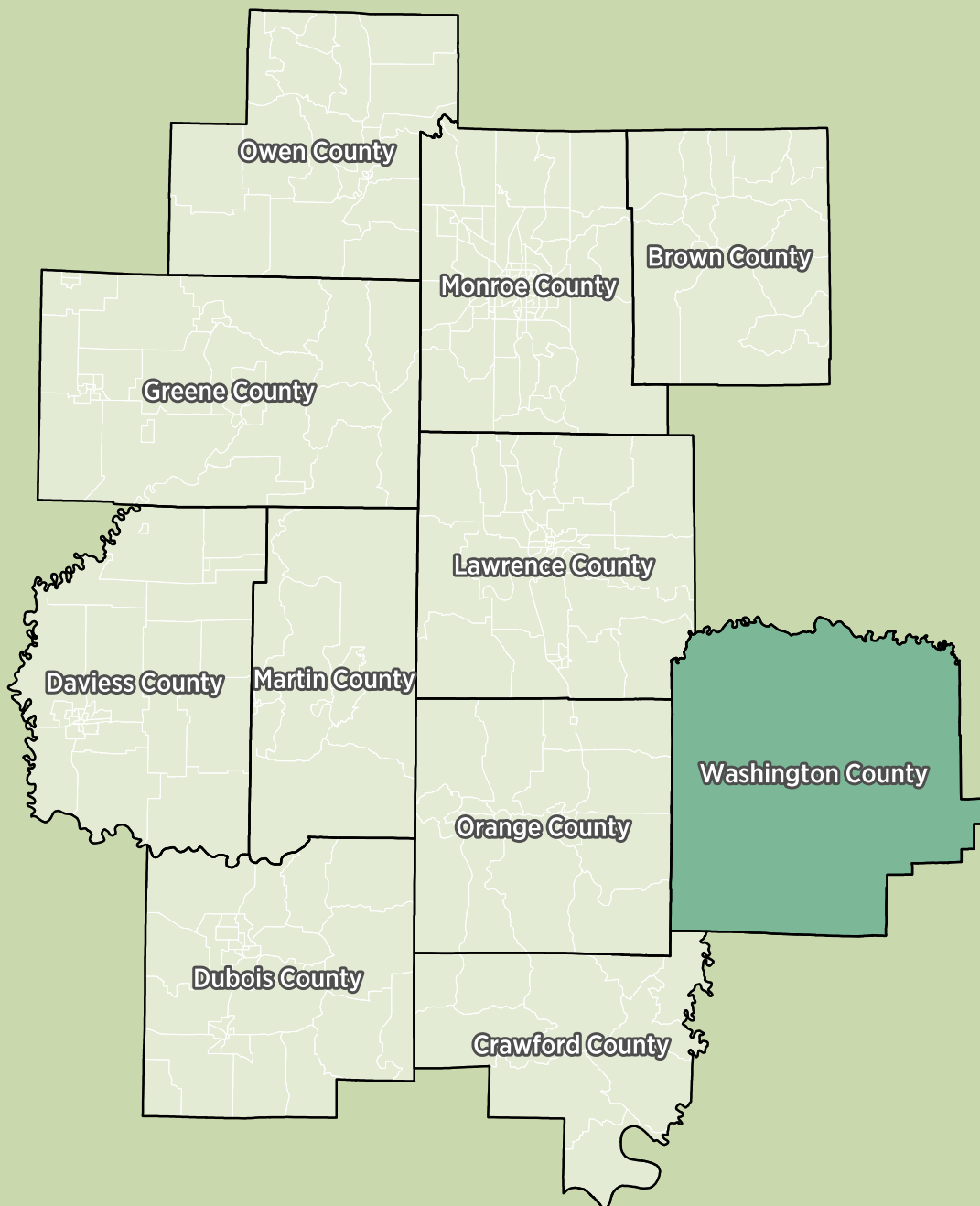


ADDENDUM 2.K

WASHINGTON COUNTY

This section provides an updated overview of the issues and opportunities related to housing within Washington County as of 2023. It builds upon the findings of the previous study and takes into account changes and developments that have occurred in the housing market since the last study was conducted in 2019.

To access details from the 2019 Regional Profile Section visit regionalsoportunityinc.org/housing.



Population Characteristics

Historic Trends. After decades of population gain, Washington County's population was stagnant in the 2010s.

- Including annual growth rates over 1% in the 1970s and 1990s, Washington County lost 80 residents.
- Fortunately, the loss was much less than was being estimated by the Census Bureau in 2019.

Predicted vs Actual. It would appear that the county experienced a small out-migration.

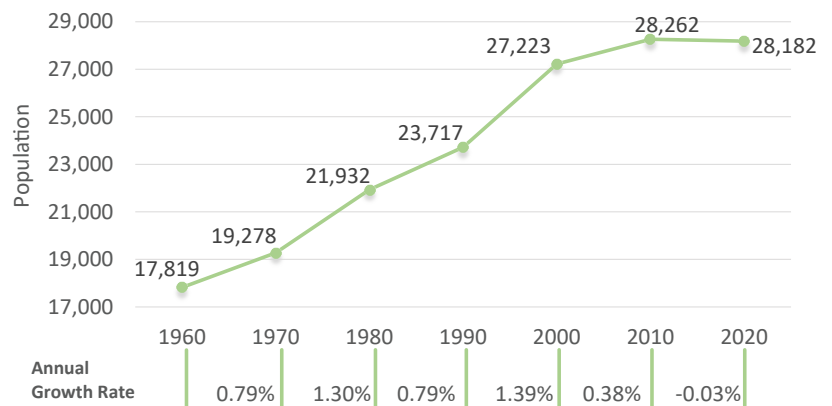
- Overall, Washington County had 191 fewer residents than would have been predicted.
- Out-migration of 15 to 24 year olds is expected as these age groups often leave home for further schooling.
- The out-migration of 25 to 34 year olds is more concerning as this may indicate a lack of housing or jobs that fit this demographic's stage of life.

Population Loss Can Reverse.

Although the county did not experience growth in the last decade, job opportunities in the region remain strong with the potential to support growth (see Figure K.3).

