous articles and national studies suggest that these changes may indicate a long-term change in the housing market, resulting from a combination of increased demand for rental units because of demographic changes (e.g., the aging of the baby boomers, new immigrants, and the echo-boomers), as well as changes in personal finance and availability of mortgages.[36]

These studies may be correct and the housing market may be in the process of a long-term change, with some fluctuations over time in unit size and amenities. On the other hand, long-term demand for housing may not be substantially affected by the current housing market. The echo-boomers and new immigrants may choose single-family detached housing and mortgages may become easier to obtain.

Studies and data analysis have shown a clear linkage between demographic characteristics and housing choice. This is more typically referred to as the linkage between life-cycle and housing choice and is documented in detail in several publications. Analysis of data from the Public Use Microsample (PUMS)

[36] These studies include "Hope for Housing?" by Greg Filsram in the October 2010 issue of Planning and "The Elusive Small-House Utopia" by Andrew Rice in the New York Times on October 15, 2010.

in the 2000 Census helps to describe the relationship between selected demographic characteristics and housing choice. Key relationships identified through this data include:

- Homeownership rates increase as income increases;
- Homeownership rates increase as age increases;
- Choice of single-family detached housing types increases as income increases;
- Renters are much more likely to choose multiple family housing types than single-family; and
- Income is a stronger determinate of tenure and housing type choice for all age categories.

STATE DEMOGRAPHIC TRENDS

Oregon's *2011-2015 Consolidated Plan* includes a detailed housing needs analysis as well as strategies for addressing housing needs statewide.[37] The plan concludes that "Oregon's changing population demographics are having a significant impact on its housing market." It identified the following population and demographic trends that influence housing need statewide. Oregon is:

- Facing housing cost increases due to higher unemployment and lower wages, when compared to the nation
- Experiencing higher foreclosure rates since 2005, compared with the previous two decades
- Losing federal subsidies on about 8% of federally subsidized Section 8 housing units
- Losing housing value throughout the State
- Losing manufactured housing parks, with a 25% decrease in the number of manufactured home parks between 2003 and 2010
- Increasingly older, more diverse, and, has less affluent households[38]

[37] http://www.ohcs.oregon.gov/OHCS/HRS_Consolidated_Plan_5yearplan.shtml

[38] State of Oregon *Consolidated Plan 2011 to 2015*. http://www.oregon.gov/ohcs/hd/hrs/consplan/2011_2015_consolidated_plan.pdf

REGIONAL AND LOCAL DEMOGRAPHIC TRENDS

Regional demographic trends largely follow the statewide trends discussed above, but provide additional insight into how demographic trends might affect housing in Salem. Demographic trends that might affect the key assumptions used in the baseline analysis of housing need are: (1) the aging population, (2) changes in household size and composition, and (3) increases in diversity. This section describes those trends.

The following section presents data tables. In a few places additional explanatory text is included. For the most part, the text describing the implications of the tables is in the main part of the document.

Growing population

Salem has a growing population. Table B-6 shows population growth the U.S, Oregon, Marion and Polk Counties, and Salem between 1990 and 2013.

Table B-6. Population in the U.S., Oregon, Marion County, Polk County, Salem 1990-2013

	Population			Change 1990 to 2013		
Area	1990	2000	2013	Number	Percent	AAGR
U.S.	248,709,873	281,421,906	316,364,000	67,654,127	27%	1.1%
Oregon	2,842,321	3,421,399	3,919,020	1,076,699	38%	1.4%
Marion County	228,483	284,834	322,880	94,397	41%	1.5%
Polk County	49,541	62,380	77,065	27,524	56%	1.9%
Salem	106,786	136,924	157,770	50,984	48%	1.7%

Source: Portland State University, Population Research Center
Note: AAGR is average annual growth rate.

A 20-year population forecast (in this instance, 2015 to 2035) is the foundation for estimating needed new dwelling units. On October 7, 2009, Marion County adopted a new coordinated population forecast for the urban areas of the county. That forecast includes an adopted projection of population growth in the Salem-Keizer UGB for 2010 to 2030, but does not allocate population within the UGB to the cities of Salem and Keizer.

Keizer adopted a population forecast for 2010 and 2032 on May 7, 2012.[39] Table B-7 shows that Keizer's adopted population forecast shows Keizer (including the Keizer portion of the Salem-Keizer UGB) growing to 48,089 people by 2032. Between 2010 and 2032, Keizer's forecast shows the city growing at an average annual growth rate of 1.26%.

[39] Keizer ordinance number 2012-656.

Salem's housing needs analysis requires a forecast for the 2015 to 2035 period. The steps to develop this forecast were:

1. Extrapolate the population growth of the Salem portion of the UGB from 2010 to 2015 at the adopted growth rate for the full UGB, 1.25% average annual growth. The result shows that the Salem portion of the UGB will have 210,035 people by 2015.
2. Extrapolate the Salem-Keizer UGB forecast from 2030 to 2035 based on the adopted average annual growth rate for the 2010 to 2030 period of 1.25%. The result shows that the Salem-Keizer UGB will have 319,203 people by 2035.
3. Extrapolate the population for the Keizer portion of the UGB from 2032 to 2035 using Keizer's adopted average annual growth rate of 1.26%. The result shows that the Keizer portion of the UGB will have 49,930 people by 2035.
4. Extrapolate the population for the Salem portion of the UGB from 2015 to 2035 the adopted growth rate for the full UGB, 1.25% average annual growth. The result shows that the Salem portion of the UGB will have 269,274 people by 2035.

   When added together, the Salem and Keizer populations in 2035 equal the Salem-Keizer UGB population of 319,203 people in 2035.

Table B-7. Population forecast, Salem-Keizer UGB, 2010 to 2035

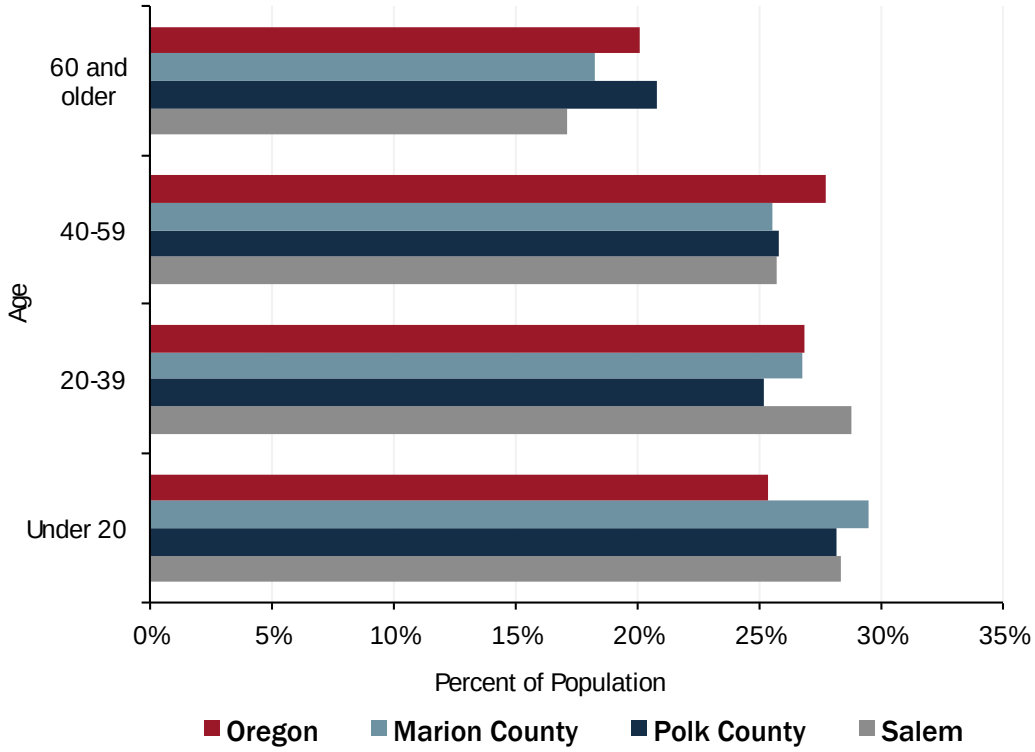
Year	Keizer	Salem	Salem-Keizer UGB
2010	36,478	197,386	233,864
2015		210,035	
2030	46,900	253,080	299,980
2032	48,089	-	
2035	49,930	269,274	319,203
Average Annual Growth Rates			
2010-2030	1.26%	1.25%	1.25%
2015-2035			
AAGR		1.25%	0.00%
People		59,239	-

Source: 2010 population is based on: "Population forecasts for Marion County, its Cities and Unincorporated Areas 2010-2030" Prepared by the Population Research Center, College of Urban and Prepared by the Population Research Center, College of Urban and Affairs, Portland State University.
2030 population for the Salem-Keizer UGB is based on the report: "Population forecasts for Marion County, its Cities and Unincorporated Areas 2010-2030"
2030 population for the cities of Keizer and Salem is based on Marion County work on allocating the UGB population to Salem and Keizer, shown in Exhibit B, Table 24 of Marion County's "Background Information for the 2030 Population Forecast." See the webpage: http://www.co.marion.or.us/NR/rdonlyres/4A4325AB-F86C-4910-A891-D1FC6CF33FEF/23513/exhibitbbackgroundinventoryskugb.pdf
The 2032 population forecast for Keizer is based on Keizer's adopted population forecast, documented in Ordinance number 2012-656, adopted by Keizer on May 7, 2012

Aging population

In 2010, the median age in Salem was 36.7 years old, compared to the median of 35.4 in Marion County, 36.3 in Polk County, and the State average of 38.5. Figure B-16 shows the populations of Oregon, Marion and Polk counties, and Salem by age in 2010.

