San Juan County
Community Development & Planning

135 Rhone Street P.O. Box 947 Friday Harbor, WA 98250
(360) 378-2354 (360) 378-2116 Fax (360) 378-3922
www.sanjuanco.com

Housing Needs Assessment
San Juan County
2008-2025

Executive Summary:

- There are a number of different methods of identifying the total number units necessary to meet future housing needs. None of these methods are fool proof, nor will they produce projections that are irrefutable or even beyond reasonable debate. They are based on a variety of premises any or all of which may be disputed. The projections, however, do represent a reasoned best estimate upon which governmental policy may be based. In the case of San Juan County, the projection of housing needs is further complicated by the existence of a large number of second homes and the prospective shortage of working age people to fill the potential positions.

- By 2025, the minimum of an additional 2,067 housing units will need to be constructed to house the projected population increase. Of these units, approximately 1,095 must be affordable to households earning $100,000 or less (1 ½ x median household income).

- Even if the minimum 2,067 housing units are built, by 2025, an additional 3,000+ workers will need to be brought to the islands daily to meet the projected labor shortfall.

- By 2025, the projected population will not contain enough working age people to fill the expected jobs in the county. In order to reverse this trend, a further 1,594 housing units will need to be built.

- To house the entire projected workforce in 2025, 2,689 affordable housing units will be need to be built.

- Median income earners in the county cannot afford to buy a house in the county.

- In order to purchase a median priced house in the county, a family, would need to be earning almost 2 ½ x the median family income, approximately $150,000, and possess a further $100,000 for a down payment.

- Wages in San Juan County are approximately 30% lower than they are on the mainland.

- Housing in San Juan County is the least affordable in the state.

- Working families which do not have access to affordable housing provided by non-profits are consistently cost burdened.

- It is expected that the 2010 Census will show a decline in the overall numbers of very low, low and moderate income earners in the county.

Introduction:

RCW 36.70A.070 (2) details the mandatory requirements of the Comprehensive Plan Housing Element. This regulation states that in order to be compliant the Housing Element:

> (a) Includes an inventory and analysis of existing and projected housing needs that identifies the number of housing units necessary to manage projected growth; (b) includes a statement of goals, policies, objectives, and mandatory provisions for the preservation, improvement, and development of housing, including single-family residences; (c) identifies sufficient land for housing, including, but not limited to, government assisted housing, housing for low-income families, manufactured housing, multifamily housing and group homes and foster care facilities; and (d) makes adequate provisions for existing and projected needs of all economic segments of the community.

In addition to the requirements of the GMA above, WAC 365-195-310 details very similar requirements for a compliant comprehensive plan element.

WAC 365-195-310 states that the County's housing element must contain:

1. Requirements. This element shall contain at least the following features:

    a. An inventory and analysis of existing and projected housing needs.

    b. A statement of the goals, policies, and objectives for the preservation, improvement, and development of housing.

    c. Identification of sufficient land for housing, including, but not limited to, government assisted housing, housing for low income families, manufactured housing, multifamily housing, and group homes and care facilities.

The remainder of the WAC text is made up of recommendations for meeting the requirements listed above.

In order to determine the range of housing needs facing county residents currently and in the future, at the most basic level it's vital to determine the extent of the potential demand for housing for all economic sectors. The primary elements of the housing needs equation are; Land Availability, Affordability and Population Projections.

The current population of the county in 2008 is approximately 16,100 people, 7,454 households, and will reach 22,513[1] people by 2025, an increase of about 40%, 6,413 people, or 2,969 households. Who they may, how they will be accommodated and whether or not the needs assessment is really as straightforward as the above numbers suggest.

Each of the three elements above can be further refined into increasingly precise subsections of the broader element. For example, a price for housing that's affordable for a millionaire is quite different from what is affordable for a physics teacher at the local high school, (unless, of course, the high school teacher is also a millionaire).

Land Availability:

The county currently includes two non-municipal Urban Growth Areas (UGA's) and one municipal UGA, Eastsound, Lopez Village and Friday Harbor, respectively. Only the Friday Harbor UGA is currently compliant with the GMA. Subject to compliance, Eastsound and Lopez Village UGA's contain sufficient land to meet 50% of the respective islands projected population growth to 2020. The Friday Harbor UGA is currently being revised to meet the projected 50% population increase of San Juan Island. It is expected that the Eastsound and Lopez Village UGA's will be found compliant in the near future and subsequent to that finding increased development activity in these areas will occur. These UGA's allow dense development within the expressed aesthetic preferences of the respective communities, provide space for a variety of housing types, and the zoning actively encourages the development of affordable housing units through density bonuses. Over the planning horizon, it is expected that these UGA's will become both larger and more densely populated.

The Rural Residential and Rural Farm Forest zones have historically provided the space for the majority of the new homes in the county. Current analysis suggests that, providing there are subdivisions of remaining large lots within the different land use and density districts, there will be sufficient land within these zones to meet at least 1/3rd of the total demand for housing or over ½ of the demand for housing for non working families.

[1] Since the County's adoption of the population projection in 2005, the OFM has revised the 2025 total downwards slightly from 22,534 to 22,513.

While it appears that at the most basic level, there's more than enough land in the county to meet the potential long term demand for housing, such a statement must be qualified with a consideration of the provision of housing affordable to members of the community earning something in the vicinity of the area median income, or, as is commonly the case for those working in the county, something considerably lower.

The build out analysis adopted by the county in Ordinance 15-2005 notes that within all the current zoning and density patterns, the residential land capacity of the county is approximately 20,449 units.[2] Of which, just over half have been built, therefore there is space in the county for another 8,935 units.

Breakdown By Island:

In 2005, San Juan County updated its population projections in Ordinance 15-2005. These projections will be used as a base from which to develop further, more refined numbers. Table 5-1 provides an overview of the relationships between overall population increase, percentage increase by island and the resulting need for housing units. The procedure used below entailed dividing the total population growth attributed to the islands by the average household size of the county. It must be stressed that ultimately there is no, single, right answer, merely a range of probabilities.

Table 5-1[3]

Island	2005 Population	% Population By Island	2025 Population By Island	Pop Growth by Island	Total# New Housing Units[4]	Housing units UGA
San Juan	5,214	30.6%	6,885	1,671	774	
Friday Harbor	2,150	17%	3,821	1,671	774	774
Sub Total				3,342	1,548	
Orcas	4,894	31.6%	7,115	2,221	1,028	514
Lopez	2,396	15.5%	3,483	1,087	503	252
Shaw	245	1.6%	356	111	56	
Total ferry served	14,899	96.1%	21,660	6,761	3,130	

[2] Table 29, San Juan County Comprehensive Plan, Appendix 1, Population Projections, Buildout Analysis and Land Use Inventory, November 29, 2005. P. 34.
[3] Table 8, San Juan County Comprehensive Plan, Appendix 1, Population Projections, Buildout Analysis and Land Use Inventory, November 29, 2005. P.7.
[4] Total # of Units divided by 2.16 (San Juan County Average Household).

island						
Total Non Ferry Served	601	3.9%	874	273	126	
Total	15,500	100%	22,534	7,034	3,261	1,540

Using both the above figures and following the 2008 update of the population projections from the Office of Financial management it's possible to extrapolate the increased population per island slightly differently, to account for the population growth in the intervening 3 years.