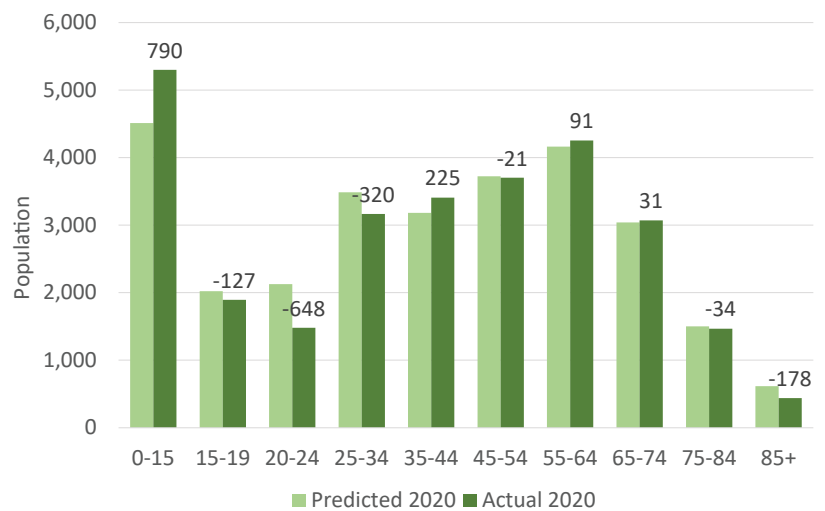
- If the county can grow at just over 0.5%, it will reach a population of over 30,700 by 2035.
- A 0.5% annual growth rate is the average for the past three decades, but lower than the growth rates experienced between 1960 and 2000.

FIGURE K.1: Historic Population Change



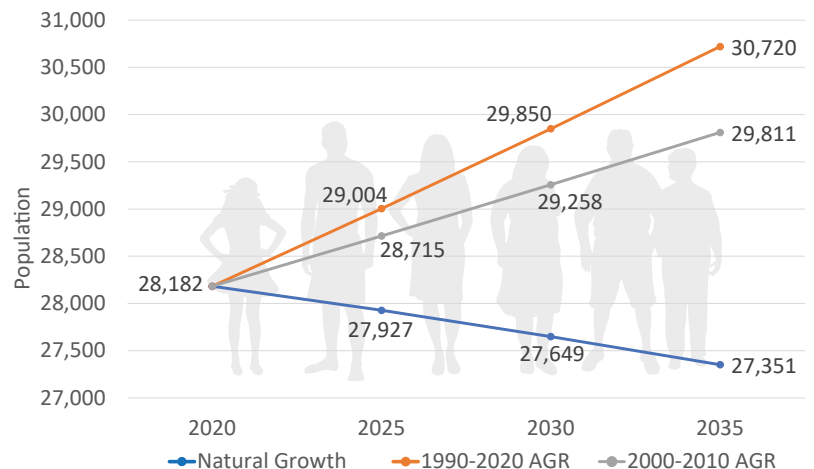
Source: 2020 US Census Bureau; RDG Planning & Design

FIGURE K.2: 2020 Predicted vs Actual Population



Source: 2020 US Census Bureau

FIGURE K.3: Future Growth Rate Scenarios



AGR - Average Growth Rate

Source: 2020 US Census Bureau; RDG Planning & Design

Economic Characteristics

Industry Breakdown. Figure K.4 illustrates the percent of people employed by industry regardless of location of their employment:

- More workers are employed in Transportation and Warehousing today than in 2019, making this industry one of the county's top five employers.
- Over 42% of residents are employed in Manufacturing, Educational Services, or Health Care. These jobs likely drive more moderate range housing that is below new construction costs unless households have equity built in existing homes.

FIGURE K.4: Employment By Industry

Manufacturing 3,139 24.20%	Educational Services, Health Care, Social Assistance 2,375 18.30%	Retail Trade 1,635 12.60%	Construction 1,287 9.90%	Transportation & Warehousing, Utilities 971 7.50%
Professional, Scientific, Management, Administration 656 5.10%	Other Services, Except Public Administration 630 4.90%	Entertainment, Recreation, Arts, Accommodation, Food Services 590 4.50%	Agriculture, Forestry, Fishing, Hunting, Mining 482 3.70%	Finance, Insurance, Real Estate, Rental & Leasing 463 3.60%
Public Administration 418 3.20%	Information 181 1.40%	Wholesale Trade 161 1.20%	Civilian employed population 16 years and over 12,988	

Source: 2021 American Community Survey (5-Year Estimates)

*Number represents the number of people employed within the industry, percentage represents share of all workers within the industry

Commuting Patterns. Figure K.5 illustrates commuting patterns of residents and employees of Washington County:

- There are slightly fewer workers commuting into the county for work compared to 2019 (1,550).
- The number of workers living and working in the county appears to have grown despite population loss. This may indicate that older adults are staying in the workforce longer.

FIGURE K.5: 2021 Commuting Patterns

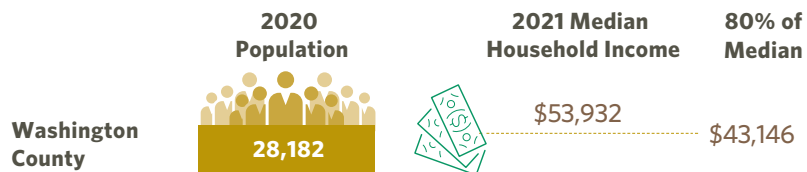


Source: 2021 STATS Indiana

Household Income. Figure K.6 provides an overview of the county's estimated household incomes.