Figure B-16. Population distribution by age, Oregon, Marion County, Polk County, and Salem, 2010



Source: U.S. Census 2010, Profile of General Population and Housing Characteristics

Table B-8 shows population by age in Salem for 2000 and 2010.

Table B-8. Population by age, Salem, 2000 and 2010

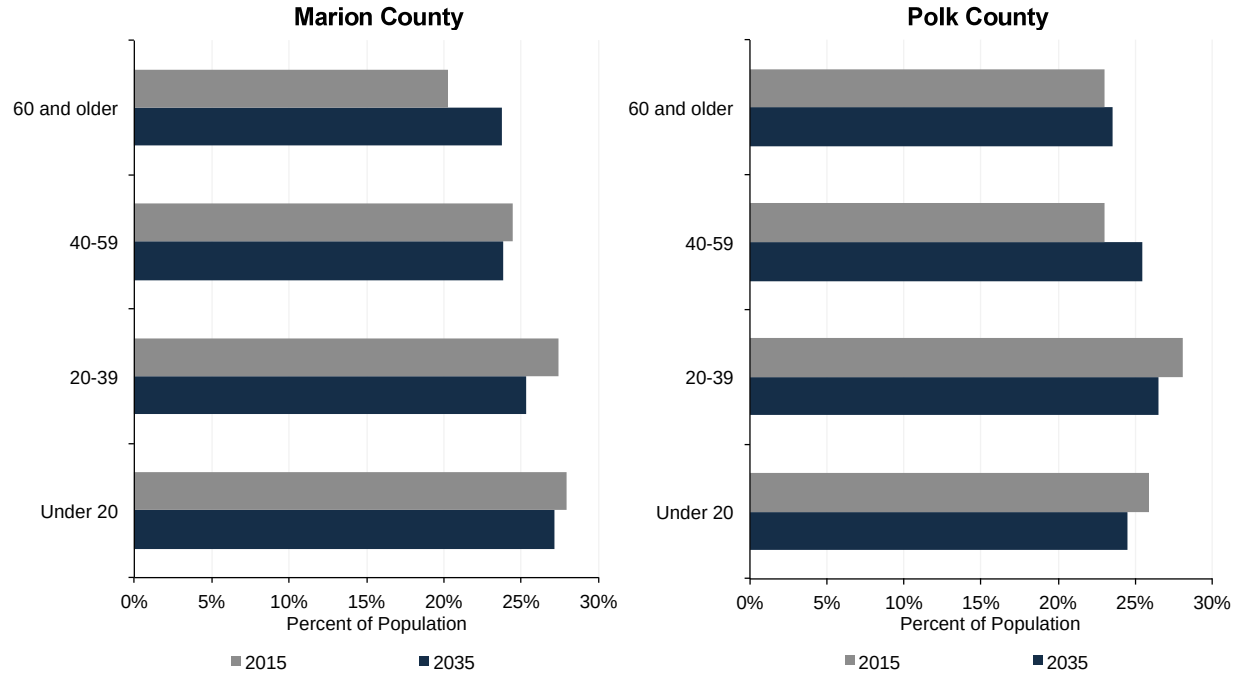
	2000		2010		Change 2000-2010		
Age Group	Number	Percent	Number	Percent	Number	Percent	Share
Under 5	10,190	7%	11,407	7%	1,217	12%	0%
5-17	24,629	18%	27,529	18%	2,900	12%	0%
18-24	15,646	11%	16,615	11%	969	6%	-1%
25-44	41,198	30%	42,779	28%	1,581	4%	-2%
45-64	28,222	21%	37,819	24%	9,597	34%	4%
65 and over	17,039	12%	18,488	12%	1,449	9%	0%
Total	**136,924**	**100%**	**154,637**	**100%**	**17,713**	**13%**	**0%**

Source: U.S. Census 2000 Table P12, U.S. Census 2010 Table P12

Figure B-17 shows the Office of Economic Analysis's (OEA) forecast of population change by age group, 2015 to 2035, for Marion and Polk counties.

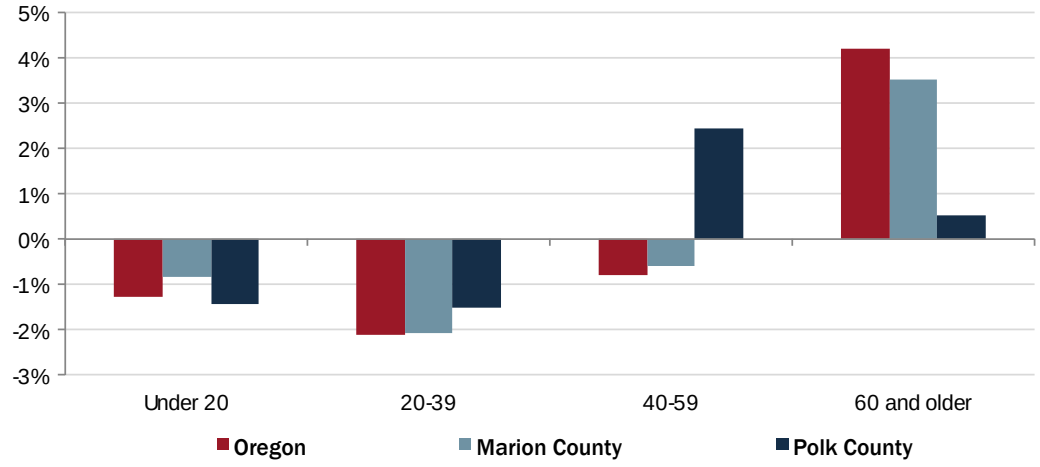
Figure B-18 shows the change in each age group's share of the total population over the same period.

Figure B-17. Current and projected population by age, Marion County and Polk County, 2015 and 2035



Source: Oregon Office of Economic Analysis.
http://www.oregon.gov/DAS/OEA/docs/demographic/pop_by_ageandsex.xls

Figure B-18. Change in share of population by age group, Oregon, Marion County, and Polk County, 2015 to 2035



Source: Oregon Office of Economic Analysis.
http://www.oregon.gov/DAS/OEA/docs/demographic/pop_by_ageandsex.xls

Increased ethnic diversity

Table B-9 shows the change in the size of the Hispanic or Latino population in Oregon, Marion and Polk counties, and Salem between 2000 and 2010.

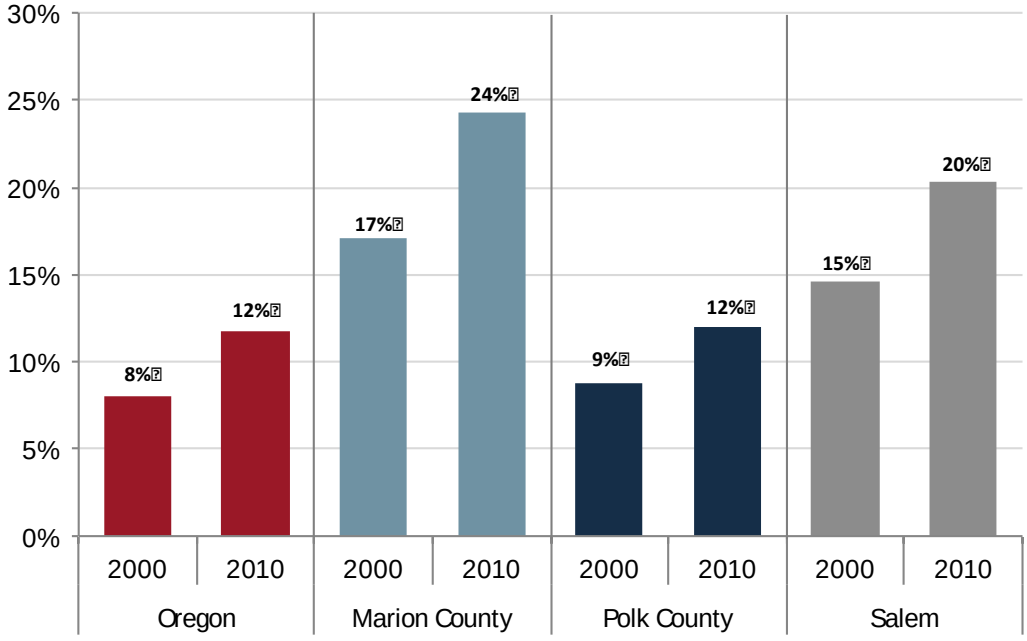
Table B-9. Change in Hispanic or Latino population, Oregon, Marion County, Polk County, and Salem, in 2000 and 2010

	Oregon	Marion County	Polk County	Salem
Change 2000 to 2010				
Hispanic or Latino Population	174,748	27,880	3,608	11,386
Percentage Increase	63%	57%	66%	57%
Increase in share of population	4%	7%	3%	6%

Source: U.S. Census 1990 SF1 Table P009, U.S. Census 2000 Table P4, U.S. Census 2010 SF1 Table P9

Figure B-19 shows the percentage of the total population that is of Hispanic or Latino origin for Oregon, Marion and Polk counties, and Salem in 2000 and 2010.

Figure B-19. Hispanic or Latino population by percentage, Oregon, Marion County, Polk County, Salem, in 2000 and 2010



Source: U.S. Census 1990 SF1 Table P009, U.S. Census 2000 Table P4, U.S. Census 2010 SF1 Table P9

Household size and composition

Household size

Table B-10 shows average household sizes in Oregon, Marion and Polk counties, and Salem in 2000 and 2010.