The projections in these tables are based on the following premises:

1. That the population distribution among the different islands remains the same over the planning period.

2. That the OFM population projection is correct.

3. That the average household size will not change significantly.

4. That the number of units necessary to house the projected population is equal to population growth divided by average household size (2.16).

5. That the different economic sectors retain the same percentages of total population as in the 2000 Census.

6. That the number of second homes in the county will increase at the same rate as the population does (40%) over the planning period.

7. That the regulatory status quo prevails and no specific action is taken to either restrict or increase the numbers of units available.

8. That the UGAs of Eastsound, Lopez Village and Friday Harbor will house 50% of the projected population growth for San Juan, Lopez and Orcas Islands.

Table 5-2

Island	2008 Population	% Population By Island	2025 Population By Island	Pop Growth by Island	Total# New Housing Units[5]	Housing units UGA[6]
San Juan	5,232	32.5% 2008 - 30.5%- 2025	6,866	1,634	703	
Friday Harbor	2,425	14% 2008- 17% 2025	3,827	1,402	703	703
Sub Total	7,657		10,693	3,036	1,406	
Orcas	5,073	31.5%	7,091	2,018	934	467
Lopez	2,495	15.5%	3,489	994	460	230
Shaw	257	1.6%	360	103	48	
Total ferry served island	15,368	96.1%	21,633	6,151	2,848	
Total Non Ferry Served	631	3.9%	878	247	126	
Total	16,100	100%	22,513	6,413	2,969	1400

The total of number of units necessary to house the projected population growth can be further refined by considering the potential that a percentage of the housing units in the county currently considered second homes will become primary residences as their owners retire from jobs elsewhere and move to county on a full time basis and the consideration that, at any given time, there's a number of units that are in transition, either between tenants, or being transferred between owners. In the Census 2000 this transition rate is 9%.

In table 5-2 it is shown that the total population increase will require approximately 2,969 housing units.

Table 5-3 further refines this number by incorporating a calculation that at any given time approximately 9% of the county's existing housing stock is in

[5] Total # of Units = new population divided by 2.16 (San Juan County Average Household).
[6] 50% of population growth attributed to Eastsound, Lopez Village and Friday Harbor divided by 2.16

transition, either on sale or for rent, unoccupied awaiting new tenants or occupied getting ready to move out or in the process of becoming a primary residence rather than a second home.

This refinement then reveals the total number of units, both altogether and by island, 2,067, that will need to be constructed to house the projected population[7].

Table 5-3

Island	Existing units 2008[8]	2nd Homes 2008	Population 2025[9]	Housing Units 2025 Demand[10]	2nd Homes 2025[11]	Units in transition[12]	Net Units Needed[13]
San Juan	2,657	1,085	6,866	3,719	1,519	334	3,385
Friday Harbor	1,227	500	3,827	1,717	700	63	1,654
Orcas	2,576	1,051	7,091	3,606	14,71	324	3,282
Lopez	1,267	517	3,489	1,773	723	159	1,614
Shaw	131	53	360	183	74	16	167
Ferry Served Subtotal	7,858	3,206	21,633	10,998	4,487	896	10,102
Non Ferry Served	319	130	878	446	182	40	142
Total	8,177	3,336	22,513	11,444	4,669	936	10,244
		11,513					
Total Units Needed							2067

Affordability:

"In San Juan County you either have 3 houses or 3 jobs," is an often repeated aphorism, which while not strictly true, does highlight the central shift in the structure of life in the County over the last 15 years. As recently as 2000, a person or family earning close to the area median income could afford to buy a house in the County.

[7] If the units required by the total population increase, 2,969, are reduced by 9% of the projected housing stock demand, 1029, the sum is 1,940. The difference between this and 2,067is approximately 6%.
[8] Total # of units minus 29% for 2nd homes then divided proportionally by island population percentages.
[9] Population extrapolation based on 2005 distribution.
[10] Existing units raised by 40%
[11] Total # of Second Homes 2025 derived from raising the 2008 number by 40%
[12] 9% per Census 2000 of each island's housing demand. There is some discrepancy derived from rounding the numbers up or down.
[13] 2025 Demand minus units in transition.

The essential point is that the differential between housing cost and household income is the nexus of the affordability issue. Determining the divergence between the cost and income brings into consideration both the structure of the local economy and the demographic profile of the County.

While the nature of any county's economy is the result of a complex interplay of local, state, national and international factors, it's clear that the local economy is marked by some significant contrasts such as the high per capita income level and relatively low wages, the high levels of income derived from transfer payments such as rents and dividends and the relative inelasticity in the rental market. In addition, it's clear that the local economy currently unable to generate enough jobs that offer sufficient pay to allow for the majority of the people currently renting living space to transition into home ownership.

As will be shown below, the county's current economy is dominated by the relatively low paying service sector activities that are common within resort destinations.

The County's Economic Structure:

The best and most complete data available for considering the diversity of the economy and levels of income is available from the Washington Office of Employment Security.[14] While much of this information is pertinent, the reader must recognize its limitations. The table below, for example, only includes non-farm jobs that are covered by unemployment insurance and does not consider the self employed people, of which there are a substantial number in the county. The most recent statistics compiled by the OFM are less detailed than those of 2006, however, the implications of Table 5-4 are amplified in Table 5-5.

[14] Taken from the Office of Financial Management, San Juan County Profile, 2006, http://www.workforceexplorer.com/cgi/mywi/?PAGEID=mywi.

Table 5-4

Nonagricultural Wage and Salary Employment in
San Juan County
Not Seasonally Adjusted/*Updated with ***QCEW Data: March 2008

**NAICS Industry Title	Prelim Aug-08	Revised Jul-08	Revised Aug-07	Change Jul-08 Aug-08	Change Aug-07 Aug-08
Total Nonfarm[15]	6,810	6,830	6,830	-20	-20
Total Private	5,800	5,740	5,840	60	-40
Goods Producing	1,260	1,270	1,230	-10	30
Natural Resources, Mining, and Construction	1,020	1,010	980	10	40
Manufacturing	250	250	250	0	0
Services Providing	5,550	5,560	5,600	-10	-50
Trade, Transportation, and Utilities	1,110	1,090	1,100	20	10
Information and Financial Activities	320	320	310	0	10
Government	1,010	1,090	990	-80	20
Workers in Labor/Management Disputes	0	0	0	0	0

As can be seen from the table above, the economy of the county is dominated by the service sector, a sector that makes up 81.5% of the county's covered jobs and local government is the county's largest single employer.

Table 5-5 below provides a detailed breakdown of the economic activity in the county and the wages paid by the respective industries. The table is extensive, however, Table 5-6 provides a more concise version.

Table 5-5[16]

Average Annual Wage by Industry
San Juan County
2006

NAICS Code		Industry	Average Annual Wage
		Total	$27,563
11		Agriculture, forestry, fishing and hunting	$30,198
	111	Crop production	$24,508
	112	Animal production	*
	113	Forestry and logging	$0
	114	Fishing, hunting and trapping	*
	115	Agriculture and forestry support activities	*
		Other industries	$45,519

[15] Excludes proprietors, self-employed, members of the armed services, workers in private households and agriculture. Includes all full and part-time wage and salary workers receiving pay during the pay period including the 12th of the month. Columns may not add due to rounding.*Prepared by the Labor Market and Economic Analysis Branch using a Quarterly Benchmark process. This process uses the most recent quarter from the Unemployment Insurance Tax Reports (currently 1st quarter 2008) and estimates employment from that point to present. **North American Industry Classification System. ****QCEW=Quarterly Census of Employment and Wages.
[16] Taken from the Office of Financial Management's San Juan County Profile, 2006.