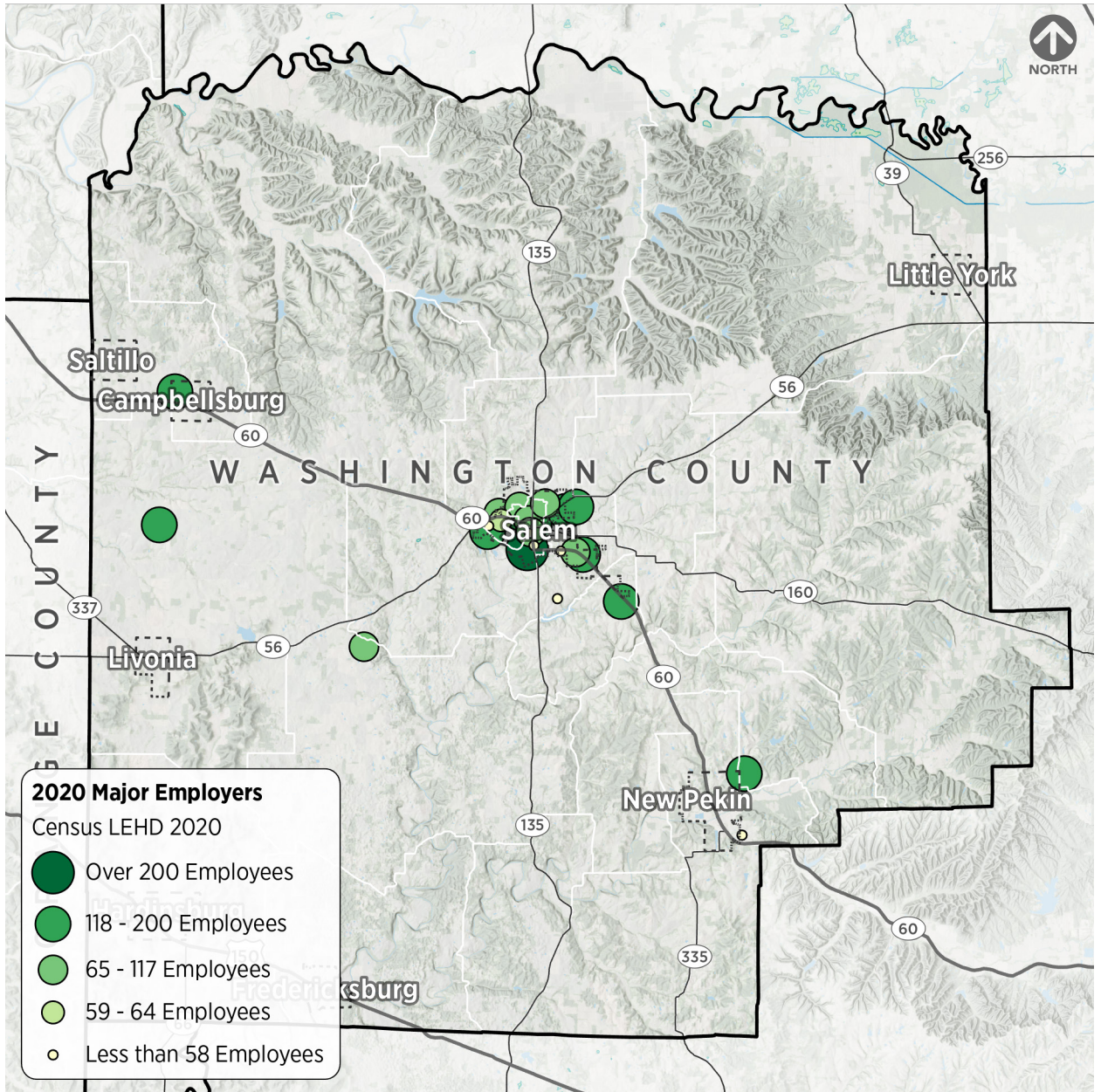
- Since the 2019 study, the county's median household income has grown by 15%.
- Between 2019 and 2022 the median sale price of homes in Washington County grew by 52% (See Figure K.10), far outpacing the 15% growth in income.

FIGURE K.6: Household Income



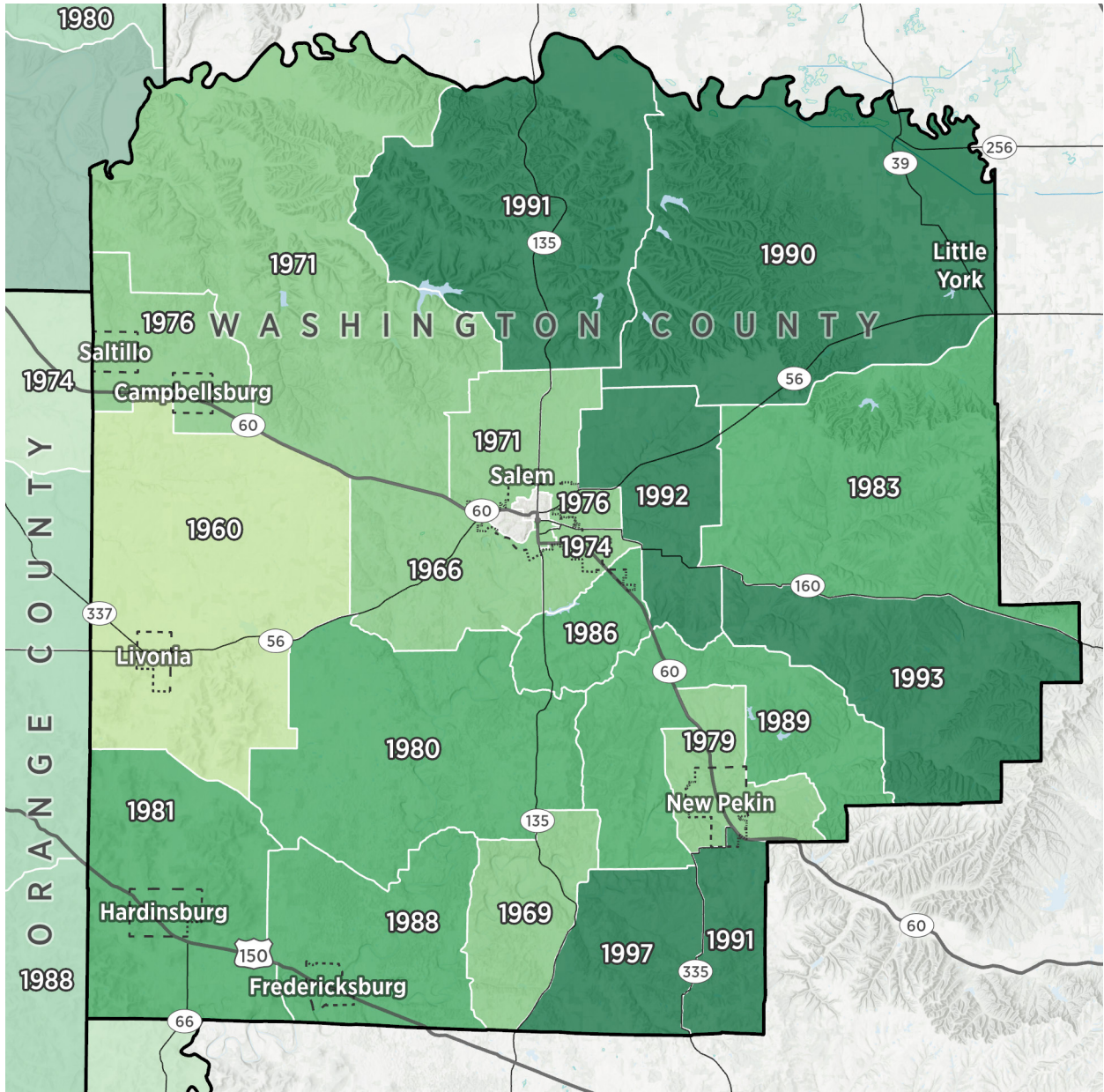
Source: 2021 American Community Survey (5-Year Estimates)

Map K.1: Employers by Size

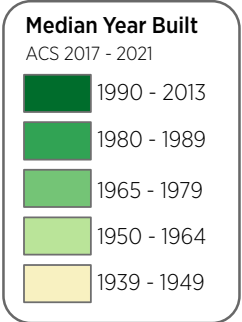


Source: 2020 Census Longitudinal Employer-Household Dynamics (LEHD)

Map K.2: Median Year Residential Structure Built



Source: 2021 American Community Survey (5-Year Estimates)



- The newest housing construction appears to have occurred in the county's more rural areas.

