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TO: Gresham Planning Commission  
FROM: Beth Goodman and Margaret Raimann, ECONorthwest  
SUBJECT: Housing Capacity Analysis Project Overview and Background

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This memorandum presents preliminary information about the Gresham Housing Capacity Analysis (HCA) project (also known as the Housing Needs Analysis (HNA) project), which includes an analysis of future housing projections and an inventory of the city's available buildable lands. These activities will determine Gresham's housing needs for the next 20 years, and the capacity for that housing to be developed.

## Background

In 2019 the Oregon State Legislature passed House Bill 2003 (HB 2003) to help local communities meet the diverse housing needs of Oregonians. The law requires Gresham (and other Oregon cities larger than 10,000 people) to study the future housing needs of its residents and to develop strategies to encourage production of that needed housing. The two main requirements of HB 2003 include:

- Every six years Gresham is required to analyze what housing is needed for current and future residents for a 20-year period (the Housing Capacity Analysis).
- Within one year of completing the Housing Capacity Analysis, Gresham is required to complete a separate Housing Production Strategy that lists specific actions the City can take to promote the development of all identified housing needs.

The State requires that Gresham complete its HCA project prior to December 31, 2024. In 2020, the City of Gresham was awarded technical assistance through a DLCD-provided consultant to complete the HCA project. ECONorthwest's work on the project must be completed by June 2021, according to the City's grant requirement with the State. The HCA will provide the factual basis for the City to complete its Housing Production Strategy and update the City's Comprehensive Plan. The information provided in the HCA project will be used to inform other future housing-related initiatives and policy decisions.

This memorandum presents the preliminary key findings of the demographics and housing market in Gresham, as well as the preliminary housing forecast for the 2021-2041 planning period. The purpose of this memorandum is to provide a high-level summary of these steps in the HCA to guide further discussion at the March 22, 2021 Gresham Planning Commission meeting.

## Key Findings

The HCA provides information about demographic trends, economic trends, and factors that may affect future housing needs in Gresham as they relate to demand for different types of housing. This section summarizes the findings of these parts of the HCA and the implications for future housing demand in Gresham.

- **Seniors and retirees are the fastest growing group of people in Gresham and Multnomah County is expected to continue to have growth in people over 65 years old through 2040.** Gresham currently has a smaller share of people over 60 years old than the state as a whole. As Gresham's senior population grows, the city will have increasing demand for housing that is suitable for older residents. These housing needs include single-family homes (detached and attached) or multifamily units, as well as group housing (such as assisted living facilities or nursing homes).
- **Gresham will continue to have growing housing demand from younger people, including Millennials and Generation Z.** Gresham has a larger proportion of younger people than Multnomah County and Oregon. About 27% of Gresham's population is under 20 years old, compared to 21% of Multnomah County's population and Oregon's average of 24%. People born between 1981 and 1996 are referred to as the Millennial generation and account for the largest share of population in Oregon. People born between 1997 and 2012 are referred to as Generation Z. People in these age groups will be forming new households through 2040. Their housing needs will include rental units and affordable single-family homes or townhouses, or middle housing units (such as duplexes, tri-plexes, or quadplexes), in areas that offer transportation alternatives to cars, such as suburbs or small cities with walkable neighborhoods.
- **Continued growth in the Latinx population will affect Gresham's housing needs in a variety of ways.** The number of Latinx residents increased in Gresham, by 12,007 people, between 2000 and the 2014-2018 period. The U.S. Census Bureau forecasts that at the national level, the Latinx population will continue growing faster than most other non-Latinx populations between 2020 and 2040. Growth in first and, to a lesser extent, second and third generation Latinx immigrants, will increase demand for larger dwelling units to accommodate the, on average, larger household sizes for these households. In that, Latinx households are twice likely to include multiple generations households than the general populace.<sup>1</sup> Third and later generations of Latinx immigrant household sizes typically decrease, and housing needs become similar to housing needs for all households.
- **Gresham will have need for housing both for rental households and homeownership.** About 54% of Gresham's households own their home. In comparison, 62% of Oregon households are homeowners. The majority of households in Gresham who rent live in

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<sup>1</sup> Pew Research Center. (2013). *Second-Generation Americans: A Portrait of the Adult Children of Immigrants*.

National Association of Hispanic Real Estate Professionals (2019). *2019 State of Hispanic Homeownership Report*.

multifamily units, such as duplexes, triplexes, quadplexes, and primarily, apartment buildings with more than 5 units.

- **Broadly speaking, Black, Indigenous, and People of Color (BIPOC) were more likely to live in multifamily housing and have lower rates of homeownership than white or Asian people.** Hawaiian and Pacific Islander households live in multifamily housing at the highest rates (90%) followed by Black or African American households (65%) and Hispanic or Latino households (57%). Asian and White (Non-Hispanics) had the highest rates of homeownership (70% and 55%, respectively). Native Hawaiian and Pacific Islanders had the lowest rates of homeownership (0%) followed by American Indian and Alaska Native (26%), Black or African Americans (27%) and Hispanic or Latinos (27%). BIPOC may live in rental or multifamily housing out of necessity, rather than by preference, based on availability of affordable housing. A key future housing need in Gresham will be more affordable multifamily housing<sup>2</sup> and affordable housing, including single-family homes for ownership.
- **Housing affordability is a growing challenge in Gresham.** Housing affordability is a challenge in most of the Portland Metro region in general, and Gresham is affected by these regional trends. Housing prices are increasing faster than incomes in Gresham and Multnomah County, which is consistent with state and national challenges.