21		Mining	*
	211	Oil and gas extraction	$0
	212	Mining, except oil and gas	*
	213	Support activities for mining	$0
		Other industries	*
22		Utilities	$53,457
	221	Utilities	$53,457
		Other industries	$0
23		Construction	$31,410
	236	Construction of buildings	$33,143
	237	Heavy and civil engineering construction	$25,762
	238	Specialty trade contractors	$30,104
		Other industries	$0
31-33		Manufacturing	$35,526
	311	Food manufacturing	$13,117
	312	Beverage and tobacco product manufacturing	*
	313	Textile mills	$0
	314	Textile product mills	*
	315	Apparel manufacturing	$0
	316	Leather and allied product manufacturing	$0
	321	Wood product manufacturing	$32,418
	322	Paper manufacturing	$0
	323	Printing and related support activities	*
	324	Petroleum and coal products manufacturing	$0
	325	Chemical manufacturing	*
	326	Plastics and rubber products manufacturing	$0
	327	Nonmetallic mineral product manufacturing	$30,215
	331	Primary metal manufacturing	$0
	332	Fabricated metal product manufacturing	*
	333	Machinery manufacturing	*
	334	Computer and electronic product manufacturing	$0
	335	Electrical equipment and appliance mfg.	$0
	336	Transportation equipment manufacturing	$0
	337	Furniture and related product manufacturing	$19,560
	339	Miscellaneous manufacturing	*
		Other industries	$52,670
42		Wholesale trade	$33,528
	423	Merchant wholesalers, durable goods	$28,924
	424	Merchant wholesalers, nondurable goods	$29,583
	425	Electronic markets and agents and broker	$91,069
		Other industries	$0
44-45		Retail trade	$26,269
	441	Motor vehicle and parts dealers	$44,070
	442	Furniture and home furnishings stores	*
	443	Electronics and appliance stores	*
	444	Building material and garden supply stores	$25,877
	445	Food and beverage stores	$30,133
	446	Health and personal care stores	$24,966
	447	Gasoline stations	$20,055

	448	Clothing and clothing accessories stores	$11,955
	451	Sporting goods, hobby, book and music stores	$11,359
	452	General merchandise stores	$0
	453	Miscellaneous store retailers	$13,931
	454	Nonstore retailers	*
		Other industries	$24,099
48-49		Transportation and warehousing	$20,983
	481	Air transportation	*
	482	Rail transportation	$0
	483	Water transportation	$0
	484	Truck transportation	$32,998
	485	Transit and ground passenger transportation	*
	486	Pipeline transportation	$0
	487	Scenic and sightseeing transportation	$17,604
	488	Support activities for transportation	$15,715
	491	Postal service	$0
	492	Couriers and messengers	*
	493	Warehousing and storage	$0
		Other industries	$21,341
51		Information	$32,251
	511	Publishing industries, except Internet	*
	512	Motion picture and sound recording industries	$7,230
	515	Broadcasting, except Internet	$0
	516	Internet publishing and broadcasting	*
	517	Telecommunications	*
	518	ISPs, search portals, and data processing	$31,958
	519	Other information services	$0
		Other industries	$54,695
52		Finance and insurance	$36,061
	521	Monetary authorities - central bank	$0
	522	Credit intermediation and related activities	$34,879
	523	Securities, commodity contracts, investments	*
	524	Insurance carriers and related activities	*
	525	Funds, trusts, and other financial vehicles	$0
		Other industries	$38,907
53		Real estate and rental and leasing	$17,276
	531	Real estate	$16,848
	532	Rental and leasing services	$19,194
	533	Lessors of nonfinancial intangible asset	$0
		Other industries	$0
54		Professional and technical services	$35,198
	541	Professional and technical services	$35,198
		Other industries	$0
55		Management of companies and enterprises	*
	551	Management of companies and enterprises	*
		Other industries	*
56		Administrative and waste services	$21,138
	561	Administrative and support services	$20,571
	562	Waste management and remediation service	$27,841

		Other industries	$0
61		Educational services	$36,976
	611	Educational services	$36,976
		Other industries	$0
62		Health care and social assistance	$24,663
	621	Ambulatory health care services	$27,009
	622	Hospitals	$0
	623	Nursing and residential care facilities	$26,071
	624	Social assistance	$18,511
		Other industries	$0
71		Arts, entertainment, and recreation	$15,315
	711	Performing arts and spectator sports	*
	712	Museums, historical sites, zoos, and parks	*
	713	Amusements, gambling, and recreation	$14,442
		Other industries	$0
72		Accommodation and food services	$17,656
	721	Accommodation	$20,817
	722	Food services and drinking places	$13,799
		Other industries	$0
81		Other services, except public administration	$24,553
	811	Repair and maintenance	$24,539
	812	Personal and laundry services	$17,758
	813	Membership associations and organization	$25,690
	814	Private households	$26,815
		Other industries	$0
		Government	$35,177
		Federal Government	$44,235
		State Government	$26,061
		Local Government	$36,162
		NOT ELSEWHERE CLASSIFIED	$49,804

* Employment and wages not shown to avoid disclosure of data for individual employer.

The table below illustrates the average wage for the jobs and sectors in the county detailed in the table above.

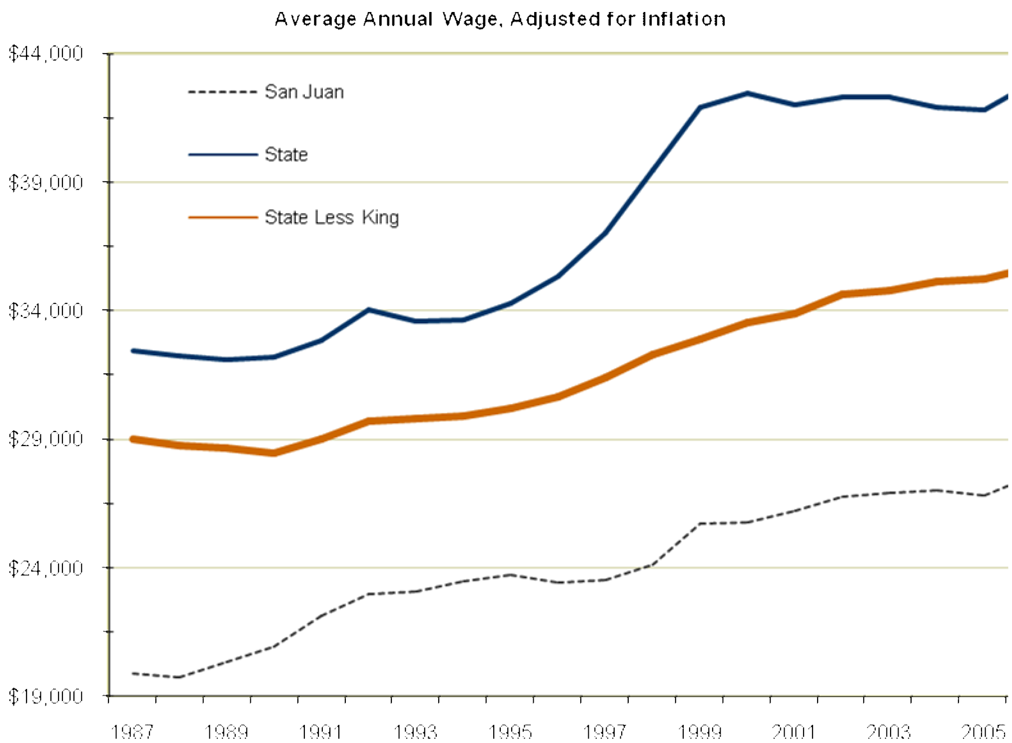
Table 5-6[17]

