

ATTACHMENT A:

POLICY JUSTIFICATION FOR THE BEND URBAN RENEWAL AGENCY'S TAX INCREMENT ASSISTANCE POLICY FOR HOUSING AFFORDABILITY AND EMPLOYMENT GROWTH.

PURPOSE:

This is a technical document that provides relevant data in the development of the Bend Urban Renewal Agency's Policy for Tax increment Assistance for Housing Affordability and Employment Growth. The data details an overview of current and historical local housing market conditions, demographic and household trends, and local employment and wage history.

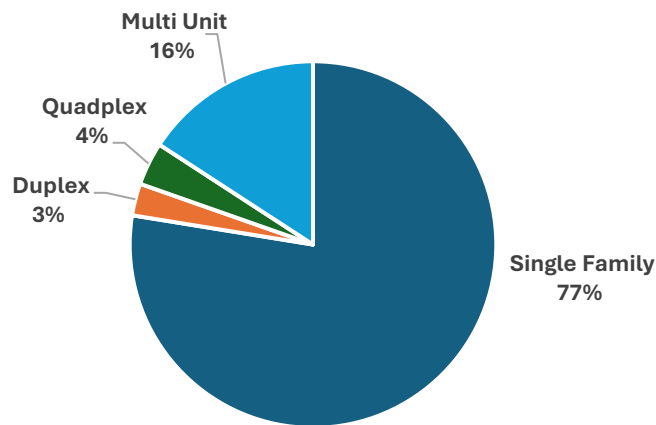
Population Growth and Projection Summary^{1,2}

Bend has seen tremendous growth over the last decade. Since 2019, Bend has added an additional 8,000 households equating to nearly 14,000 new individuals. Single-person households are the fastest growing (20%) and two-person households the slowest (6%) with a rapid decline in four-person households or larger. Bend will add 2,000 people annually with 15,000 people by 203.

Household Living Unit Type Summary

On average, since 2018, 40% of Bend households reside in renter-occupied dwellings. Over 20% of all households live in multi-unit residential dwellings (3 or more units).

Figure 1. American Community Survey, Household Dwelling Status, 2022



Occupational Wages Summary³

The Bend-Redmond Metropolitan Statistical Area (MSA) has 90,310 total employees with a median wage of \$48,480. Fifty-five (55%) percent of all occupations make below the MSA median wage. The

¹ American Community Survey.

² 2022 Population Research. Portland State University

³ Occupational Employment and Wage Statistics, Bend-Redmond MSA May 2023. United States Bureau of Labor Statistics.

largest occupational industries include office and administrative support (bank tellers, accountants), food preparation and service (bartenders, waiters), and sales (retailers, insurance agents). The highest median wages occur among doctors (\$223,000) and the lowest occur among food service workers (\$29,000.) Employment has increased by 7% since 2019 and wages have grown 26%⁴.

Figure 2. Major Occupational Median Wages vs. Bend MSA Median Wage (2023)