Table B-10. Average household size, Oregon, Marion County, Polk County, Salem, 2000 to 2010

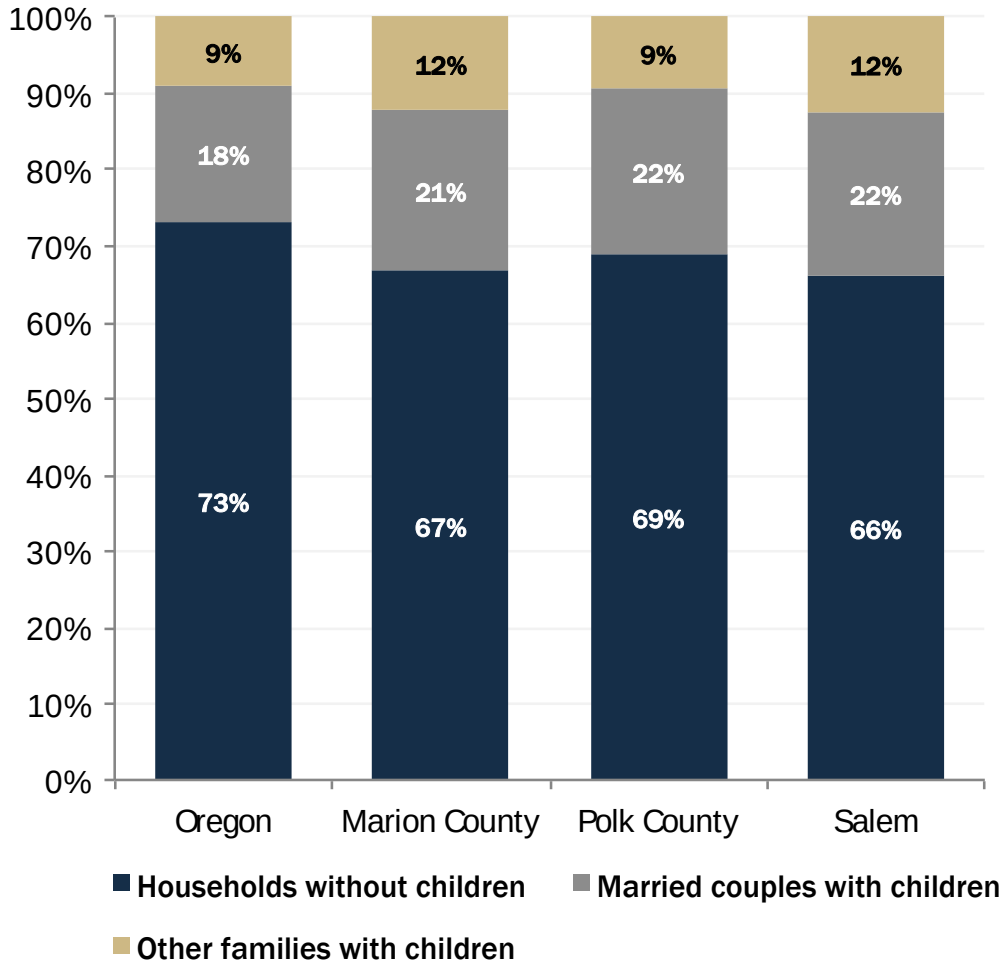
	Oregon	Marion County	Polk County	Salem
2000				
Average household size	2.51	2.70	2.62	2.53
Owner-occupied units	2.59	2.72	2.67	2.59
Renter-occupied units	2.36	2.67	2.50	2.44
2010				
Average household size	2.47	2.70	2.60	2.55
Owner-occupied units	2.53	2.69	2.62	2.60
Renter-occupied units	2.36	2.71	2.55	2.48
Change 2000 to 2010				
Average household size	-0.04	0.00	-0.02	0.02
Owner-occupied units	-0.06	-0.03	-0.05	0.01
Renter-occupied units	0.00	0.04	0.05	0.04

Source: U.S. Census 2000 SF1 H12, U.S. Census 2010 SF1 H12

Household composition

Figure B-20 shows household composition in Oregon, Marion and Polk counties, and Salem in 2012.

Figure B-20. Household composition, Oregon, Marion County, Polk County, and Salem, 2012



Source: American Community Survey 2012 Tables B25115 and B25010

Group Quarters

Table B-11 shows the population living in group quarters in Oregon, Marion and Polk counties, and Salem in 2000 and 2010.

Table B-11. Persons in group quarters, Oregon, Marion County, Polk County, Salem, 2000 to 2010

	2000	2010
Oregon		
Total Population	3,421,399	3,831,074
Persons in Group Quarters	77,491	86,642
Percent in Group Quarters	2.3%	2.3%
Percent in correctional institutions	0.6%	0.6%
Marion County		
Total Population	284,834	315,335
Persons in Group Quarters	10,588	10,429
Percent in Group Quarters	3.7%	3.3%
Percent in correctional institutions	1.6%	1.4%
Polk County		
Total Population	62,380	75,403
Persons in Group Quarters	2,032	1,885
Percent in Group Quarters	3.3%	2.5%
Percent in correctional institutions	0.1%	0.2%
Salem		
Total Population	136,924	154,637
Persons in Group Quarters	8,884	8,635
Percent in Group Quarters	6.5%	5.6%
Percent in correctional institutions	3.2%	2.9%

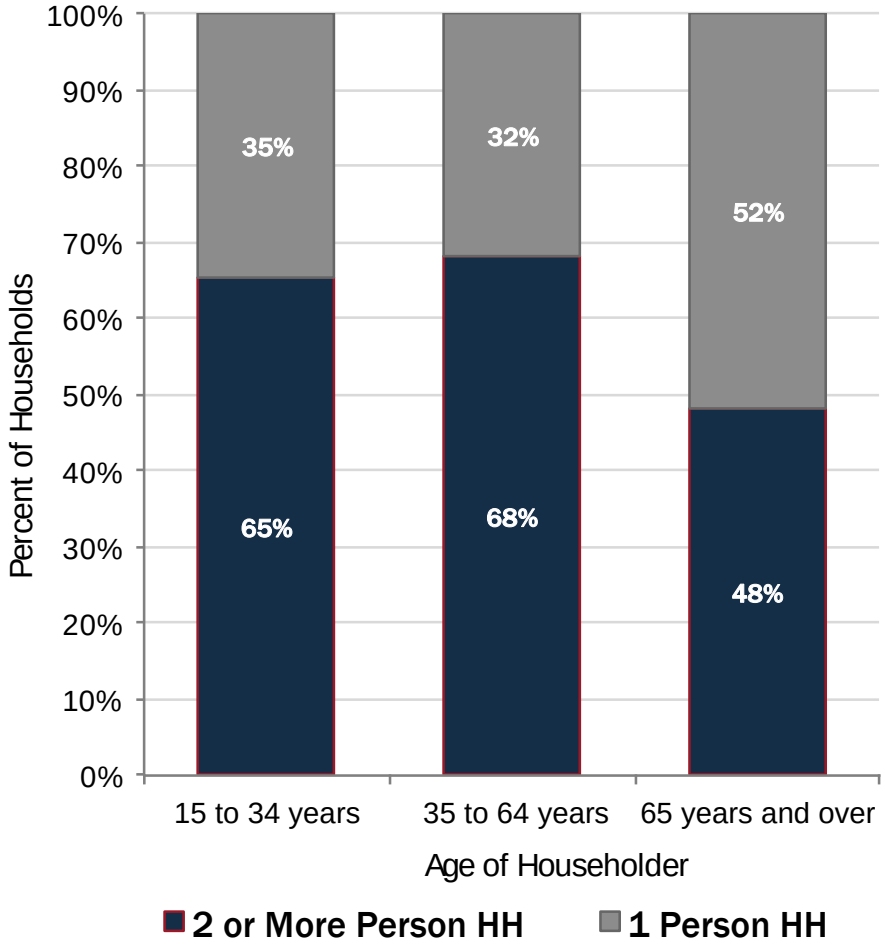
Source: U.S. Census 2000 SF1 Tables P1 and P37, U.S. Census 2010 SF1 Tables P1 and P42

Demographics and changes in housing choice

Housing needs change throughout a person's life, with changes in income, family composition, and age. The types of housing needed by a 20-year-old college student are different than the needs of a 40-year-old parent with children, or an 80-year-old single-person.

Figure B-21 shows households by household size and age of householder in Salem in 2010.

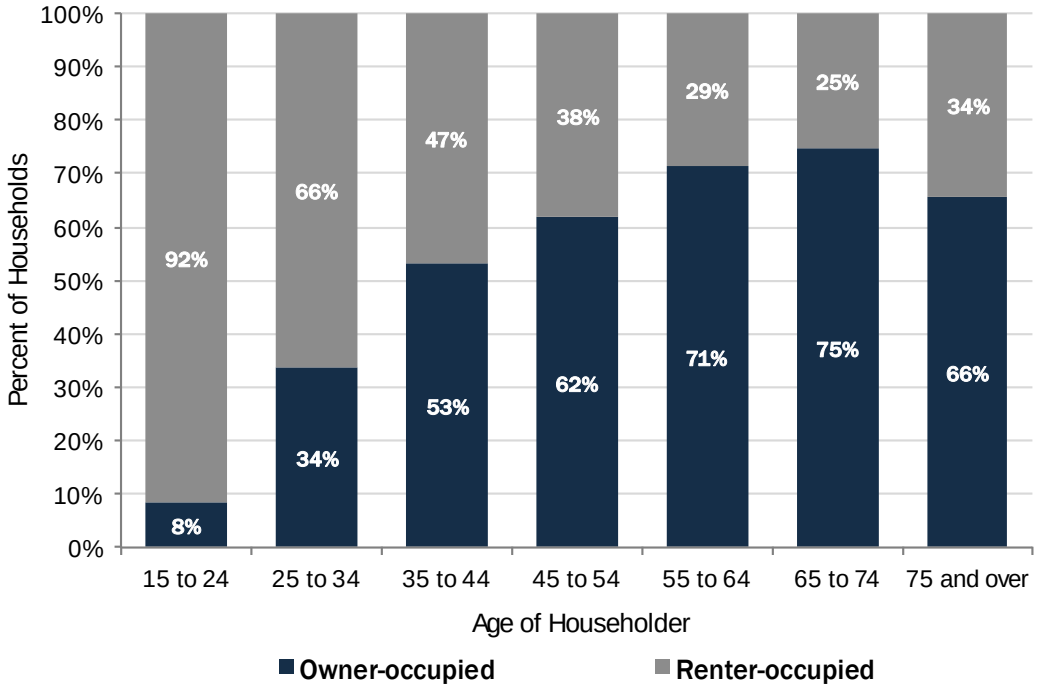
Figure B-21. Households by household size and age of householder, Salem, 2010



Source: U.S. Census 2010 Table QT-H2

Figure B-22 shows households by tenure and age of householder in Salem in 2010.