All Sectors	Average
All Industries	$27,563
Ag, Forestry, Fishing & Hunting	$30,198
Mining	*
Utilities	$53,457
Construction	$31,410
Manufacturing	$35,526
Wholesale Trade	$33,528

[17] Taken from the Office of Financial Management, San Juan County Profile, 2006 http://www.workforceexplorer.com/cgi/mywi/?PAGEID=mywi.

Retail Trade	$26,269
Transportation & Warehousing	$20,983
Information	$32,251
Finance & Insurance	$36,061
Real Estate & Rental & Leasing	$17,276
Professional & Technical Serv	$35,198
Mgmt of Companies & Enterprises	*
Administrative & Waste Services	$21,138
Educational Services	$36,976
Healthcare & Social Asst	$24,663
Arts, Entertainment, & Recreation	$15,315
Accommodation & Food Serv	$17,656
Other Services, ex Public Admin	$24,553
Government	$35,177

Table 5-7[18]



As can be seen in the graph above, the annual average wage in San Juan County has been significantly lower than that of the state consistently for the last 20 years. Table 5-8 below, shows that average annual wage for the county has over the past 3 years has been just over 30% lower than the state average and is amongst the lowest in the state (35th out of 39).

Hourly wages and annual incomes are only one portion of the overall economic equation. It's also important to understand how the wealth within the economic system is distributed. In comparing the wages to the median household income, it's obvious that wage earning households generally must include at

[18] Taken from the Office of Financial Management, San Juan County Profile, 2006

least two people that are employed full time in order to approach that level of income.

While the pay rates and earnings are, for most activities, among the lowest in the State, its anomalous that per capita income in the county is relatively high, almost $10,000 inflation adjusted dollars higher than either state or national rates. Tables 5-8, 5-9 and 5-10 clearly show the disparities between earned and non earned incomes and imply the distortion that is the result of the county becoming a site for wealthy retirees.

Table 5-8[19]

	2003	**2004**	**2005**	**2006**
Employment	5,089	5,309	5,314	5,394
Payroll	$126,251,998	$135,634,314	$138,844,850	$148,676,215
Average Annual Wage				
San Juan	$24,809	$25,549	$26,128	$27,563
State	$39,020	$39,689	$40,704	$42,881
Less King	$32,095	$33,258	$34,322	$35,715
Adjusted for inflation:				
U.S.	$40,968	$41,597	$41,793	$42,521
Metropolitan Division	$49,001	$48,266	$47,909	$49,440
Metropolitan Area	$34,190	$34,349	$34,435	$34,746
Micropolitan Area	$29,718	$30,097	$30,040	$30,613
Rural	$26,390	$26,802	$26,948	$27,292
State	$42,330	$41,952	$41,821	$42,881
State Less King	$34,817	$35,154	$35,264	$35,715
San Juan	$26,913	$27,006	$26,845	$27,563
Rank Among Counties	30	34	36	35

[19] Taken from the Office of Financial Management, San Juan County Profile, 2006

Table 5-9[20]

Personal Income San Juan

Nominal Data (in $1,000s except where indicated)	1999	2000	2001	2002	2003	2004	2005
Personal income	$508,872	$532,664	$549,896	$560,884	$591,258	$636,955	$670,273
Population (persons)	$13,762	$14,160	$14,369	$14,609	$14,815	$15,143	$15,215
Per capita personal income (dollars)	$36,977	$37,618	$38,270	$38,393	$39,909	$42,063	$44,053
Earnings by place of work	$205,325	$210,779	$219,699	$216,703	$229,558	$247,533	$259,890
less: Contributions for government social insurance	$24,469	$25,669	$25,809	$26,220	$28,313	$30,854	$32,695
Employee & self-employed contrib. for govt. soc. ins.			$13,116	$13,087	$13,919	$15,027	$16,220
Employer contributions for govt. social insurance			$12,693	$13,133	$14,394	$15,827	$16,475
plus: Adjustment for residence	$30,248	$33,336	$32,437	$34,483	$36,027	$38,709	$40,307
equals: Net earnings by place of residence	$211,104	$218,446	$226,327	$224,966	$237,272	$255,388	$267,502
plus: Dividends, interest, and rent	$246,682	$258,375	$261,065	$268,794	$283,482	$307,316	$323,849
plus: Personal current transfer receipts	$51,086	$55,843	$62,504	$67,124	$70,504	$74,251	$78,922
Wage and salary disbursements	$123,732	$131,036	$138,131	$139,604	$148,263	$158,889	$165,706
Supplements to wages and salaries	$25,114	$27,060	$27,910	$30,008	$33,121	$36,619	$38,564
Employer contrib. for employee pension & insur. funds			$15,217	$16,875	$18,727	$20,792	$22,089
Employer contributions for govt. social insurance			$12,693	$13,133	$14,394	$15,827	$16,475
Proprietors' income	$56,479	$52,683	$53,658	$47,091	$48,174	$52,025	$55,620
Farm proprietors' income	-$543	-$662	-$514	-$213	$243	-$120	(L)
Nonfarm proprietors' income	$57,022	$53,345	$54,172	$47,304	$47,931	$52,145	$55,640
Farm earnings	-$218	-$266	$470	$872	$1,089	$951	$1,441
Nonfarm earnings	$205,543	$211,045	$219,229	$215,831	$228,469	$246,582	$258,449
Private earnings	$170,277	$175,739	$181,512	$178,417	$188,381	$204,827	$214,533
Per Capita Income							
U.S.	$27,939	$29,845	$30,574	$30,810	$31,463	$33,090	$34,495
State	$30,037	$31,779	$32,274	$32,528	$33,105	$34,956	$35,479
San Juan	$36,977	$37,618	$38,270	$38,393	$39,909	$42,063	$44,053
Inflation-Adjusted Per Capita Income							
San Juan	$42,251	$41,941	$41,793	$41,341	$42,137	$43,274	$44,053
State	$31,924	$33,275	$33,389	$33,176	$33,220	$34,043	$34,495
US	$34,321	$35,431	$35,245	$35,026	$34,953	$35,962	$35,479

To account for the discrepancy between the high per capita income and low wages, it's necessary to look at non-earned income sector. The table below shows the levels non earned income on a per capita basis for each county in Washington. With a level of non earned income that is the highest in the state, almost double that of the second highest, Jefferson County, the extremely high level of non earned income in the county drives the levels of per capita income and median income higher than average wage levels would suggest as likely or even possible. Obviously this is both a product and reflection of the changing

[20] Taken from the Office of Financial Management, San Juan County Profile, 2006

demographic profile of the county, which shows an influx of relatively wealthy, retiree's over the last 20 years.