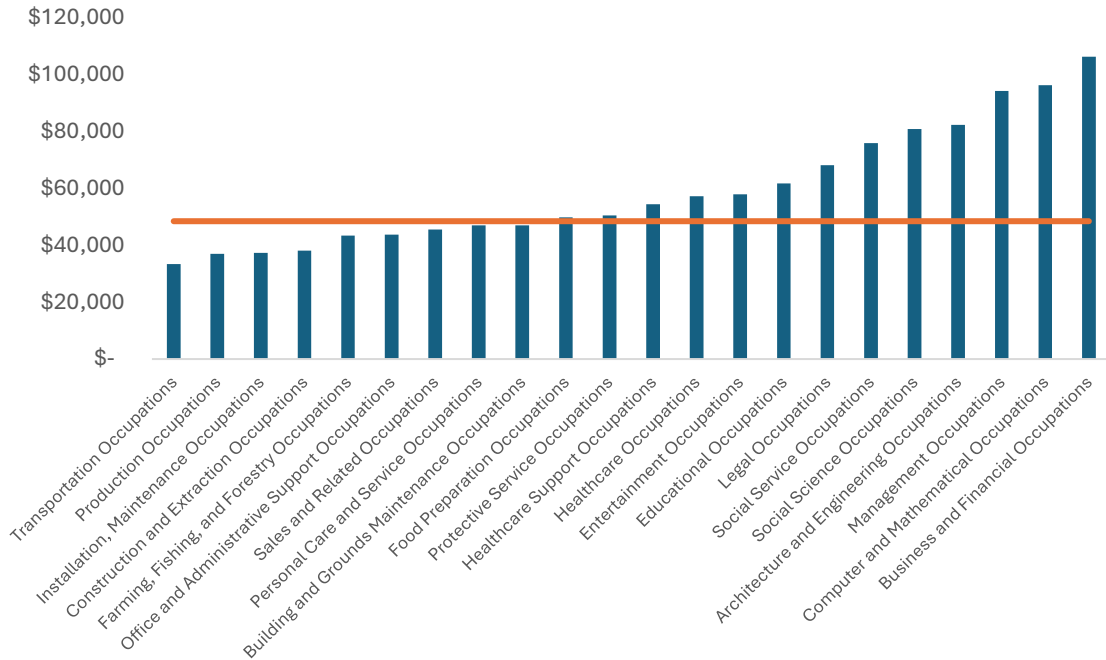
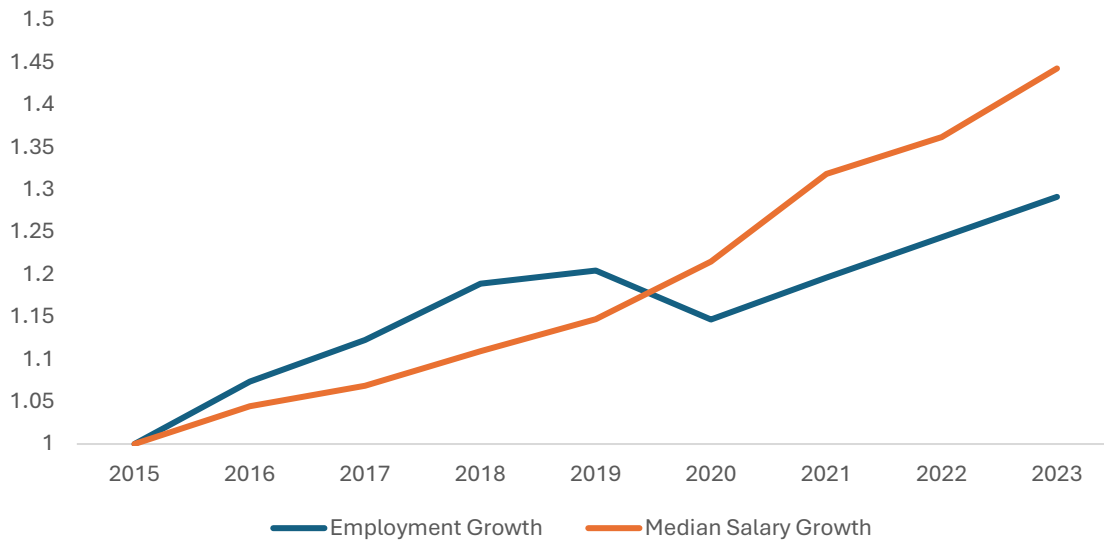