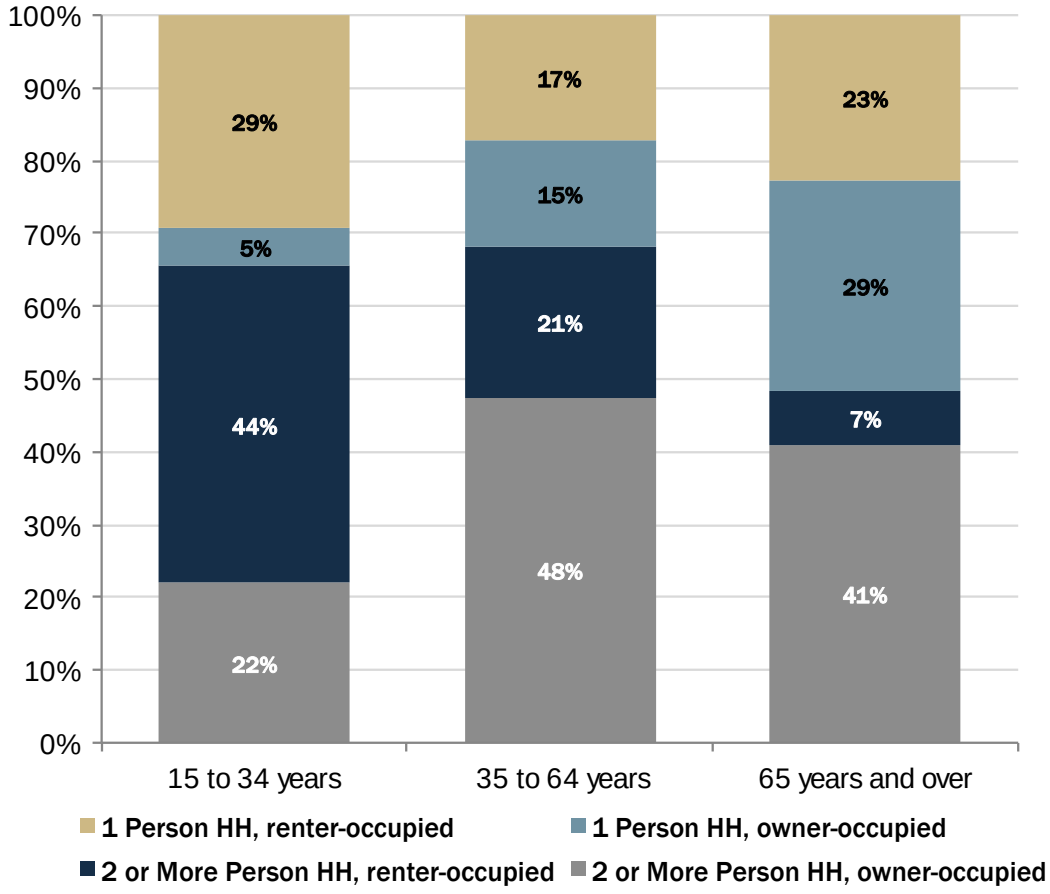
Figure B-22. Households by tenure and age of householder, Salem, 2010



Source: U.S. Census 2010 Table QT-H2

Figure B-23 shows households by tenure, size, and age of householder in Salem in 2010.

Figure B-23. Households by household size, tenure, and age of householder, Salem, 2010



Source: U.S. Census 2010 Table QT-H2

Commuting trends

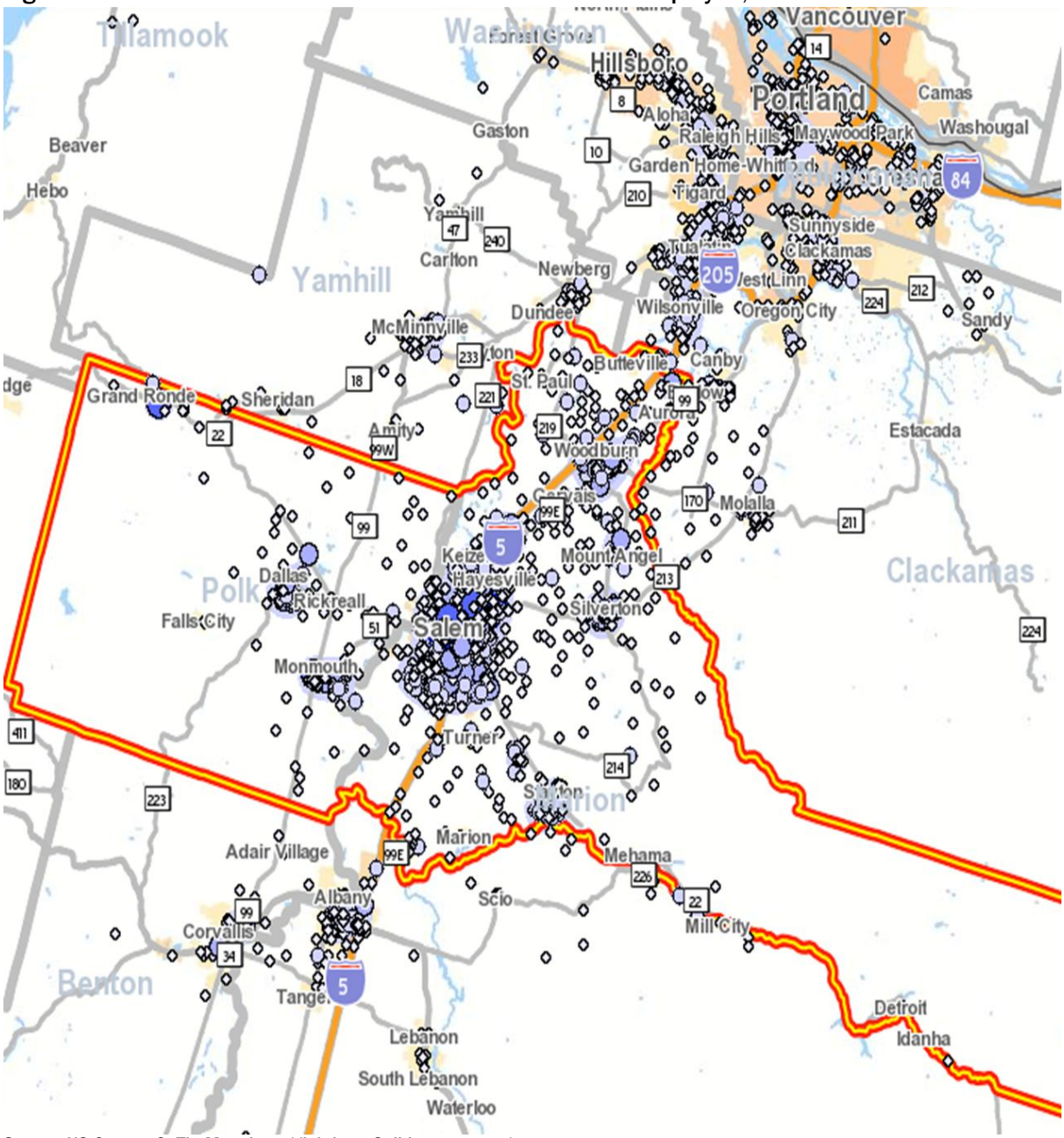
Table B-12 and Figure B-24 show the places where Salem residents were employed in 2011.

Table B-12. Places that residents of Salem were employed, 2011

Location	Number	Percent
Counties		
Marion County	36,125	66%
Multnomah County	3,632	7%
Polk County	3,386	6%
Washington County	3,286	6%
Clackamas County	1,926	4%
Linn County	1,255	2%
Yamhill County	975	2%
Lane County	941	2%
All other counties	2,951	5%
Cities		
Salem	31,670	58%
Portland	3,179	6%
Keizer	1,491	3%
Woodburn	826	2%
Tigard	773	1%
All other cities	16,538	30%
Total	**54,477**	**100%**

Source: U.S. Census Bureau: LED on the Map, http://lehdmap3.did.census.gov/themap3/