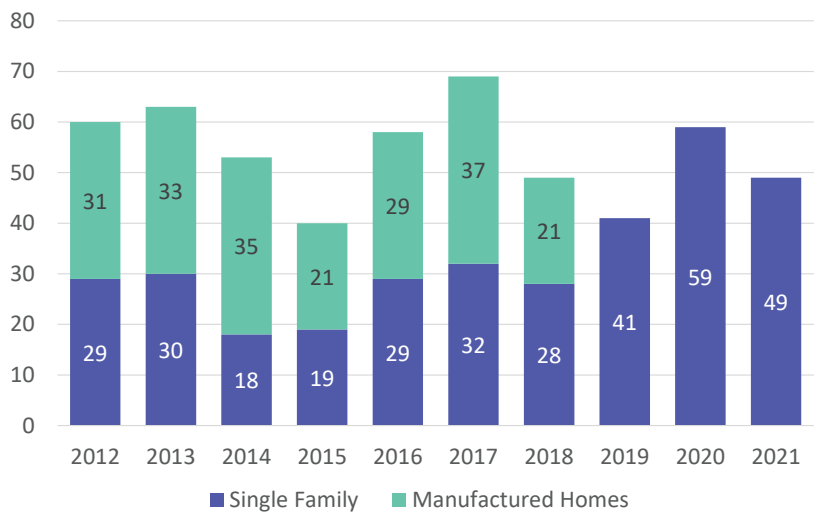
Housing Characteristics

Housing Age and Building History

History. Figure K.7 shows the construction activity in Washington County since 2012.

- During only three of the 10 years were there 60 or more units added to the market.
- Annual construction rates have been well below the estimated need of 87 units per year indicated in 2019.
- In many years, manufactured housing accounted for 50% or more of the new housing stock. These units can be a good source of affordable housing but more diversity is needed in the market.

FIGURE K.7: Residential Building Permit History



Source: Washington County Building Department

Housing Occupancy. Figure K.8 illustrates the change in housing occupancy since 2000 and Map K.3 illustrates average household size.

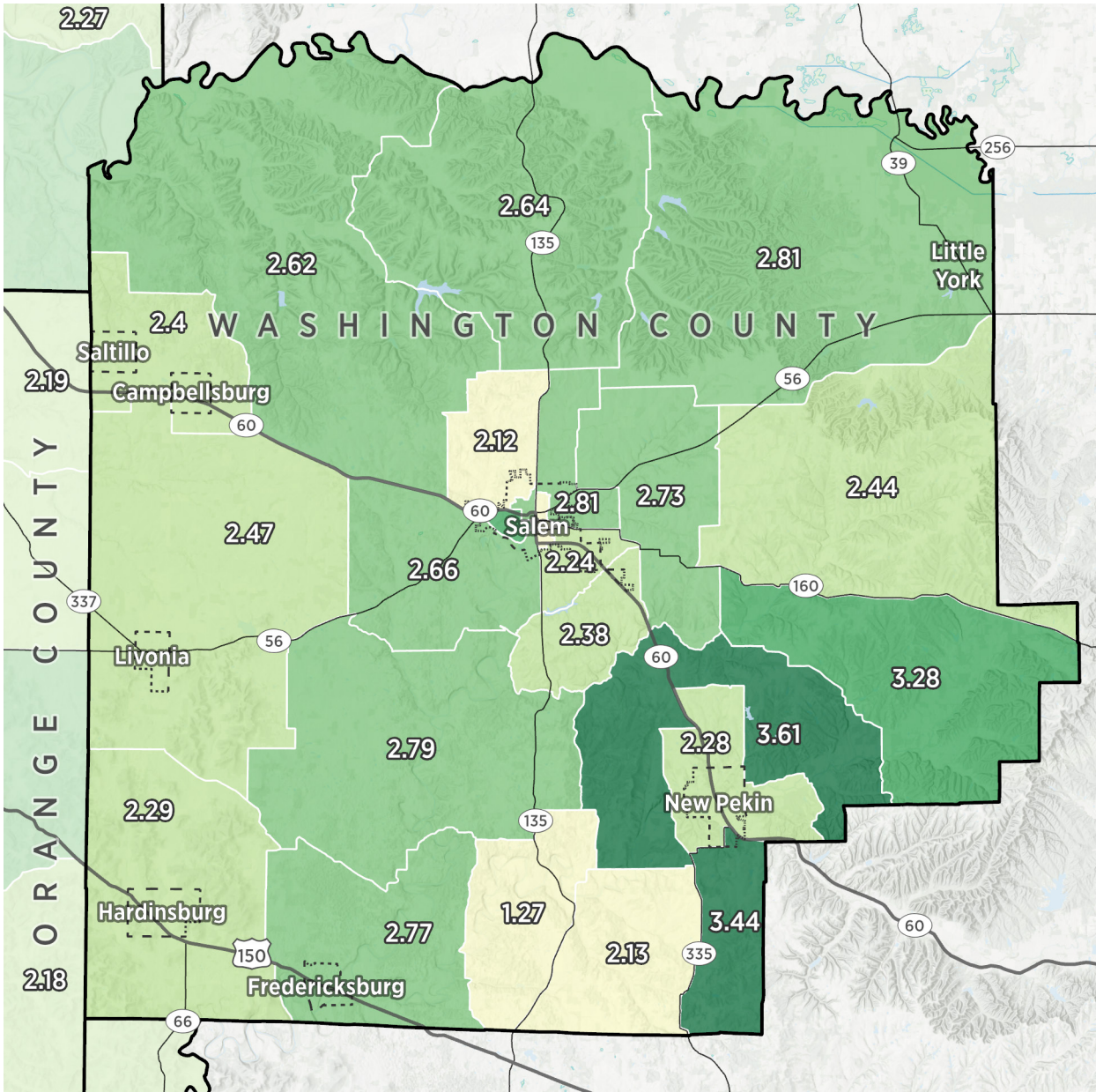
- An increase in the number of rental occupied units occurred in the 2000s.
 - » Since 2012, there have been no traditional rental housing constructed (Figure K.7).
 - » The lack of new rental housing likely makes it challenging for new residents to find housing and potentially leaves poor quality rentals on the market longer.
- A closer analysis of the vacancy rate should be completed to determine if viable units exist that could be brought to the market.