Figure 3. Employment and Wage Growth Index

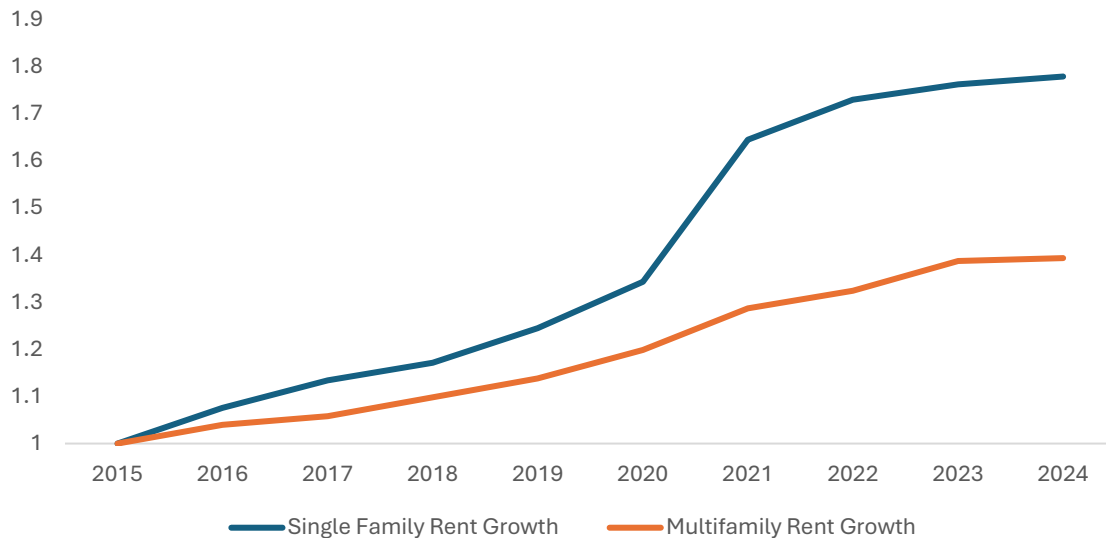


⁴ Does not account for inflation.

Overview of Bend Rental Market (Current)⁵

The average July 2024 rent for Bend is \$2,500, two (2) percent higher than this time last year. Single-family rentals are the most expensive (\$2,500) and multifamily units are the lowest (\$1,800). Since 2019, multifamily rent has increased 22%, while single family rent has increased 43%.

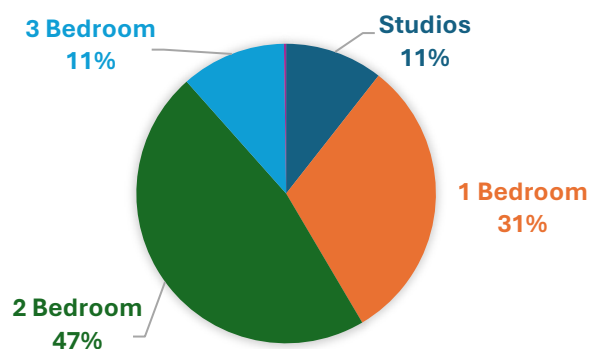
Figure 4: Single Family and Multi-Family Rent Growth Index



Overview of Multifamily Rental Market (End of Quarter 2 2024)⁶

The current multifamily average rent is \$1,800. The City of Bend has a total of 8,024 multi-family units (excluding residential condominiums). The vacancy rate at the beginning of 2024 was 6.6% with a current rate of 10.1%. The vacancy rate increase is a result of 458 new units being delivered in Q1 2024. Currently under construction are 297 units with an anticipated year-end delivery date. Studio and 1-Bedrooms account for 56% of all new units constructed.