Table 5-10

Dividends, Interest and Rental Income 2006			
Area Name	**2006**	**Population**	**Per Capita**
Washington	$42,640,374.00	6,375,600	$6,688.06
Adams	$75,259.00	17,300	$4,350.23
Asotin	$99,560.00	21,100	$4,718.48
Benton	$630,631.00	160,600	$3,926.72
Chelan	$378,798.00	70,100	$5,403.68
Clallam	$554,642.00	67,800	$8,180.56
Columbia	$19,522.00	4,100	$4,761.46
Cowlitz	$355,948.00	96,800	$3,677.15
Douglas	$139,244.00	35,700	$3,900.39
Ferry	$24,152.00	7,500	$3,220.27
Franklin	$166,267.00	64,200	$2,589.83
Garfield	$13,169.00	2,400	$5,487.08
Grant	$299,853.00	80,600	$3,720.26
Grays Harbor	$258,173.00	70,400	$3,667.23
Island	$627,618.00	77,200	$8,129.77
Jefferson	$352,933.00	28,200	$12,515.35
King	$20,158,767.00	1,835,300	$10,983.91
Kitsap	$1,757,838.00	243,400	$7,222.01
Kittitas	$170,170.00	37,400	$4,550.00
Klickitat	$107,943.00	19,800	$5,451.67
Lewis	$262,188.00	72,900	$3,596.54
Lincoln	$58,424.00	10,200	$5,727.84
Mason	$262,811.00	53,100	$4,949.36

Okanogan	$154,835.00	39,800	$3,890.33
Pacific	$105,515.00	21,500	$4,907.67
Pend Oreille	$40,239.00	12,300	$3,271.46
Pierce	$3,243,455.00	773,500	$4,193.22
San Juan	$406,370.00	15,700	$25,883.44
Skagit	$732,104.00	113,100	$6,473.07
Skamania	$50,131.00	10,600	$4,729.34
Snohomish	$2,892,271.00	671,800	$4,305.26
Spokane	$2,095,644.00	443,800	$4,722.05
Stevens	$151,208.00	42,100	$3,591.64
Thurston	$1,206,670.00	231,100	$5,221.42
Wahkiakum	$20,322.00	3,900	$5,210.77
Walla Walla	$276,702.00	57,900	$4,778.96
Whatcom	$1,100,075.00	184,300	$5,968.94
Whitman	$174,066.00	42,800	$4,066.96
Yakima	$854,349.00	231,800	$3,685.72
Source: Regional Economic Information System, Bureau of Economic Analysis, U.S.Department of Commerce			
Source: http://www.bea.gov - Table CA30			
Population: Office of Financial Management			

Standard area economic analyses often draw upon studies that detail different facets of the locale's economic structure such as taxable sales, area median income, per capita income, economic structural diversity, average wages per economic sector, median house prices and so on. Even the most cursory analysis of economic data for San Juan County amply reflects the anomalous population of the islands.

When discussing housing affordability, it's impossible not to bring the Department of Housing and Urban Development (HUD) into the debate. Annually, HUD delineates the Area Median Income (AMI) levels that qualify for federal assistance by county for the U.S.A. While the numerical incomes change by region, the populations of the sectors are determined by the percentage of the AMI they obtain. Throughout the U.S., these sectors are generically known by their AMI grouping. Currently, only those within the Very Low to Moderate Income groups (0%-80% AMI) qualify for HUD assistance. While based on the census data, the HUD figures are aggregated and for the sake of analysis a base level of a four person household is used below.

Both Federal and State governments offer a variety of programs that address different aspects of the affordable housing issue. Appendix 2 of this report contains a complete description of the majority of these programs. This Appendix is made up of an Appendix to the the Jefferson County and Town of Port Townsend 2006 Housing needs assessment.

The table below is derived from data included in the 2000 Census and shows the projected percentages of each income sector resident in San Juan County in 2008[21].

Table 5-11.

Area Median Income Household Groups[22] per HUD Standards					
AMI Sectors	% of Income	% of SJC Households in 2000	# of SJC Households in 2008[23]	# of SJC Households in 2025[24]	# of new Households in 2025
Very Low Income	0 to 50% of Median	23%	1714	2397	683
Low Income	50% to 80% of Median	16%	1192	1667	475
Moderate Income	80% to 95% of Median	16%	1192	1667	475
Middle Income	95% to 120% of Median	17%	1267	1771	504
Upper Income	120%-150% of Median	13%	969	1355	386
Total		85%	6334	8857	2523
Beyond 150%	150%+ of Median	15%	1118	1563	445

The current HUD income figures for the County are below.

[21] These numbers are approximate. Census data does not consider single people, living alone as a household thereby excluding many elderly residents living on a fixed income, and the number of households in each sector is derived by taking the percentage of the population and dividing by the average household size in the county, 2.16. Most limiting, is the fact that as affordable housing became rarer at the lower end of the market over the last 8 years, many of the people who fell into these categories will have had to leave the county.

[22] See San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft, December 22, 2005, Table 12, P.15. Data derived from Census 2000.

[23] Assuming that the ratios remain the same over time.

[24] Assuming that the ratios remain the same.

Table 5-12

2008 Area	Median Income	2008 Income Limit Category		70% 1 person	80% 2 person	90% 3 person	BASE 4 person	108% 5 person	116% 6 person	124% 7 person	132% 8 person
San Juan County	$ 65,000	Extremely Low	30%	13,650	15,600	17,550	19,500	21,060	22,620	24,180	25,740
		Very Low	50%	22,750	26,000	29,250	32,500	35,100	37,700	40,300	42,900
		Low	80%	36,400	41,600	46,800	52,000	56,160	60,320	64,480	68,640
		Moderate	95%	43,225	49,400	55,575	61,750	66,690	71,630	76,570	81,510
		Middle	120%	54,600	62,400	70,200	78,000	84,240	90,480	96,720	102,960
			150%	68,250	78,000	87,750	97,500	105,300	113,100	120,900	128,700

If the ratios of extremely low, very low, low, moderate, middle and lower upper income groups remain the same over the planning period potentially, there will be 2523 new households that are likely to suffer some degree of housing cost burden.

Both HUD and County define Affordable housing as that which does not cost more than one third of gross household income, based on the above median income figures it's possible to delineate the housing costs that are affordable and compare that to the cost of a median house in the county, and from there calculate the difference between income and cost.