FIGURE K.8: Occupancy Status

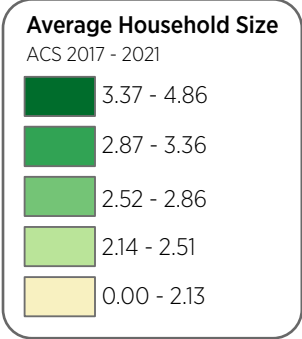
Occupancy	2000		2020		Change 2000-2020
	Number	% of Occupied Units	Number	% of Occupied Units	
Owner-Occupied	8,324	81.10%	8,708	78.90%	384
Renter-Occupied	1,940	18.90%	2,323	21.10%	383
Total Vacant	927		1,062		135
Vacancy rate	8.30%		8.80%		
Total Units	11,191		12,093		902

Source: US Census Bureau

Map K.3: People Per Household

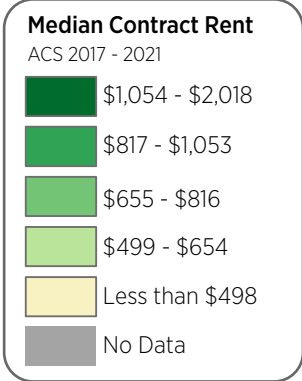
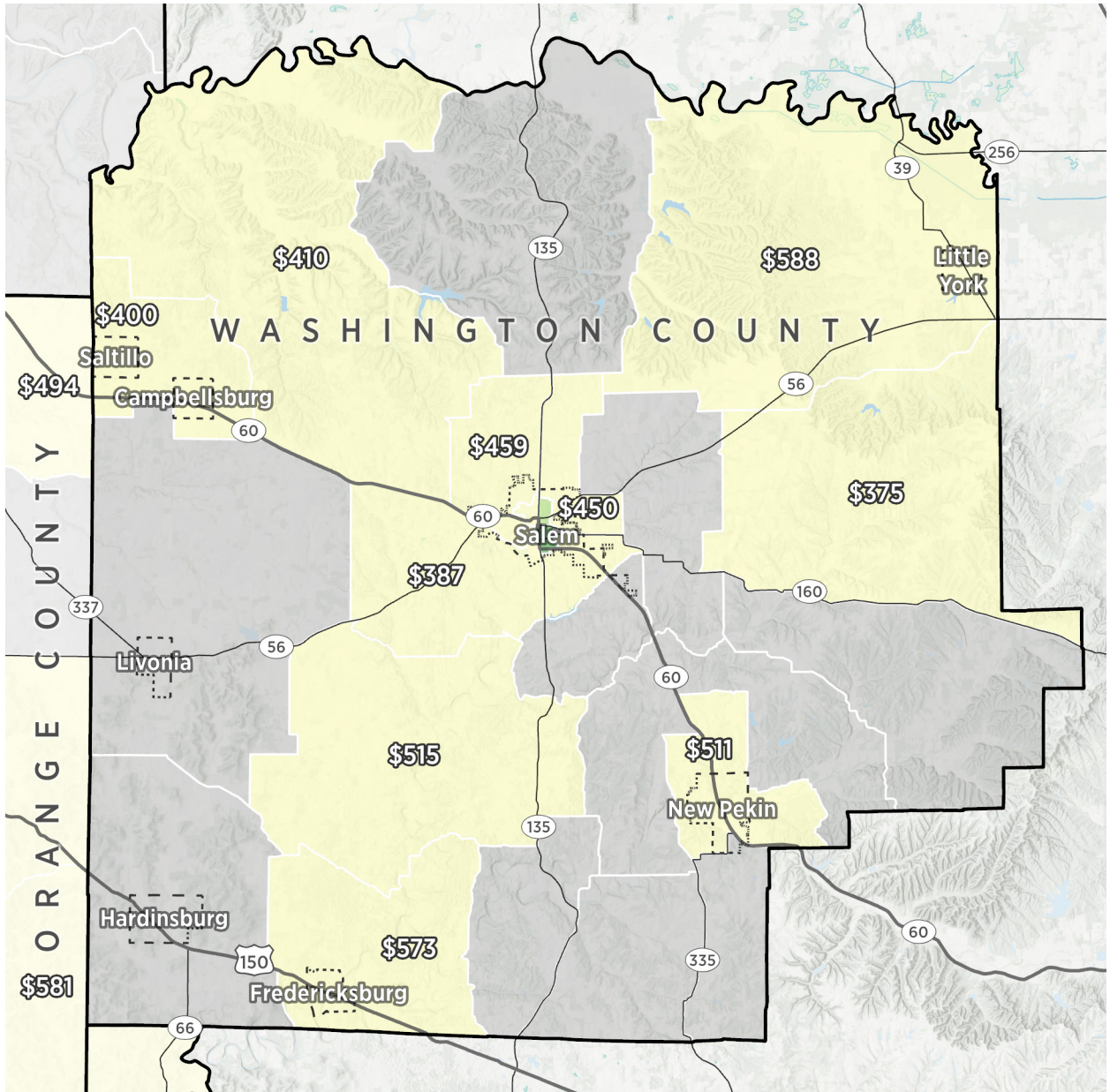


Source: 2021 American Community Survey (5-Year Estimates)



- Household size impacts the number of units needed to house a population. The larger the household size, the fewer the units needed and vice versa. The smaller the household size, the more units needed to support the same population.