Figure 5: 2024 Multi-Family Unit Type

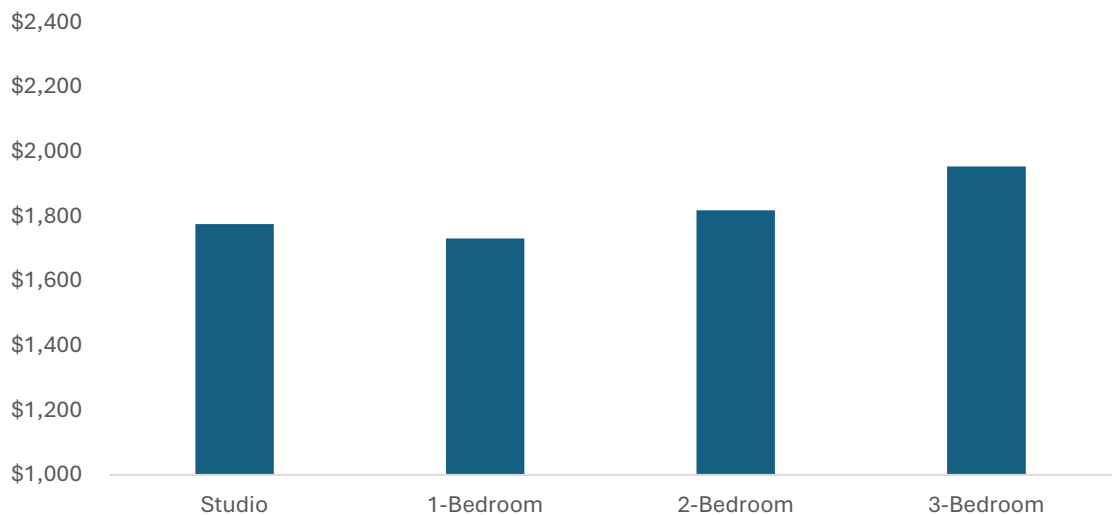


⁵ Zillow Observed Renter Index. Bend-Redmond Metropolitan Area. Zillow

⁶ Bend Multi-Family Market. 2024 Q2. CoStar.

3-Bedrooms are the most expensive unit type to rent (\$1,984). It should be noted that the majority of 4-bedroom units are dedicated to some level of income-restricted Affordability, thus indicating that they are the most affordable to rent (\$1,400), and by comparison not entirely representative of their true cost.

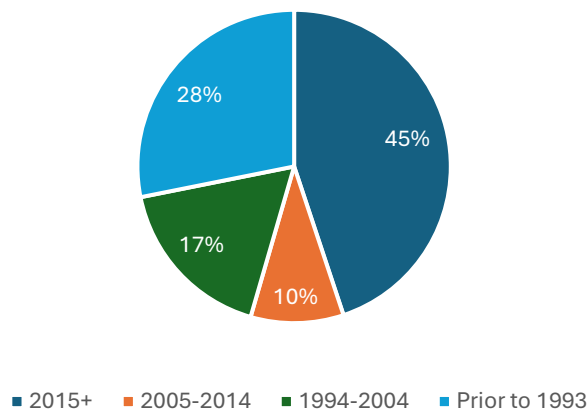
Figure 6: Q2 2024 Rent Costs per Unit Type



Aging Multifamily Housing vs. Newer Development⁷

Aging housing stock is housing built prior to 1980⁸. Nearly 20% of Bend’s multifamily stock is aged housing. The current rent for these units is \$1,300 with a 4.7% vacancy rate. Over 45% of Bend’s multifamily housing stock production has occurred in the last 10 years.

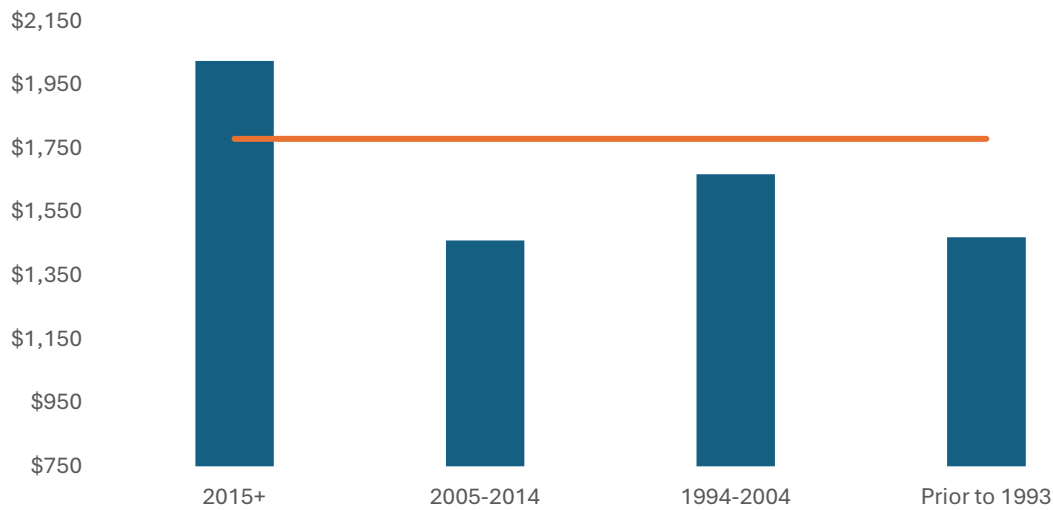
Figure 7. Percent of housing stock built within identified time frames.