Table 5-13

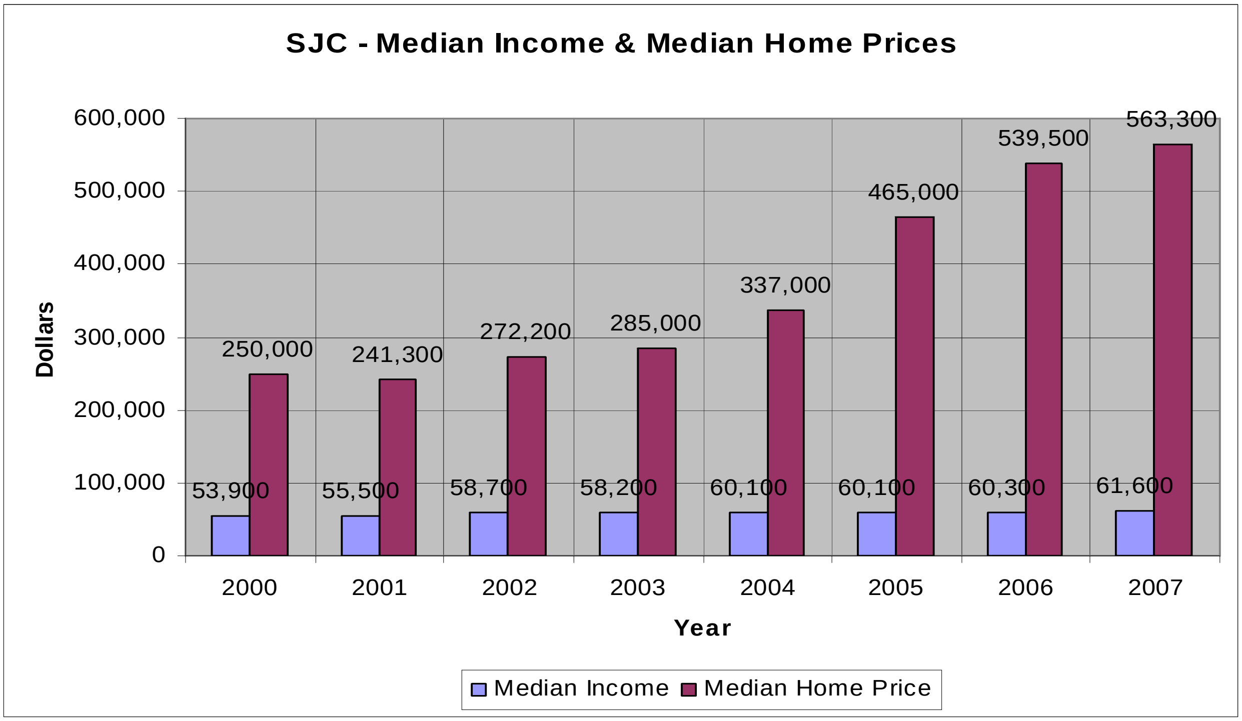
Maximum Affordable Housing Costs				
	2008 Median Income p.a.	Max Monthly Housing Costs per month	Max Affordable Purchase Price[25]	Shortfall to median House Price
Extremely Low	$0-$19,500	$0 - $488	$58,500	$504,800
Very low	$19,500-$32,500	$488 - $813	$97,500	$465,800
Low	$32,500 – $52,000	$813 - $1,300	$156,000	$407,300
Moderate	$52,000-$61,750	$1,300 - $1,544	$185,250	$378,050
Middle	$61,750 – $78,000	$1,544 - $1,950	$234,000	$329,300
Lower Upper	$78,000 – $97,500	$1,950 – $2,438	$292,500	$270,800

[25] This is premised on acquiring a loan of no more than 3x of gross household income and a median house price of $563,300.

As can be seen in the table above, the distance between median house price and mortgage is extensive and all but unbridgeable for any household earning less than $100 K.

Figure 5-1 below, graphically displays the disparity between median wages and median home prices in the county.

Figure 5-1



As can be seen above, the cost of housing in the county increased by about 125% between 2000 and 2007 while the median income rose approximately 14% over the same period. That said, the 2000 Census showed that San Juan County residents had an abnormally high rate of homeownership at approximately 73%.

People paying more than 30% of the gross household income for housing are considered cost burdened and are likely to have difficulty paying for other essentials such as insurance, food, heating, car payments etc. As the percentage of gross income required to pay for minimal housing requirements rises, so does the extent of the cost burden.

In the absence of substantial equity, affordable homeownership then would equate to a mortgage base of approximately 3 times the annual income, an additional 20% of the total mortgage as a down payment, interest rates at less than 8% and monthly payments for taxes, insurance, utilities and mortgage that do not exceed 30% of income.

This would mean that a person or family earning the median county income, $61,600 in 2007, could hope to get a mortgage for approximately $180,000, which with a 20% down payment would put them into the price range of $210,000. If the prospective buyer had 20% of the median house price on hand, $113,000, then they might have access to the lowest rungs of the housing market in San Juan County[26].

The Housing Market and Housing Affordability analysis carried out by WSU's Center for Real Estate Research described the current situation in stark terms;

> Housing in San Juan County is less affordable than any other community in the state by a wide margin. Resort Communities in other parts of the country experience similar frustrations with housing markets driven more by wealth from individuals coming from outside the community rather than income generated locally.[27]

The County's September 2007, Draft Economic Development Element describes the local circumstances as:

> the islands amount to one large resort. By and large, the resort dwellers (including retired seniors) do not depend on the economy of the islands for their sustenance. Those who work for a living do so for low to moderate wages with no ability of employers to pay wage premiums for working in what is clearly a high cost of living county.[28]

When considering housing affordability, it's vital to analyze the different factors that contribute to the extreme differential between the price of homes and regional income. Due to the costs of transportation and skilled local labor, construction costs in the county are about 28% higher than they are on the mainland. Assuming that these costs remain relatively constant, and even allowing for a slight proportional rise in the costs of site planning, site preparation work and permitting, the minimal cost of construction is approximately $200 per square foot and if the cost of land is included it's approximately $300 per square foot[29].

There is an obvious corollary to the above, the possession of a $100,000+ down payment presumes a considerable amount of equity in either the county or elsewhere, the capital of which can be brought into the market. Given that subsequent to 2000, households earning the median income or less have had very limited access to the ownership market, it is unlikely that households that are currently renting living space, will ever possess sufficient resources to move into the housing market. This means the very structure of the county's housing market requires that a resident's child or working families, if they wish to own a home here, move off islands with the aim of developing sufficient

---

[26] At the time of writing, this situation is changing. A brief search of the available units on the market in November, 2008 shows that of approximately 300 units for sale, between 15-20 were at $300,000 or less.
[27] Glen E. Crellin. Housing Market and Housing Affordability, Washington Center for Real Estate Research, Autumn 2008. P. 4
[28] San Juan County Comprehensive Plan Economic Development Element, September 2007. P. 10.
[29] Personal interview with building professionals, January 2009

funds to reenter the islands' home ownership market at some point in the future. Elderly home owners may pushed out of the county by high taxes[30] fostered not by the high rate but by increased property value. While those who rent their home, may, either through age, illness, unemployment (or any other of a host of ills), are likely to find it very difficult to maintain their residency within the county.

Within the realm of homeownership first time home buyers are almost non-existent within the county. In fact, the county has the lowest first time home buyer affordability index in the state.[31] Currently the average first time home buyer can afford just ¼ of the average price of a home in the county, this compares unfavorably with the next lowest, King County, where the average first time homebuyer can afford about ½ the average price of a home in the county.

The rental market in the county is harder to quantify. Officially rental units make up approximately 27% of the total market in San Juan. Beyond multifamily rental units and individual houses there is a substantial 'grey' market made up of rooms, in shared accommodations, cabins, accessory dwelling units, converted sheds, travel trailers used as permanent residences[32] etc. which currently house a significant portion of the working population. The rental market is particularly susceptible to both fluctuations in the broader market and seasonality, with a lot of owners preferring to rent units for very high rates during the summer months rather than year round at less exuberant prices. In 2005, it was determined that 72% of wage earning renters outside the boundaries of the Low to Moderate income categories who may have access to the rent controlled apartments, are likely to spend more than 30% of their income on rent, marking the income groups earning between 80% and 120% of median income as particularly cost burdened by their housing options[33].