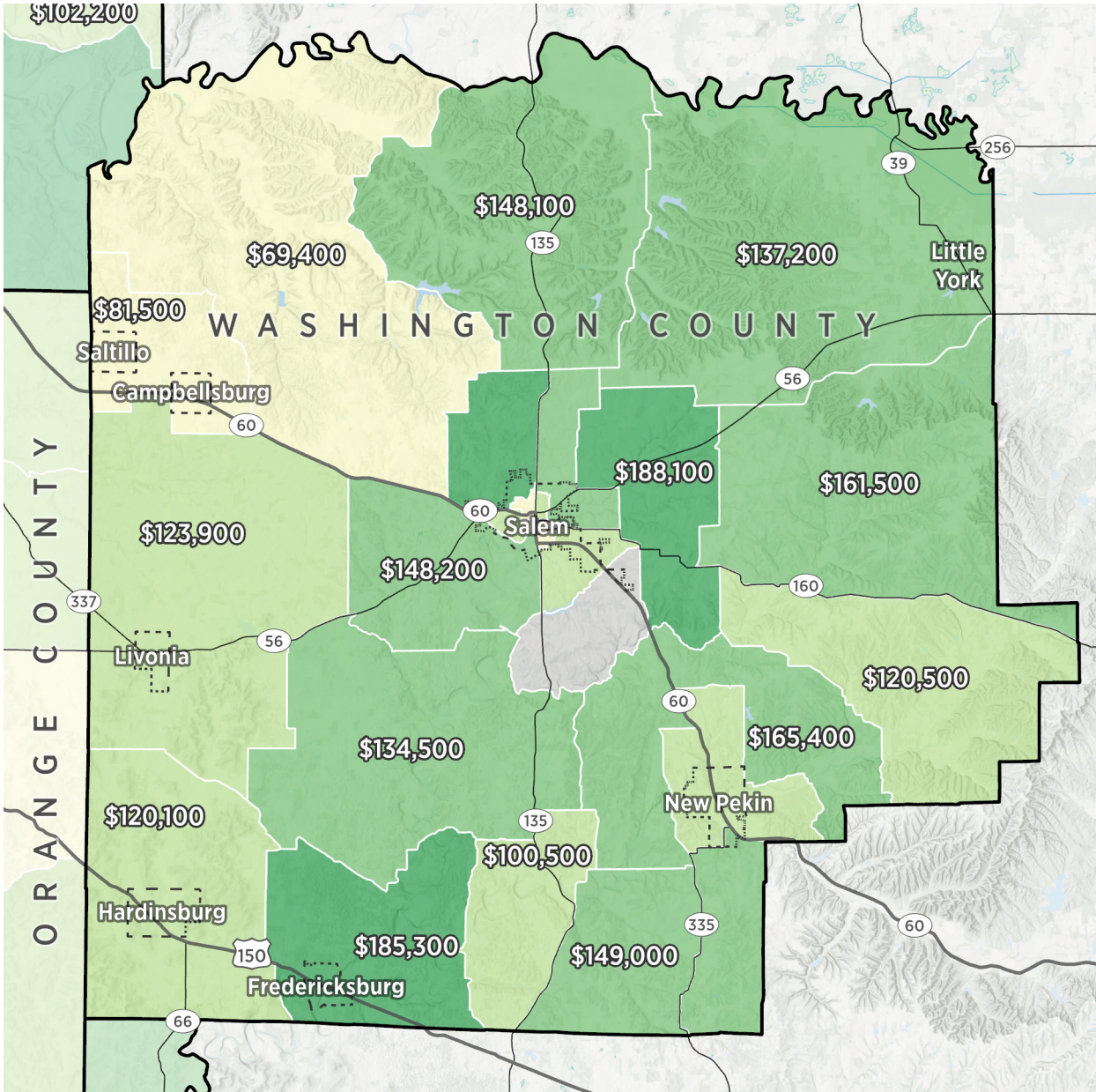
Map K.4: Median Contract Rent by Census Tract



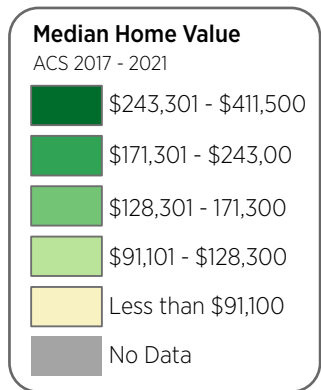
- "Contract Rent" is defined by the Census as monthly rent not including furnishings, utilities, or services.
- Small sample sizes result in no data for some areas and larger margins of error for rural areas.

Source: 2021 American Community Survey (5-Year Estimates)

Map K.5: Median Home Value by Census Tract

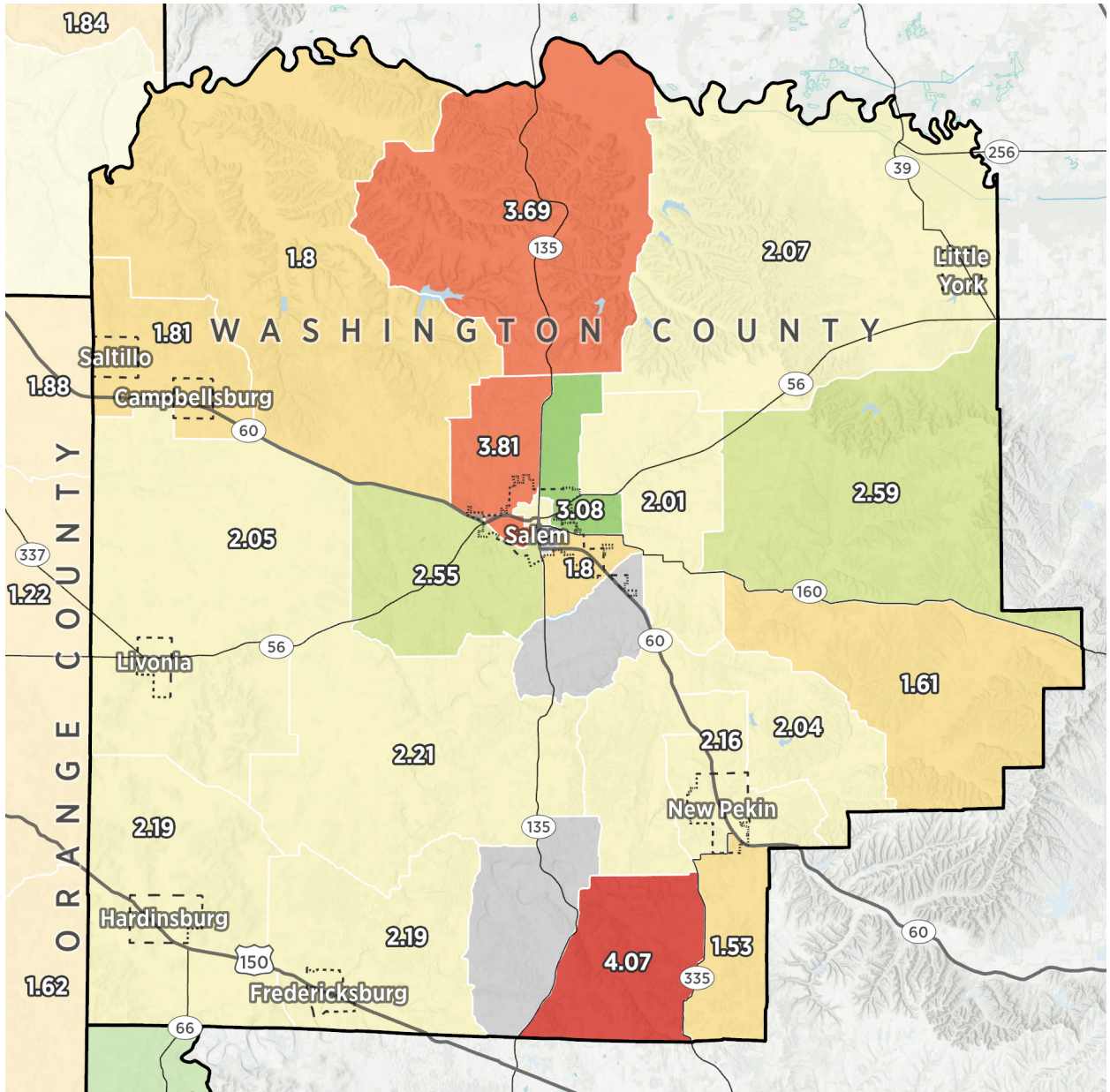


Source: 2021 American Community Survey (5-Year Estimates)

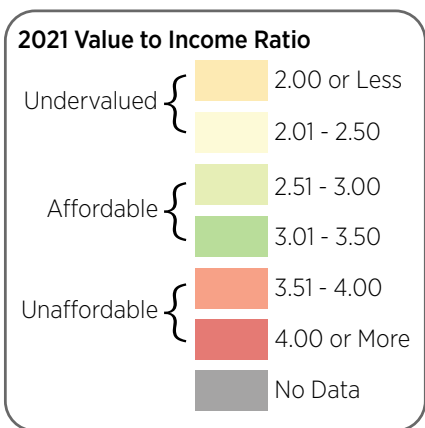


- Low valuations in some areas will make financing more challenging. This may mean that buyers or those looking to finance major renovations will need to provide more money down for traditional financing.