Figure B-24. Places that residents of the Salem MSA were employed, 2011



Source: US Census OnTheMap, http://lehdmap3.did.census.gov/

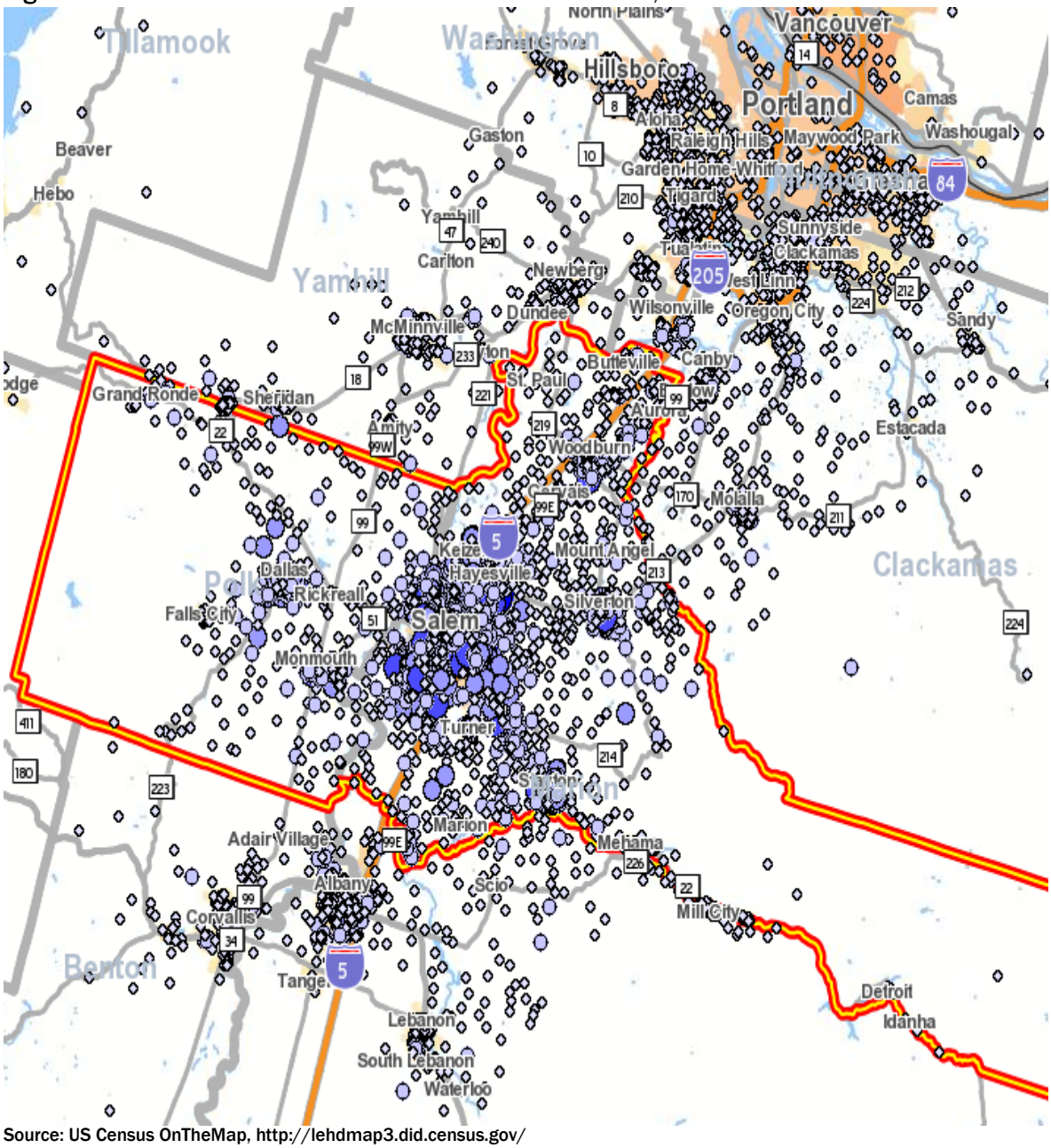
Table B-13 and Figure B-25 show where employees of firms located Salem lived in 2011.

Table B-13. Places where workers in Salem lived, 2011

Location	Number	Percent
Counties		
Marion County	45,755	55%
Polk County	10,015	12%
Linn County	3,670	4%
Multnomah County	3,507	4%
Washington County	3,304	4%
Clackamas County	3,010	4%
Lane County	2,900	3%
Yamhill County	2,002	2%
Benton County	1,450	2%
All other counties	7,475	9%
Cities		
Salem	35,177	42%
Keizer	6,488	8%
Portland	2,714	3%
Albany	1,726	2%
Dallas	1,367	2%
All other cities	35,616	43%
Total	**83,088**	**100%**

Source: U.S. Census Bureau: LED on the Map, http://lehdmap3.did.census.gov/themap3/

Figure B-25. Places where workers in the Salem MSA lived, 2011



Source: US Census OnTheMap, http://lehdmap3.did.census.gov/

MANUFACTURED HOMES

Manufactured homes are and will be an important source of affordable housing in Salem. They provide a form of homeownership that can be made available to low- and moderate-income households. Cities are required to plan for manufactured homes—both on lots and in parks (ORS 197.475-492).

Generally, manufactured homes in parks are owned by the occupants who pay rent for the space. Monthly housing costs are typically lower for a homeowner in a manufactured home park for several reasons, including the fact that property taxes levied on the value of the land are paid by the property owner rather than the manufactured homeowner. The value of the manufactured home generally does not appreciate in the way a conventional home would, however. Manufactured homeowners in parks are also subject to the mercy of the property owner in terms of rent rates and increases. It is generally not within the means of a manufactured homeowner to relocate a manufactured home to escape rent increases. Living in a park is desirable to some because it can provide a more secure community with on-site managers and amenities, such as laundry and recreation facilities.

Salem had 2,450 manufactured homes in 1990 and 3,262 manufactured homes in 2012, an increase of 812 dwellings. According to Census data, roughly 87% of the manufactured homes in Salem were owner-occupied in 2012.

OAR 197.480(4) requires cities to inventory the mobile home or manufactured dwelling parks sited in areas planned and zoned or generally used for commercial, industrial or high-density residential development. Table B-14 presents the inventory of mobile and manufactured home parks within Salem in 2014. The results show that Salem had 45 manufactured home parks with 3,637 spaces and 176 vacant spaces.

Table B-14. Inventory of Mobile/Manufactured Home Parks, City of Salem, 2014

Name	Location	Park Type	Total Spaces	Vacant Spaces
Apple Blossom Mobile Home Park	4783 38th Ave NE	Family	14	2
Arrowhead Mobile Home Park	5422 Portland Road NE	55+	153	2
Bristol Park	205 Boone Road SE	55+	65	0
Brookside Mobile Village	1652 Wiltsey Road SE	Family	32	0
Center Street Mobile Park	4155 Center Street NE	55+	71	11
Chemeketa Mobile Village	4155 Lancaster Drive NE	Family	90	4
Copper Creek Estates	5195 Copper Creek Loop NE	Family	187	12
Cumberland Mobile Home Park	5017 Cumberland Court SE	Family	38	0
Eola Trailer Park	4385 Dallas Highway	55+	12	0
Four Corners Trailer Court	4130 State Street	–	20	2
Green Apple Mobile Park	4703 Portland Road NE	55+	12	0
Green Oaks Mobile Ranch	9195 Portland Rd NE	Family	44	3
Hidden View Estates	3445 Hidden View Lane NE	55+	13	0
Highway Avenue Trailer Park	1865 Hwy Avenue	55+	25	4
Hollywood Estates	2705 Brown Road NE	Family	116	4
Lakeside Village	3110 Turner Road SE	Family	220	43
Lana Lane Mobile Park	1940 Lana Avenue	Family	29	0
Lansford Park	980 Lansford Drive SE	55+	9	0
Meadowlark Mobile Manor	2870 Lancaster Drive SE	55+	126	9
Oak Hollow	2155 Robins Lane SE	Family	59	8
Oak Pointe Estates	2000 Robins Lane SE	Family	90	8
Orchard Mobile	1351 31st Street NE	Family	66	2
Paradise Island Park	3100 Turner Road SE	55+	214	1
Pin Oak Park	4849 State Street	Family	45	0
Prairie Village	4849 San Francisco Drive	Family	30	12
Rhoades Mobile Home Park	3825 Market Street	Family	42	0
Rose Haven Mobile Park	2600 Front Street NE	55+	20	0
Roseland Mobile Home Park	3346 Sunnyview Road NE	55+	37	0
Royal Mobile Estates - Salem	4252 Avens Street NE	55+	128	2
Royal Oaks Estates Senior Mobile Home Park	1500 Gabriela Street NE	Family	43	0
Salem Greene Estates	4730 Auburn Road NE	55+	164	0
Salem Mobile Estates	4326 Lemon Street NE	55+	59	1
Scofield Mobile Park	5990 Silverton Road NE	Unknown	20	2
Shady Acres Mobile Home Park	5552 Portland Road NE	55+	64	1
Somerset Heights	1630 Wallace Road NW	55+	63	0
Southbrook Mobile Home Park	2040 National Court SE	55+	89	0
Starlite Village Mobile Home Court	4882 Lancaster Drive NE	55+	146	15
Sundial Mobile Home Park	2200 Lancaster Drive SE	55+	368	7
Sunnyside Mobile Home Park	4490-4995 Sunnyside Road SE	55+	136	15
Sunnyview Mobile Home Park	1930 Hampden Lane NE	Family	49	0
Sunset Village	4915 Swegle Road NE	55+	79	6
Terrace Lake Park	2120 SE Robins Lane	55+	203	0
Trailer Park Village	4733 Portland Road NE	Family	8	0
Windstone Village	812 Hoffman Road NE	Family	98	0
Wyoming Court	4712 Wyoming Circle	Family	41	0
Total			**3,637**	**176**

Source: Oregon Manufactured Dwelling Park Directory
http://o.hcs.state.or.us/MDPCRParks/ParkDirQuery.jsp

GOVERNMENT-ASSISTED HOUSING PROGRAMS

The 2009-2013 Salem-Keizer *Housing and Community Development Consolidated Plan* describes community housing needs, focusing on the populations with greatest housing needs. The *Consolidated Plan* formulates a five-year strategic plan to provide community actions to address needs of low- and moderate-income households.

The City of Salem is an entitlement recipient of federal Community Development Block Grant (CDBG) funding that is designated for use within the city limits of Salem. Salem received CDBG allocations of $1,253,852 in 2013 and $1,240,355 in 2014. The City has a wide range of eligible activities under the CDBG Program, including housing-related activities such as assistance to rehabilitate, acquire, and develop housing for low- and moderate-income households, and assistance for homebuyers. The cities of Salem and Keizer form a consortium that is an entitlement recipient of Home Investment Partnership Program (HOME) funds for use within the city limits of Salem and Keizer. The Salem-Keizer consortium received HOME allocations of $613,007 in 2013 and $656,724 in 2014.