A report by Community Development and Planning, published in August 2007, holds that the grey rental market will house approximately "one third of the middle income category and one quarter of the moderate income category will find affordable housing in the unincorporated area."[34] This proposition would indicate that approximately 272[35] of the new households could find affordable rentals within the Non-UGA areas of the County.

---

[30] San Juan County has a very low property tax rate in relation to other Counties. Rural counties such as Whitman and Garfield property tax rates are almost double that of SJC.

[31] See Glenn E. Crellin. Housing Market and Housing Affordability, Washington Center For Real Estate Research. Autumn, 2008. P.5. In this report it is stated that the average first time homebuyer can afford approximately 25% of the cost of a house in San Juan County and is the lowest in the state.

[32] As will be seen later, OFM's study of homes in the county, has a separate category to cover places and structures that generally wouldn't be categorized as a housing unit. OFM estimates there may be approximately 1,200 homes in the county that would fall into this category.

[33] San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft. December 22, 2005. Table 13, P.16.

[34] Expansion of the Friday Harbor Urban Growth Area, August 24, 2007. P. 4

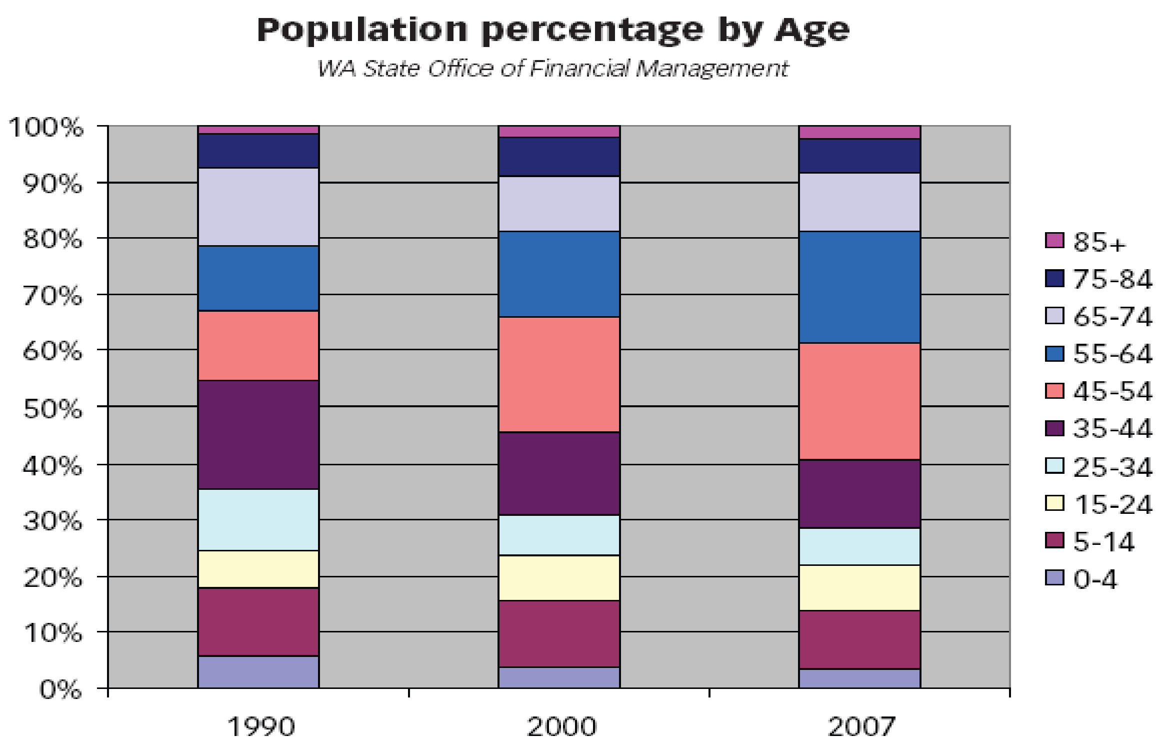
[35] Total pop increase minus 72% (4617) 17%/3.3 and 16%/4, 1093 and 1029 respectively, divided by 2.16.

Within the county there are a number of different groups who have been working to address the lack of affordable housing since the late 1980's, these groups include; Of People and Land (OPAL), the San Juan Community Home Trust, Lopez Community Land Trust and Homes For Islanders. These groups have specific models to achieve their goals and rely on different formulas to delineate the accrual of equity by the homeowner. Altogether these groups have created or control approximately 326 housing units, including rentals[36]. In addition there are also 198 affordable apartments.

Land prices fluctuate over time, however, it is clear that for primarily aesthetic and social reasons, the price of land in San Juan County is likely to remain inflated beyond the reach of all but narrowest of economic sectors for the foreseeable future. This fact, in the absence of a concerted effort to combat its effects, will have significant consequences on the demographic profile of the community and the county's social fabric by hastening the increasing proportion of the population that are elderly and decreasing the proportion of youth and young parents.

Simultaneously, and by no means, coincidentally, over the past 15-20 years there have been significant changes in the demographic profile, the total number of full and part-time residents, the structure of the county's economy and perceived quality of life for many of the county's residents.

Figure 5-2.[37]



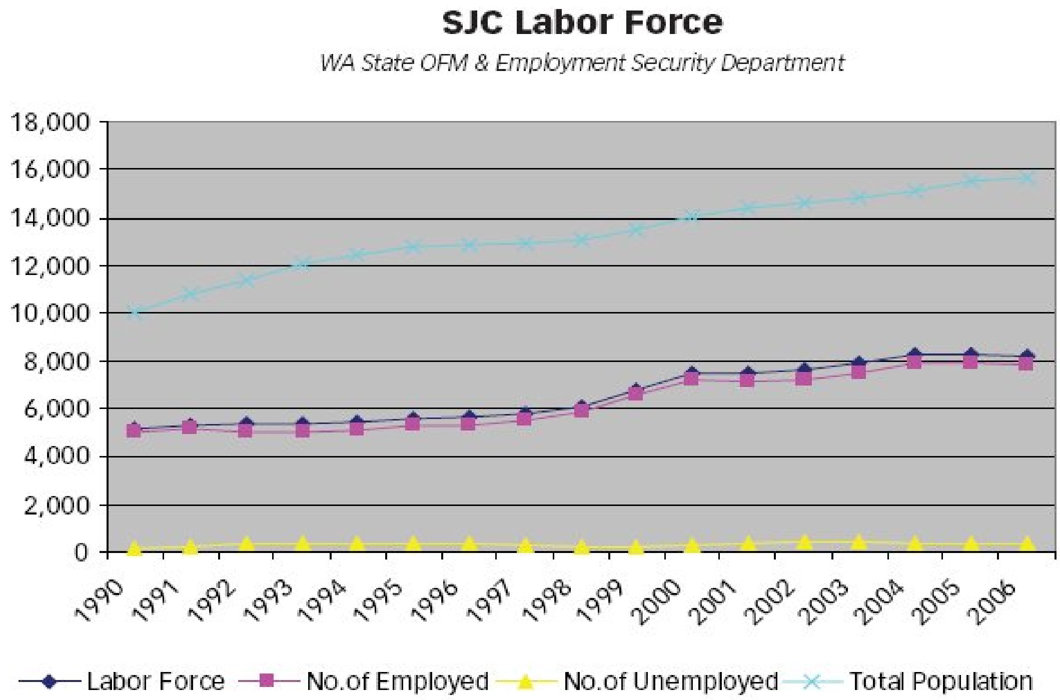
[36] See Appendix 1. San Juan County Affordable Housing Inventory
[37] Taken from San Juan County Economic Almanac, September 2008.