Housing sales prices increased in Gresham over the last three years. From 2015 to 2020, the median housing sale price increased by about \$142,000 (55%), from about \$259,000 to \$401,000, a greater increase than other jurisdictions in the Portland Region. A household earning 100% of Gresham’s median family income (MFI, \$92,100)<sup>3</sup> could afford a home valued between about \$322,000 to \$368,000, which is less than the median home sales price of about \$401,000 in Gresham.

About 44% of Gresham’s households are cost burdened (paying 30% or more of their household income on housing costs)<sup>4</sup> and over half of renter households are cost burdened (64%). High cost burden rates for Gresham renters suggests a need for more affordable housing types for renters.

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<sup>2</sup> BIPOC are more likely to live in multifamily housing types in the Portland Region than Non-Hispanic Whites households, according to the study *Implementing a Regional Housing Needs Analysis Methodology in Oregon* (March 2021) by ECONorthwest for Oregon Housing and Community Services. This difference in housing types is likely a result of issues with affordability and access to housing, rather than housing preferences. For example, BIPOC are more frequently rent burdened than Non-Hispanic White households. The result is that BIPOC live more frequently in multifamily housing than Non-Hispanic White households.

<sup>3</sup> Gresham’s median household income, as reported in the U.S. Census American Community Survey, is lower than Multnomah County and other cities in the region (\$52,303). Median Family Income (MFI) is reported at the MSA level (\$92,100 for the Portland MSA) by U.S. Housing and Urban Development (HUD) for measuring affordability for Affordable housing deals, loans, and other HUD requirements.

<sup>4</sup> The Department of Housing and Urban Development’s 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.”

Gresham’s key challenge over the next 20 years is providing opportunities for development of relatively affordable housing of all types, such as lower-cost single-family housing, cottage housing, townhouses and duplexes, tri- and quad-plexes, market-rate multifamily housing, and government-subsidized affordable multifamily housing.

- **Gresham will have a growing need for a wider range of housing.** More than half of Gresham’s existing housing stock is single-family detached housing. In the 2014-2018 period, 56% of Gresham’s housing was single-family detached, 7% was single-family attached, 10% was duplexes, triplexes, and quadplexes, and 28% was multifamily. Overall, Gresham’s housing stock grew by about 20% (about 7,191 new units) between 2000 and the 2014-2018 period, the majority of which was single-family detached housing.

In summary, an aging population, increasing housing costs, housing affordability concerns for Millennials, Generation Z, and BIPOC households, and other variables are factors that support the conclusion of need for smaller and less expensive units and a broader array of housing choices in Gresham over the 20-year planning period.

## Preliminary Forecast for Housing Growth

Growth in housing will be driven by growth in population. Between 1990 and 2020, Gresham’s population grew by 21,605 people (24%). A 20-year household forecast (in this instance for 2021 to 2041) is the foundation for estimating needed new dwelling units. The forecast for Gresham is based on Metro’s 2050 Household Distributed Forecast (2019). Gresham city limits will grow from 41,484 households in 2021<sup>5</sup> to 47,713 households in 2041, an increase of 6,229 households.<sup>6</sup>

To accommodate new households, Exhibit 1 shows that Gresham will have demand for 6,229 new dwelling units over the 20-year period, with an annual average of 311 dwelling units.

### Exhibit 1. Forecast of Demand for New Dwelling Units, Gresham City Limits, 2021 to 2041

Source: Metro’s 2050 *Preliminary Household Distributed Forecast*, 2019. Calculations by ECONorthwest. Note: DU is dwelling unit.

	New DU City Limits
Household Forecast 2021	41,484
Household Forecast 2041	47,713
<b>Total New Dwelling Units (2021-2041)</b>	<b>6,229</b>
<b>Annual Average of New Dwelling Units</b>	<b>311</b>

Given the changes in demographics and need for affordable housing described above, Gresham will have need for a wider range of housing types over the next 20 years. These housing types include “missing middle” housing types (such as duplexes, triplexes, quadplexes, cottage housing, and townhouses) and all types of multifamily housing. Exhibit 2 presents the draft mix

<sup>5</sup> Metro’s 2050 *Household Distributed Forecast* shows that in 2020, the Gresham city limits had 41,195 households. The Metro forecast shows Gresham growing to 49,067 households in 2045, an average annual growth rate of 0.7% for the 25-year period. Using this growth rate, ECONorthwest extrapolated the forecast to 2021 (41,484 households).

<sup>6</sup> This forecast is based on Gresham city limits’ official household forecast from Metro for the 2020 to 2050 period.

of housing types for the forecast of 6,229 new dwelling units needed in Gresham over the next 20 years.

**Exhibit 2. Forecast of Demand for New Dwelling Units by Housing Type, Gresham City Limits, 2021 to 2041**

Source: Metro's 2050 *Preliminary Household Distributed Forecast*, 2019. Calculations by ECONorthwest.

Gresham is forecast to add **6,229** new dwellings

Single-Family Detached	Single-Family Attached	Duplex, Triplex, Quadplex	Multifamily (5+ units)
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**2,803**  
New Units  
(45%)

**561**  
New Units  
(9%)

**872**  
New Units  
(14%)

**1,993**  
New Units  
(32%)

During the Planning Commission meeting on March 22<sup>nd</sup>, we will discuss the implications of this housing mix, Gresham's buildable lands inventory, and the capacity for the forecasted dwelling units during the planning period. Preliminary conclusions suggest that Gresham has enough land to accommodate the forecasted housing growth.