Governmental agencies and nonprofit organizations offer a range of housing assistance to low- and moderate-income households in renting or purchasing a home including:

- **Section 8 voucher system** allows very low-income families (including elderly and disabled) to choose where they live by providing rental certificates that limit tenants' rent to 30% of their monthly income. The program is administered by local housing authorities; HUD pays participating landlords the difference between market rent, as determined by HUD, and what the family is able to pay. Qualified Section 8 participants may use their vouchers to pay rent or participate in lease-to-own or homeownership programs.
- **Moderate Rehabilitation Program** encourages private owners to rehabilitate apartments and houses and then lease them to eligible families from the Housing Authority's waiting list. Residents under this program must have income not exceeding 50 percent of Area Median Income. The resident pays 30 of their gross income toward rent and utilities. The Salem Housing Authority has three Moderate Rehabilitation (with 57 units) properties under contract.
- **Public housing** is government-provided low cost housing in multi-unit complexes that are available to low-income, mostly elderly or disabled, residents. Managed by local housing authorities, typically require tenants to pay no more than 30% of their monthly income for rent. The SHA owns or operates 307 housing units.

- **HUD landlord subsidies** give funds directly to apartment owners, who lower the rents they charge low-income tenants. Some units are designed for senior citizens or people with disabilities, others for families and individuals.
- **Section 202** provides housing for low-income senior citizens and often includes services such as meals, transportation, and accommodations for the disabled. Programs are sponsored on a complex-by-complex basis by non-profit organizations or consumer cooperatives.
- **Subsidized mortgages programs** are state-sponsored programs that reduce the interest rate for homes purchased within the state to qualified low-income first-time homebuyers. Other programs that offer low interest rate loans include:
- **Veteran's Affairs loans** are home loans offered to eligible veterans, some military personnel, and certain surviving spouses. The VA can guarantee part of a loan from a private lender, and can issue loans for building, repairing, and improving homes, loans for refinancing existing loans, and special grants for retrofitting a home to accommodate a disability.
- **Other homeownership assistance** include a variety of down payment assistance programs run by states, counties, cities, business organizations, and non-profit organizations for low-income families. To be eligible, the buyer must qualify for a mortgage with a lender, complete a certified homeownership education program and, in most cases, have some money from their own resources as the match for the down payment assistance.

Nonprofit organizations provide a wide variety of housing assistance to low-income households and individuals. Nonprofits provide assistance with renting or purchasing housing, as well as services (such as emergency food, low-cost medical services, or transportation assistance). The types of housing assistance that nonprofits provide vary by community and may include:

- **Homeless shelters/ temporary housing programs** that serve the temporarily or long-term homeless population and may be run by non-profit organizations, churches, or cities.
- **Rentals with services** may serve special low-income populations, such as the disabled, elderly, chronically homeless, or ex-offender populations, with housing and associated services, such as meals, assistance finding employment, and alcohol or drug treatment programs.
- **Below market rate rentals.** Although the city cannot implement inclusionary zoning due to state law, multi-family projects funded with HOME and CDBG require these very restrictions, including income

requirements for both programs, rent restrictions for the HOME program (on designated HOME units determined through subsidy layering analysis), and resale restrictions for the property (HOME-affordability period and CDBG-change of use period). These projects can be developed by both for-profit and non-profit organizations.

- **Lease-to-own programs** allow qualified buyers to select a home and lease it, usually from a nonprofit organization, then purchase the home and assume the mortgage at the end of the lease term. These programs often lock in the purchase price when the participant begins the lease, and most only allow the participant to lease the home for a limited time.
- **Sweat equity programs** require the homebuyer's participation in the construction of the housing. The sweat equity and labor contributions by the homebuyers and volunteers significantly reduce the cost of the housing. Sweat equity programs may be run by nonprofit organizations such as Habitat for Humanity International, and may be the recipient of HUD SHOP grants, which are provided to national and regional nonprofit organizations that have experience in providing self-help housing to purchase land and make improvements on infrastructure.

Salem has a variety of publicly and privately assisted housing options. The *Consolidated Plan* describes housing assistance program activities in Salem in detail. As of March 2008, Salem had more than 2,800 households that used Section 8 vouchers. The waiting list for Salem/Keizer residents for Section 8 vouchers was 2,145 applications, 82% of which had extremely low incomes (<=30% Area Median Income (AMI)). In 2014, Salem Housing Authority (SHA) managed 245 public housing units for families and people with disabilities. Ninety-four percent of the 926 families on the wait list for Public Housing assistance were families with children. In addition to its Public Housing facilities, SHA owns or operates 392 senior and family housing units through public-private partnerships.

Nonprofit housing agencies in the Salem area include: Mid-Willamette Valley Community Action Agency, The Willamette Housing Organization, Catholic Community Services Foundation, Congregations Helping People, Farmworkers Housing Development Corporation, Habitat for Humanity, NEDCO, Oregon Health Authority, Polk County Community Development Corporation, Retirement Housing Foundation, Salem Housing Authority, Salem Interfaith Hospitality Network, Shangri-La, Spruce Villa, Sunny Oaks, St. Vincent De Paul, St. Francis Shelter, United Methodist Retirement Center, and Windsor Place. These agencies provide a wide range of services to low- and moderate-income households in the Salem area, including: subsidized rental properties, rental assistance programs, homeownership assistance programs, weatherization assistance for homeowners, and sweat equity programs. Nonprofits also provide

assistance to homeless people, ranging from emergency shelter and transitional housing, to permanent supportive housing.

INCOME AND AFFORDABILITY OF HOUSING

This section summarizes regional and local income, and housing cost trends. Income is a key determinant in housing choice and a households' ability to afford housing. A review of historical income and housing price trends provides insight into the local and regional housing markets.

Table B-15 shows a set of inflation adjusted income indicators for Oregon, the Salem MSA, and Salem. The results suggest that income, by all measures, increased during the 1990s, and decreased by an equal or greater amount between 2000 and 2012. Overall, median household, median family, and per capita incomes decreased between 1990 and 2012. The percentage of the population living below the poverty level also increased in Oregon, the Salem MSA, and Salem over this period.

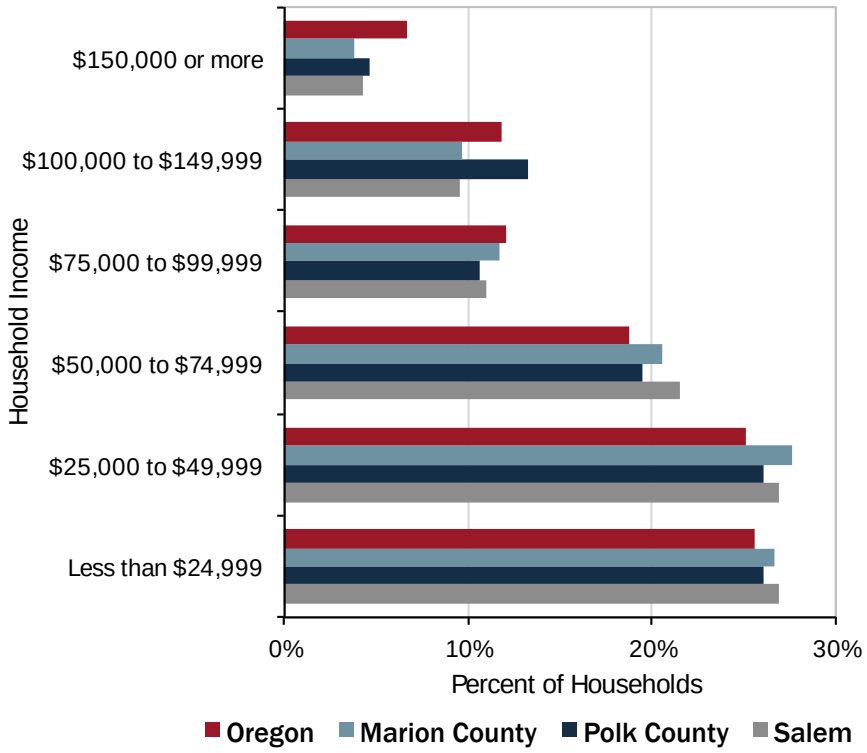
Table B-15. Inflation adjusted income indicators (in 2012 dollars), Oregon, Salem MSA (Marion and Polk counties combined), and Salem 1990, 2000, and 2012

	1990	2000	2012
Oregon			
Median HH Income	$50,455	$ 56,387	$ 49,161
Median Family Income	$ 59,872	$ 67,087	$ 59,476
Per Capita Income	$ 24,844	$28,858	$ 26,011
% Persons Below Poverty Level	12.4%	11.6%	17.2%
Salem MSA			
Median HH Income	$49,568	$ 56,041	$ 45,656
Median Family Income	$58,235	$64,784	$ 54,395
Per Capita Income	$22,700	$25,585	$ 21,283
% Persons Below Poverty Level	13.2%	13.1%	19.9%
Salem			
Median HH Income	$46,726	$53,582	$ 46,479
Median Family Income	$ 57,921	$ 63,957	$ 55,007
Per Capita Income	$23,406	$ 26,379	$ 21,459
% Persons Below Poverty Level	14.5%	15.0%	19.8%

Source: U.S. Census 1990 SF1 P080A P107A P114A P117, U.S. Census 2000 SF1 P53 P77 P82 P87, American Community Survey 2012 DP03, BLS Inflation Calculator
Notes: All dollar amounts in 2012 dollars. 1990 income converted to 2012 dollars using 1.85 inflation factor. 2000 income converted to 2012 dollars using 1.38 inflation factor.