⁷ Bend Multifamily Unit Construction. CoStar

⁸ National Home Builder’s Association

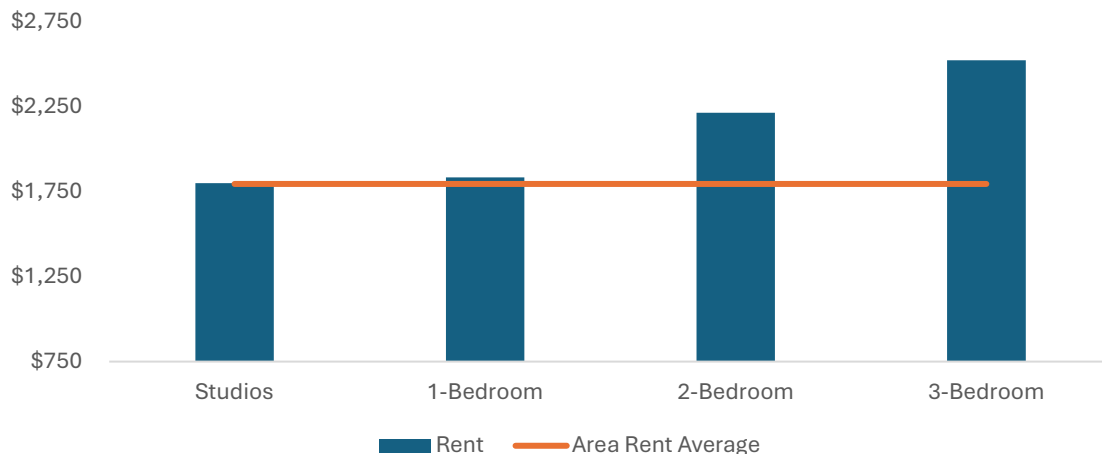
Figure 8. Average Area Rent vs. Varying Aged Development Rent



Recent Development (2021-2023)⁹

A total of nine multifamily developments have delivered 889 units between 2021-2023. The current average vacancy rate for recent development is 12.6%, recent developments near city-center¹⁰ average a 3% vacancy rate and have the highest average rents (\$2,200). 82% of all units have been built at least one mile away from city-center, 30% of units built three or more miles from city-center. The current rent for recent development is \$1,905, six percent (6%) more expensive than the market average. Three-bedroom units have the most expensive rent (\$2,500) and studio units being the least expensive (\$1,800.)

Figure 9. New Development Unit Rent vs. Area Multi-family Rent Average



⁹ CoStar

¹⁰ City center is defined as the intersection of Wall Street and Louisiana Avenue.

Wages vs Market Rent¹¹

An average individual/household would need to make \$72,000 to not be cost burdened (30% of annual income) to afford current market rent. Currently, 81% of occupations in the Bend-Redmond MSA cannot adequately support market rate rent on a single income. Those making \$43,000 or less account for nearly 50% of total employment and are defined as severely cost burdened due to 50% or more of their income being spent on housing. Household incomes directly correlate with occupational wages.

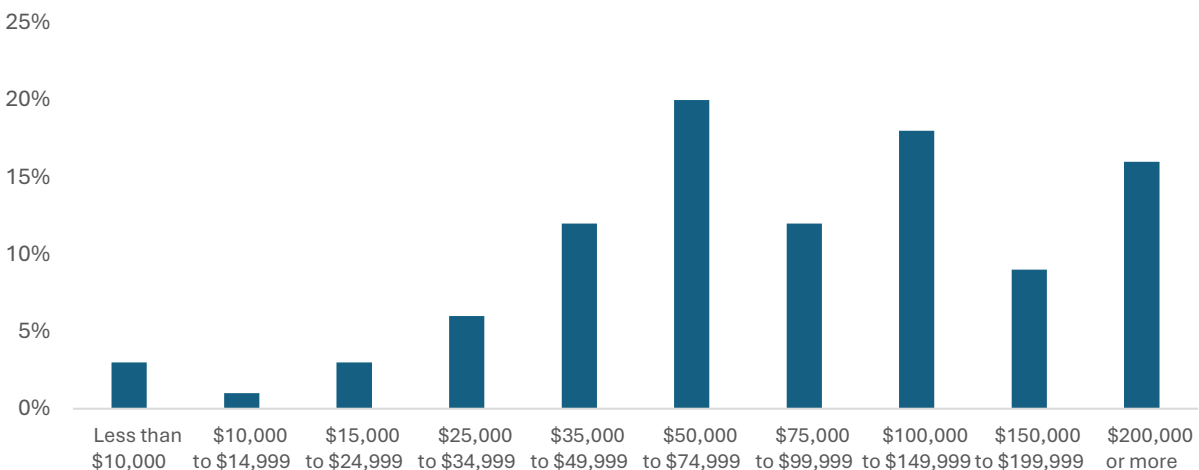
Table 1. Single and Multi-family Units Rent, Annual Income Need, and Percent Capable to Afford