Map K.6: Value to Income Ratio



Source: 2021 American Community Survey (5-Year Estimates)



- An affordable, self-sustaining housing market, with adequate value or revenues to support market rate new construction, typically has a Value to Income ratio between 2.5 and 3.
- Ratios below 2.0 are significantly undervalued relative to income and make it difficult to support new construction costs.
- Ratios above 3.0 exhibit significant unaffordability issues.
- Higher margins of error for rural areas, where sample sizes are smaller may be impacting some of the rates over 3.0 as very few owners in Washington County appear to be cost burdened (see Figure K.9).

Costs and Incomes. Traditionally, households spending more than 30% of their income on housing are cost burdened.

- The percentage of cost burdened rental households has increased over the last several years but not to the extent seen in many locations in the region.
 - » Median contract rents remain very low but more renters appear to be cost burdened today than in 2019. These numbers also do not reflect the quality of the rental units, as the lack of construction would indicate a very old rental stock.
- Home values have increased at a faster rate than incomes.
 - » Despite increases in values, owners appear to have leveraged record low interest rates to lower the housing costs as fewer owner households are cost burdened.
 - » The value to income has increased slightly since 2019 and remains at a healthy level.

FIGURE K.9: Washington County Housing Affordability

Median Household Income	Median Contract Rent	% paying more than 30% in Gross Rent*	% paying more than 30% for Owner Costs**	Median House Value	Value / Income Ratio
\$53,932	\$438	45.71%	14.80%	\$131,400	2.44

*Gross rent includes utilities. **Owner costs include mortgage, mortgage interests, property taxes, and maintenance.
 Source: 2021 American Community Survey (5-Year Estimates)

Figure K.10 compares the number of households in an income range with the number of units that would be affordable to that household.

- A shortage of housing for those making over \$75,000 has grown since 2019.
- New rental housing will likely require rents over \$900 a month due to land and material costs, but there are very few of these options in the market. These units are important for professionals looking to rent when they first arrive to a community.
 - » The margin of error in any of this data likely has little impact on the overall trends illustrated in Figure K.10. The large number of homes below \$200,000 in value is not disproved by recently sales. The median sale price reached \$175,000 in 2022, reflecting fewer than 400 homes or 4.5% of the ownership market (Figures K.8 & K.11).

FIGURE K.10: Housing Affordability Analysis

Income Range	# HHs* in Each Range	Affordable Range for Owner Units	# of Owner Units	Affordable Range for Renter Units	# of Renter Units	Total Affordable Units	Balance
\$0-24,999	2,139	>\$60,000	1,022	\$0-499	1,239	2,261	122
\$25,000-49,999	2,878	\$60,000-124,999	3,095	\$500-999	736	3,831	953
\$50,000-74,999	1,947	\$125,000-199,999	2,378	\$1,000-1,499	44	2,422	475
\$75-99,999	1,349	\$200,000-249,999	957	\$1,500-1,999	0	957	-392
\$100-149,999	1,598	\$250,000-399,999	741	\$2,000-2,999	0	741	-857
\$150,000+	730	\$400,000+	429	\$3000+	0	429	-301

* HH = Households
 Source: 2021 American Community Survey (5-Year Estimates)

Home Sales. The largest jumps in median sale prices have correlated to drops in median days on market.

- When homes are selling faster demand is usually higher, driving up sale prices.
- Record low interest rates in 2020 and 2021 drove more people to buy but at the same time fewer houses were being listed or built.
- At only 11 days on the market, demand would appear to have remained high in 2022, likely indicating a continued housing shortage.

FIGURE K.11: Home Sales, Washington County

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% Change
Listings	381	499	448	470	448	401	390	371	287	326	385	
Median Days on Market	54	53	61	60	42	46	28	28	26	10	11	
Median List Price	90K	94K	95K	99K	100K	115K	125K	128K	140K	165K	190K	53%
Median Sale Price	59K	78K	80K	90K	95K	90K	120K	115K	130K	160K	175K	66%

Source: 2022 MLS;

Housing Demand Analysis. The housing demand model assumes that the job potential and investment opportunities for Washington County in 2019 have not changed and therefore the county can grow with the support of additional housing. Figure K.12 shows the factors determining the forecast:

- A growth rate similar to that experienced in the 2000s.
- A much lower vacancy rate than was being estimated in 2019.

In 2019, it was estimated that the county should be producing over 87 units annually. Building permit activity has only averaged 54 units annually since 2012 and many of those units were manufactured homes illustrating the lack of variety in the market.

- A building rate of over 60 units annually should include greater housing variety and would produce 10 more units annually than have been produced in the last three years.
- Additional units could be brought to the market by lowering the vacancy rate. If a large number of vacant units are not viable units, then more than 60 units annually may be needed.

FIGURE K.12: Housing Demand Summary

	2020	2023-2030	2030-2035	Total
Population at End of Period	28,182	29,258	29,811	
Household Population at End of Period	27,922	29,010	29,558	
Average People Per Household	2.61	2.61	2.61	
Household Demand at End of Period	10,698	11,115	11,325	
Projected Vacancy Rate	8.8%	8.8%	8.8%	
Unit Needs at End of Period	11,728	12,185	12,415	
Replacement Need (total lost units)		120	75	195
Cumulative Need During Period		480	305	785
Average Annual Construction		60	61	60

Source: 2021 American Community Survey (5-Year Estimates); RDG Planning & Design

Housing Development Program. Figure K.13 distributes the forecasted demand by price point based on the 2020 distribution of household incomes in Washington County. The following assumptions create the program:

- Over the next several years, greater production of options should focus on pent-up demand and the need to offer more affordable variety beyond traditional single-family detached dwellings.
- Based on current proportion of household income, an additional 307 units priced below \$250,000 will be needed. These will be generated in four potential ways:
 - » Production of ownership options that are not the traditional single-family detached, but include duplexes, townhomes, or other medium and higher density configurations that reduce per unit costs.
 - » Funding assistance that will offset lot development costs and smaller square footage homes.
 - » Rehabilitation of existing housing units, potentially through the conversion of single-family homes from owner to renter occupancy.
 - » Construction of higher priced units that allow existing households to make the next step up.
- The 93 units needed with rents below \$500 a month will likely require programs that assist with construction of units specifically targeted to lower income and elderly households.
 - » Like ownership demand, many of the below market rate units exist in the county’s older rental housing stock.
 - » Nearly 40% of the demand can be absorbed by market rate rental housing and this percentage could be higher with higher income households “moving up” to rentals that better meet their needs or expectations.