Figure B-26 shows the distribution of household income in Oregon, Marion and Polk counties, and Salem in 2012.

Figure B-26. Household Income, Oregon, Marion County, Polk County, and Salem, 2012



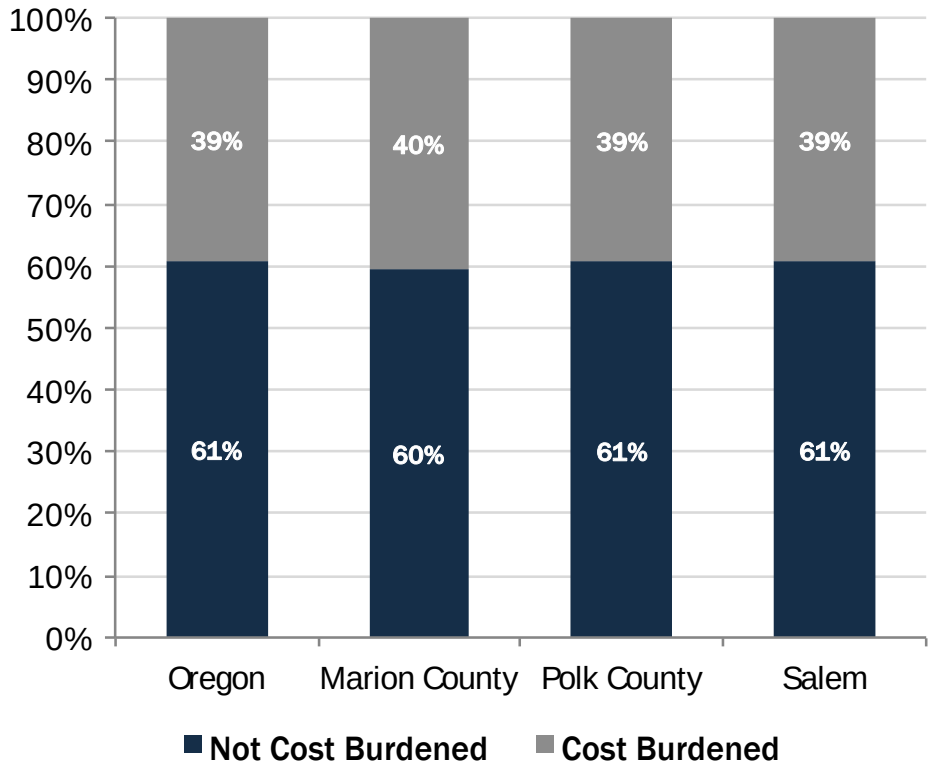
Source: American Community Survey, 2012; Table B19001

A typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of household income for housing, including payments and interest or rent, utilities, and insurance. HUD guidelines indicate that households paying more than 30% of their income on housing experience "cost burden," and households paying more than 50% of their income on housing experience "severe cost burden." Using cost burden as an indicator is consistent with the Goal 10 requirement to provide housing that is affordable to all households in a community.

According to the U.S. Census, nearly 21,500 households in Salem—or 39%—paid more than 30% of their income for housing expenses in 2012. About 52% of renter households in Salem were cost burdened, compared with 30% of owner households. In comparison, 39% of Oregon's households were cost burdened in 2012, with 49% of renter households and 30% of owner households cost burdened.

Figure B-27 shows the percentage of the population experiencing housing cost burdens in Oregon, Marion and Polk counties, and Salem in 2012.

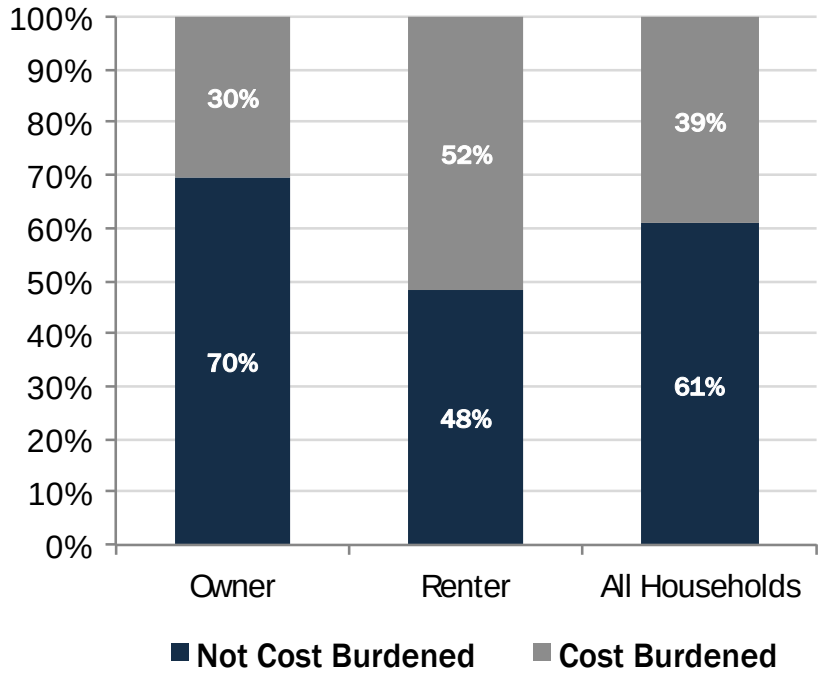
Figure B-27. Housing cost burden, Oregon, Marion County, Polk County, Salem, 2012



Source: American Community Survey 2012 Tables B25070 and B25091

Figure B-28 shows housing cost burden, by tenure, for Salem households in 2012.

Figure B-28. Housing cost burden by tenure, Salem, 2012



Source: American Community Survey 2012 Tables B25070 and B25091

While cost burden is a common measure of housing affordability, it does have some limitations. Two important limitations are:

- A household is defined as cost burdened if the housing costs exceed 30% of their income, regardless of actual income. The remaining 70% of income is expected to be spent on non-discretionary expenses, such as food or medical care, and on discretionary expenses. Households with higher income may be able to pay more than 30% of their income on housing without impacting the household's ability to pay for necessary non-discretionary expenses.
- Cost burden compares income to housing costs and does not account for accumulated wealth. As a result, the estimate of how much a household can afford to pay for housing does not include the impact of accumulated wealth a household's ability to pay for housing. For example, a household with retired people may have relatively low income but may have accumulated assets (such as profits from selling another house) that allow them to purchase a house that would be considered unaffordable to them based on the cost burden indicator.

Cost burden is only one indicator of housing affordability. Another way of exploring the issue of financial need is to review wage rates and housing affordability. Table B-16 shows an illustration of affordable housing wage and

rent gap for households in the Salem MSA at different percentages of median family income (MFI). The data are for a typical family of four. The results indicate that a household must earn $12.84 an hour to afford a two-bedroom unit according to HUD's market rate rent estimate.

Table B-16. Illustration of affordable housing wage and rent gap by HUD income categories for a two-bedroom rental unit, Salem MSA, 2012

Value	Minimum Wage	50% MFI	80% MFI	100% MFI	120% MFI
Annual Hours	2,080	2,080	2,080	2,080	2,080
Derived Hourly Wage	$9.10	$14.42	$23.08	$28.85	$34.62
Annual Wage	$18,928	$30,000	$48,000	$60,000	$72,000
Annual Affordable Rent	$5,678	$9,000	$14,400	$18,000	$21,600
Monthly Affordable Rent	$473.20	$750	$1,200	$1,500	$1,800
HUD Fair Market Rent (2 Bedroom)	$742	$742	$742	$742	$742
Is HUD Fair Market Rent Higher Than The Monthly Affordable Rent?	Yes	No	No	No	No
Rent Paid Monthly OVER 30% of Income	$269	na	na	na	na
Rent Paid Annually OVER 30% of Income	$3,226	na	na	na	na
Percentage of Income Paid OVER 30% of Income for Rent	17%	na	na	na	na
Total Spent on Housing	47%	30%	19%	15%	12%
For this area what would the "Affordable Housing Wage" be?	$12.84	$12.84	$12.84	$12.84	$12.84
The Affordable Housing Wage Gap IS:	**$3.74**	**na**	**na**	**na**	**na**

Source: U.S. Department of Housing and Urban Development, http://www.huduser.org/portal/datasets/fmr.html
MFI: Median family income, FMR: Fair market rent
Note: 30% of MFI corresponds to an hourly wage ($8.05) below the minimum wage, so this table does not show that category of income.

Table B-16 shows a rough estimate of affordable housing cost and units by income levels for Salem in 2012 based on Census data about household income, the value of owner-occupied housing in Salem, and rental costs in Salem. Several points should be kept in mind when interpreting this data:

- Affordable monthly housing costs and estimate of affordable purchase prices are based on HUD income standards and assume that a household will not spend more than 30% of household income on housing costs. Some households pay more than 30% of household income on housing costs, generally because they are unable to find more affordable housing or because wealthier households are able to pay a larger share of income for housing costs.
- HUD's affordability guidelines for Fair Market Rent are based on median family income and provide a rough estimate of financial need. These guidelines may mask other barriers to affordable housing such as move-in costs, competition for housing from higher-income households, and availability of suitable units. They also ignore other important factors such as accumulated assets, purchasing housing as an investment, and the effect of down payments and interest rates on housing affordability.
- Households compete for housing in the marketplace. In other words, affordable housing units are not necessarily *available* to low-income households. For example, if an area has a total of 50 dwelling units that are affordable to households earning 30% of median family income, 50%

of those units may already be occupied by households that earn more than 30% of median family income.

The data in Table B-17 indicate that in 2012:

- More than 11% of the region's households could not afford a studio apartment according to HUD's estimate of $559 as fair market rent;
- About one-quarter of households in Salem could not afford a two-bedroom apartment at HUD's fair market rent level of $742;
- A household earning median family income ($60,000) could afford a home valued up to about $167,400.