	Average Monthly Cost (\$)	Annual Income Needed (\$)	% of Capable Households	% of Capable Occupations
Home Mortgage	\$ 4,700	\$ 200,000	16%	.001%
Single-family Units	\$ 2,500	\$ 100,000	43%	8%
Multi-family Units	\$ 1,800	\$ 72,000	55%	22%

Table 2. Household Median Income Per Person Size with Percent of Total Households

	Median Household Income	Percent of Bend Households
1-person households	\$ 44,784	29%
2-person households	\$ 96,680	37%
3-person households	\$ 95,110	16%
4-person households	\$ 130,653	18%

Figure 10. Percentage of Household Incomes



¹¹ Occupational Employment and Wage Statistics, Bend-Redmond MSA May 2023. United States Bureau of Labor Statistics; 2023 Household Income Inflation Adjusted, American Community Survey; CoStar.

Table 3. Market Impact and Area Median Income Percentages

	Market Rate Rent	30% AMI	40%	50%	60%	70%	80%	90%	100%	110%	120%
Studio	1776	97%	73%	58%	48%	42%	36%	32%	29%	26%	24%
1 Bedroom	1731	83%	62%	50%	41%	35%	31%	28%	25%	23%	21%
2 Bedroom	1818	77%	58%	46%	39%	33%	29%	26%	23%	21%	19%
3 Bedroom	1954	75%	56%	45%	37%	32%	28%	25%	22%	20%	19%

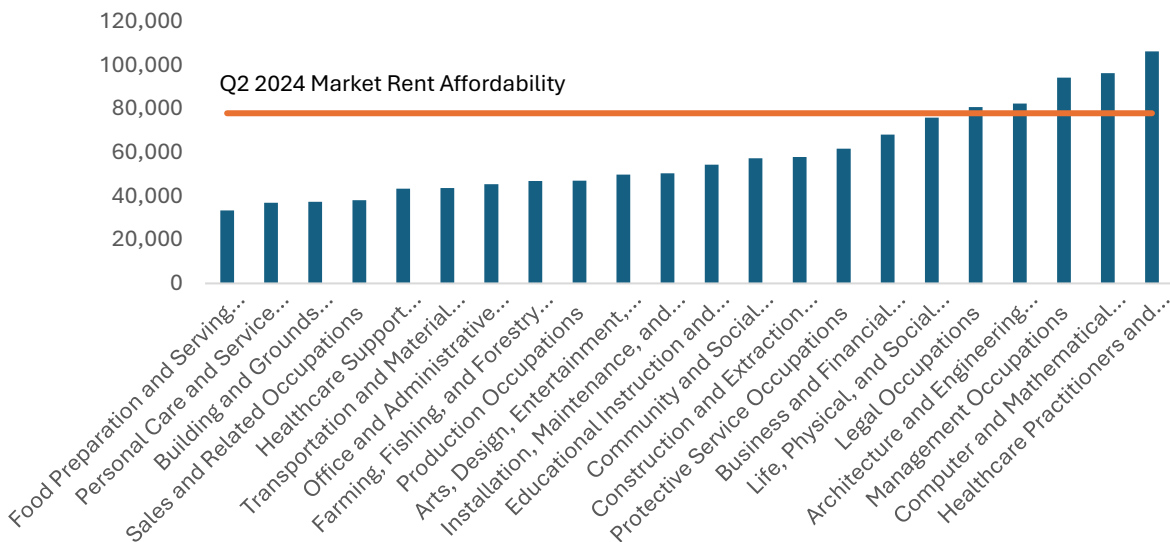
Extremely Cost Burden	75%<
Severely Cost Burden	50-74%
Moderate Cost Burden	35-49%
Slightly Cost Burden	30-35%

Summary of Table 3 indicates that the market is naturally meeting the multi-family housing cost needs of those who make over 100% area median income.