FIGURE K.13: Housing Development Program

Total Owner-Occupied	2023-2030	2030-2035	Total
Affordable Low: <\$125k	81	62	143
Affordable Moderate: \$125-\$200k	55	42	97
Moderate Market: \$200-\$250k	38	29	67
Market: \$250-350k	45	34	79
High Market: Over \$350k	21	16	37
	} 240	} 183	} 423
Total Renter-Occupied	2023-2030	2030-2035	Total
Low: Less than \$500	62	31	93
Affordable: \$500-\$1,000	83	42	125
Market: \$1,000-\$1,500	56	29	85
High Market: \$1,500+	39	20	59
	} 240	} 122	} 362
Total Need	480	305	785

Source: RDG Planning & Design

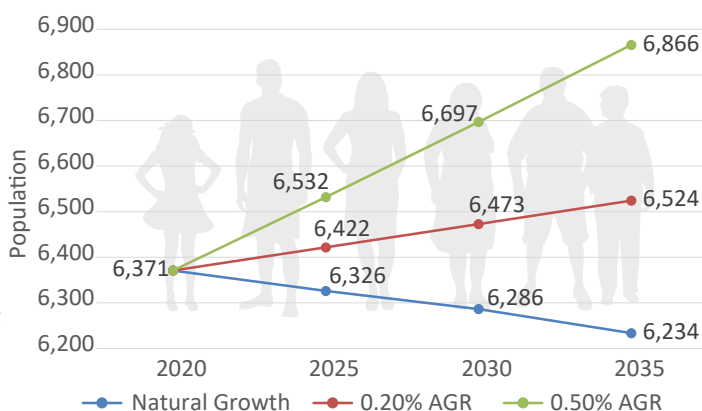
Community Profile: Salem

Salem is the largest community in Washington County and a regional commercial center for the county's larger agricultural economy. Most of the county's larger employers are located in and around Salem, including the regional health system.

Overview

- Salem experienced steady population growth between 1960 and 2010. Census estimates in 2019 were indication population loss, but the city's official count in 2020 indicated a small amount of growth since 2010.
- Figure K.14 illustrates two growth scenarios, both based on historic trends. Between 1960 and 2020 the city grew by approximately 0.5% annually and nearly 0.2% between 2000 and 2020.
- Affordability is often measured by comparing housing values to income with ratios between 2 and 3 considered healthy and self-sustaining. Salem's ratio of 2.49 is a slight increase since 2019 but housing generally remains very affordable.
- Rents have increased very little, reflecting an older rental stock.

FIGURE K.14: Projected Growth, Salem



AGR - Average Growth Rate

Source: 2020 US Census Bureau; RDG Planning & Design

Housing Demand Analysis

- The housing demand model (Figure K.15) is based on 0.5% annual growth rate, stable 2.45 people per household, a declining vacancy, and conversion or demolition of approximately four units annually. More units could potentially leave the market if the city and owners take more aggressive action to remove dilapidated structures and reduce the vacancy rate.
- By 2035, Salem will need to add at least 245 units to support a population of over 6,800. This may be a conservative portion of the county's overall needs. This is the same rate as that projected in 2019. Salem is well situated to attract much of the county demand and may support more growth, potentially replacing the large number of deteriorated homes in the county.

FIGURE K.15: Housing Demand Summary, Salem

	2020	2023-2030	2030-2035	Total
Population at End of Period	6,371	6,697	6,866	
Household Population at End of Period	6,186	6,502	6,667	
Average People Per Household	2.45	2.45	2.45	
Household Demand at End of Period	2,525	2,654	2,721	
Projected Vacancy Rate	9.1%	7.9%	7.2%	
Unit Needs at End of Period	2,778	2,882	2,931	
Replacement Need (total lost units)		32	20	52
Cumulative Need During Period		176	69	245
Average Annual Construction		13	14	13

Source: 2021 American Community Survey (5-Year Estimates); RDG Planning & Design

Housing Gaps

To better understand the gaps in housing, a comparison between household incomes and appropriately priced units can be made. Figure K.16 compares the number of households in an income range with the number of units that would be affordable to that household (the Balance).

- Salem continues to have an abundance of housing for households making between \$25,000 and \$50,000, but a significant shortage of housing for those making less than and above that range.
- The city's biggest shortages appear to be in ranges that can support new construction.

FIGURE K.16: 2017 Estimated Housing Affordability Analysis, Salem

Income Range	# HHs* in Each Range	Affordable Range for Owner Units	# of Owner Units	Affordable Range for Renter Units	# of Renter Units	Total Affordable Units	Balance
\$0-24,999	766	>\$60,000	309	\$0-499	450	759	-7
\$25,000-49,999	625	\$60,000-124,999	856	\$500-999	282	1,138	513
\$50,000-74,999	441	\$125,000-199,999	410	\$1,000-1,499	0	410	-31
\$75-99,999	273	\$200,000-249,999	86	\$1,500-1,999	0	86	-187
\$100-149,999	317	\$250,000-399,999	82	\$2,000-2,999	0	82	-235
\$150,000+	63	\$400,000+	10	\$3000+	0	10	-53

* HH = Households

Source: 2021 American Community Survey (5-Year Estimates)

Housing Development Program

Building on the housing demand model, the development program forecasts production targets based on a 50/50 split between owner- and renter-occupied. New rental construction has been lacking over the past decade and incomes appear to support higher rental rates.

- Like the county, lower price point units will likely be generated through the construction of move-up housing, housing rehabilitation, or production of smaller and denser units.

FIGURE K.17: Housing Development Program, Salem

Total Owner-Occupied	2023-2030	2030-2035	Total
Affordable Low: <\$125k	32	13	45
Affordable Moderate: \$125-\$200k	23	9	32
Moderate Market: \$200-\$250k	14	5	19
Market: \$250-350k	16	6	22
High Market: Over \$350k	3	2	5
	88	35	123
Total Renter-Occupied	2023-2030	2030-2035	Total
Low: Less than \$500	32	13	45
Affordable: \$500-\$1,000	26	10	36
Market: \$1,000-\$1,500	18	7	25
High Market: \$1,500+	12	5	17
	88	35	123
Total Need	176	69	245

Source: RDG Planning & Design