Table B-17. Rough estimate of housing affordability, Salem MSA, 2012

Income Level	Number of HH	Percent	Affordable Monthly Housing Cost	Crude Estimate of Affordable Purchase Owner-Occupied Unit	Est. Number of Owner Units	Est. Number of Renter Units	Surplus (Deficit)	HUD Fair Market Rent (FMR) in 2012
Less than $10,000	6,716	12%	$0 to $250	$0 to $25,000	1,491	690	(4,535)	
$10,000 to $14,999	3,034	5%	$250 to $375	$25,000 to $37,000	671	722	(1,641)	
								Studio: $559
$15,000 to $24,999	5,575	10%	$375 to $625	$37,500 to $62,500	803	4,573	(200)	1 bdrm: $620
$25,000 to $34,999	5,684	10%	$625 to $875	$62,500 to $87,500	601	8,491	3,409	2 bdrm: $742
$35,000 to $49,999	9,626	17%	$875 to $1,250	$87,500 to $125,000	3,868	6,751	993	3 bdrm: $1,078
$50,000 to $74,999	12,213	21%	$1,250 to $1,875	$125,000 to $187,500	9,907	2,560	254	4 bdrm: $1,301
Salem MSA 2012 MFI: $60,000			$1,500	$180,000				
$75,000 to $99,999	6,224	11%	$1,875 to $2,450	$187,500 to $245,000	6,881	650	1,307	
$100,000 to $149,999	5,420	10%	$2,450 to $3,750	$245,000 to $375,000	5,798	94	472	
$150,000 or more	2,431	4%	More than $3,750	More than $375,000	2,277	94	(60)	
Total	56,923	100%			32,297	24,626	0	

Sources: American Community Survey 2012, HUD Section 8 Income Limits, HUD Fair Market Rent.
Based on Oregon Housing & Community Services. Housing Strategies Workbook*: Your Guide to Local Affordable Housing Initiatives*, 1993.
Notes: FMR-Fair market rent; bdrm - bedrooms

The conclusion based on the data presented in Table B-17 is that in 2012 Salem had a significant deficit of nearly 6,400 affordable housing units for households that earn less than $25,000 annually. The next section examines changes in housing cost between 2000 and 2012.

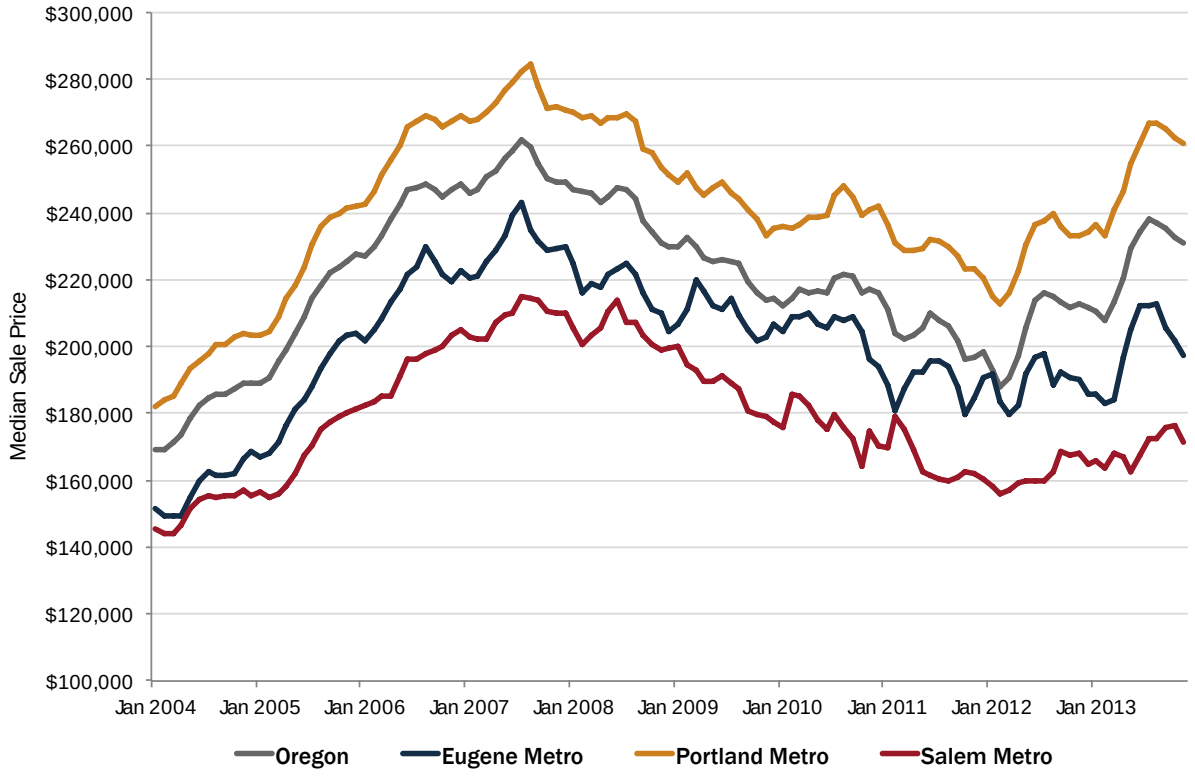
Changes in housing cost

According to Zillow, the median sales price of a home in Salem increased by about 14% between 2004 and 2013. This figure disguises the changes that have occurred in the interim: housing prices rose steeply prior to 2007, reaching a high of roughly $215,000, before the housing bubble and recession led to a period of declining housing prices. Housing prices in Salem, while following the same general pattern, remain lower than those observed in comparable metro areas and the State as a whole.

Housing values

Figure B-29 shows the median sales price in Oregon, and the Eugene, Portland, and Salem Metros between 2004 and 2013.

Figure B-29. Median Sales Price, Oregon, Eugene Metro, Portland Metro and Salem Metro, 2004-2013



Source: Zillow.com

Housing rental costs

Table B-18 shows the median contract rent in Oregon, Marion and Polk counties, and Salem in 2000 and 2012.

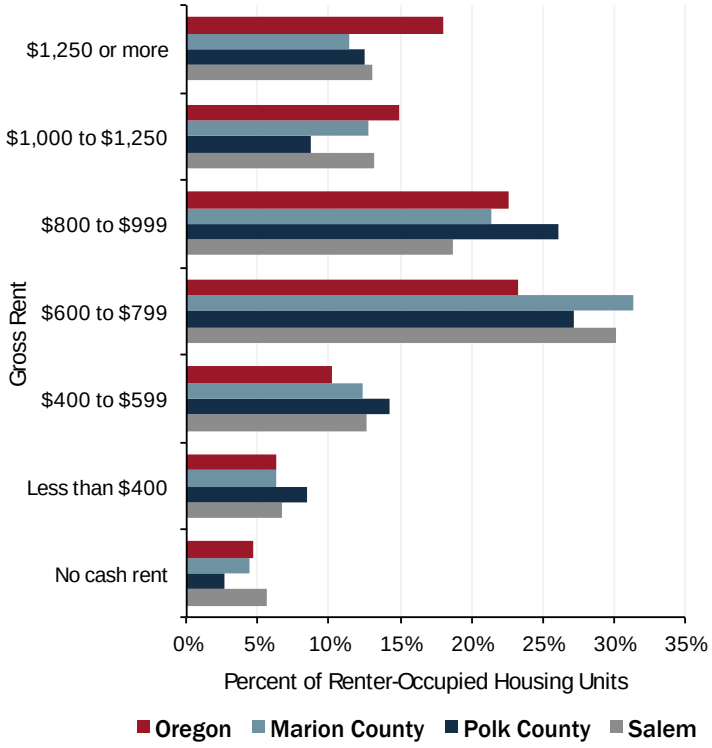
Table B-18. Median contract rent, nominal dollars, Oregon, Marion County, Polk County, and Salem, 2000 to 2012

Location	Rent		Change 2000 to 2012	
	2000	2012	Amount	Percent
Oregon	$732	$740	$8	1%
Marion County	$665	$650	-$15	-2%
Polk County	$656	$671	$15	2%
Salem	$652	$650	-$2	0%

Source: U.S. Census 2000 SF3 Table H56
American Community Survey 2012 Table B25058
Note: All data reported in 2012 dollars; 2000 figures were updated using Consumer Price Index.

Figure B-30 shows a comparison of gross rent for renter-occupied housing units in Oregon, Marion and Polk counties, and Salem in 2012.[40]

Figure B-30. Gross rent, renter-occupied housing units, Oregon, Marion County, Polk County, and Salem, 2012



Source: American Community Survey 2012; Table B25063

[40] The U.S. Census defines gross rent as: "the amount of 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 for by the renter (or paid for the renter by someone else)."

Table B-19 shows that, between 1990 and 2000, both median household income and housing values increased substantially, with increases in home value outpacing growth in income. Median household income decreased between 2000 and 2012, nearly erasing the gains made in the previous decade, while housing values (after substantial change in the interim) emerged virtually unchanged at the end of this period.

Table B-19. Comparison of income and housing value, Salem, 1990, 2000, and 2012

				Change	
Indicator	1990	2000	2012	1990-2000	2000-2012
Median HH Income	$ 46,726	$ 53,582	$ 46,479	15%	-13%
Median Owner Value	$ 111,464	$ 180,671	$ 180,500	62%	0%
Ratio of Housing Value to Income					
Median HH Income	2.4	3.4	3.9		

Source: U.S. Census 1990 SF1 P080A P107A P114A P117, SF3 H008 H043A H061A, U.S. Census 2000 SF1 P53 P77 P82 P87, SF3 H7 H63 H76, American Community Survey 2012 DP03, B25003, B25064, B25077