Affordability Impact¹²

Our largest occupations who live in renter-occupied dwellings are severely impacted financially and situationally. Those earning less than the local affordability level (90% AMI or below) are forced to adjust their living situations. In the figure below, food service, recreational, retail and daycare workers have the largest disparity between their respective affordability levels for rent and the current market rate rent.

Figure 11. Occupational Groups vs. Area Market Rate Affordability, Multifamily Rent

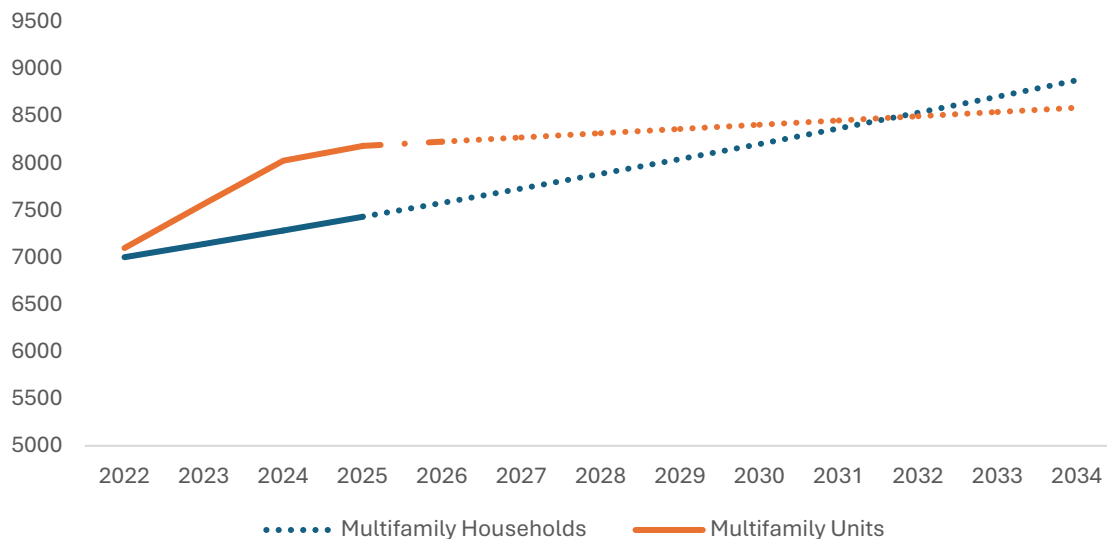


¹² Occupational Employment and Wage Statistics, Bend-Redmond MSA May 2023. United States Bureau of Labor Statistics; CoStar

Population Growth vs. Units Constructed¹³

Population projections anticipate multifamily households will increase 2% annual, equating to approximately 150 households per year¹⁴. With recent construction and no planned substantial developments past 2026, there will be inadequate housing stock for multifamily households by 2031. As more households locate to shrinking multifamily housing stock market, market rents increase to correlate with demand and supply.

Figure 12. Multifamily Unit Construction and Multifamily Household Growth Projection



Units Constructed with Vacancy Rate (Absorption)¹⁵

Since 2000, Bend has built over 5,000 multifamily units and averaged a 5% vacancy rate. Before consistent large-scale construction of multifamily units began in 2004, Bend averaged a 4.5% vacancy rate. Once substantial multifamily housing stock was added, the vacancy rate rose to 7%. Within less than a year, those units were absorbed (rented) and the vacancy rate returned to the historic average of 5%. This trend repeatedly continues when large amounts of multifamily housing stock are delivered. Since 2022, it has taken less than six months for newly constructed units to be absorbed. While the vacancy rate is currently 10%, this is a direct result of adding 927 units since 2023. It is projected that Bend will absorb these new units by Quarter 4 2025.

¹³ Costar; 2022 Population Research. Portland State University

¹⁴ Excluding sociodynamic changes (example: household separations.)

¹⁵ CoStar. Vacancy Rate vs. Absorption.

Figure 13. Vacancy Rate with Number of Multifamily Unit Construction