Demographics:

For the majority of the 20th century, the islands were home to a relatively small and stable population which slowly increased from approximately 3000 in 1930 to almost 4,000 in 1970. The slow population growth rate, even in the post WWII period, indicates both the relative strength and weakness of the resource based economy that dominated the county at the time. The economy was strong in the sense that it provided employment in the fishing, farming and logging sectors and weak because these industries increasingly could not compete with similar activities on the mainland. As farming in mainland Washington increased in complexity and capitalization, there was a simultaneous improvement in the transportation facilities and thus the mainland farmer's connection with the markets, which had the effect depressing the viability of farming on the islands. The absence of secondary processing for almost all of the resource based industries increasingly limited their profitability by the beginning of the 1960's.

Of course, throughout the 20th century, but particularly from the mid-1960's onwards, the tourism sector of the economy grew in importance. Just as the traditional activities were in an irretrievable decline, tourism, retirement and second homes became an increasingly important sector of the economy. The 1970's saw the county's single largest period of population growth, as the population more than doubled. The population spike in the 1970's was not mirrored in Washington or the US as whole, and marks the point at which the sinews of the service economy became apparent. From the 1970's onwards, the median age of the population trended upwards, until reaching the point in 2007 where approximately half the population of the county was over the age of 50. While the population increased in both age and number, the percentage of the total population that is part of the workforce remained relatively static.

Figure 5-3.[38]



The stability of the workforce in relation to the rise in population[39] implies both that there are an increasing number of people in the County who are not working, (the retiree population), and that a significant number of those working are increasingly older. As shown in Figure 5-2, approximately 60% of the county's population is 45 years old or older.

The rapidly advancing age of the working population is particularly troubling because a significant portion of them arrived in the County prior to the rapid price rises of recent years and purchased a home here. When they retire, however, regardless of whether they remain in place or leave, the cost of those units is still going to be beyond the reach of the vast majority of people filling the jobs they vacated.

As was shown above, in order to develop an appropriate estimate of the housing needs required for the county's projected population growth overall and more particularly in this respect, the projected workforce, it's necessary to make a number of presumptions, primarily that previously established demographic patterns documented by the 2000 Census are valid, such as home ownership percentages, that the ratio of the working versus non-working populations remains the same and that the ratio of 2nd homes versus full time residences remains similar to the established rates. In addition to the demographic patterns, it's also necessary to make a number of presumptions about the continuity of economic trends and patterns, such as the high

[38] Taken from San Juan County Economic Almanac, 2008.
[39] Between 1990-2006, the total population increased by about 60% while the workforce increased by 33%.

percentage of income from dividends and rents, the low percentage of income from wages, median income in relation to the median house price and so on.

Of specific interest to us here, is to delineate the impact on housing and the economic structure of the county of the large number of currently working folks who will retire over the planning period. The central issue here is to determine the percentages of those residents over 50 that have already retired or are still working. The 2000 census showed that in 1999, 50% of the county's population over 16 reported doing no work at all that year.[40] In 2000 the total population of working age (16-65) was approximately 9,200 people or 65% of the total population.

In 2008, the average annual workforce was approximately 8000[41] out of a working age population of approximately 10,236[42] or 62% of the total population of 16,100. Simultaneously the average annual workforce constituted only 79% of the working age population. Currently then, there are a minimum of 3704 housing units occupied by working folks, of which approximately 2704 are owner occupied and 1000 are rented.

Of the current working age population, approximately 5,100 of them, or 49%, are between the ages of 50 and 65. If we further assume that only a very small number of residents below the age of 50 can afford to do no work whatsoever and we then assume that a full half of the 50 to 65 age group are retired, we are faced with a situation in which there are approximately 2,550 people that are 50 years old or above and still working in the County. Given that these people will retire over the planning horizon, in housing terms, these numbers mean that approximately 1,181 housing units currently providing homes for working folks, will no longer do so.

According to the OFM, of the projected 22,513 population in 2025, fully 13,035 will be over the age of 50, and 3,287 people will be under 19 years old, of which approximately 75% of those between 15 and 19 (572) are likely to leave the county following their graduation from high school. This creates a working age population of approximately 9,982[43]. This means that should the ratio of working to non working folks remain the same in 2025 as it is in 2008, there will be an active workforce of approximately 7,814[44] people. The projected working population of the county will require a minimum of 3,618 units in 2025.

When the existing stock of workforce housing is reduced by the number of units whose owners are retiring, then in 2025 there will be 2523 owner occupied units that will remain occupied by the working population. If we

[40] Quoted in San Juan County , Economic Development Element, September 2007, p.19
[41] See http://www.choosewashington.com/counties/Labor_Force.asp?county_id=63
[42] See OFM population estimates by Age and Sex 1980-2008, September 2008.
[43] Population of working age derived from remainder of 15-19 cohort not leaving after graduation, and adding the remaining 2025 cohorts between 20 and 64.
[44] 79% of the working age population of 9,982

presume that the 1,000 units currently rented remains the same, then, this means that the County is facing a shortage of approximately 1,095[45] housing units for the projected working age population by 2025.

Table 5-14

	Working Age Pop	% Working Age Pop Employed	# of Working Age Working	# of Working Age Pop over 50	# of Working Age Pop over 50 not working	# of Units for working pop	# Units Lost to Retirement between 2008 and 2025
2008	10,236	79	8,000	5,100	2,550	3704	1,181
2025	9,982	79	7,814	3,871	1,936	3,618	-1095

The total projected population increase, however, will consist of significant portion of non working people. It is presumed that the market will not offer a significant barrier to them. Along with the units required for housing folks in very low to 150% of the AMI there will be an additional demand for a further 972 units and if the 2nd home rate grows at the same rate as the population, there will be a further 1333 units constructed.

Demographic Profile and Economic Health:

The scenario above is premised upon both the working age population shrinking as well as the total number of people actually employed. In 2008 there were approximately 10,236 people of working age in the county, of whom approximately 8,000 or 50% of the total population were actively working. Extrapolating on existing trends the OFM projects that by 2025 the total working age population in the county will be approximately 9,982 and of those, all other things being equal, only 7,814 of them will be working. This indicates a decrease in the working population of -2 and a ½ % that occurs over the same period as the total population increases by approximately 40%. Simultaneously, the number of jobs in the county is roughly equivalent half the total population, so if this remains the same over time, then in 2025 there'll be 11,257 jobs in the county.

The implications of these trends are obvious. Either the number of jobs in the county decreases by approximately 30% or approximately 3,443[46] people will need to commute to the islands to fill the expected positions. Simply put, assuming that the ratio of jobs to population remains more or less constant, the projected demographic profile of the county in 2025 cannot provide the workforce required to fill the projected positions.

[45] 2,704 -1,181=1,523+1000 rentals=2523

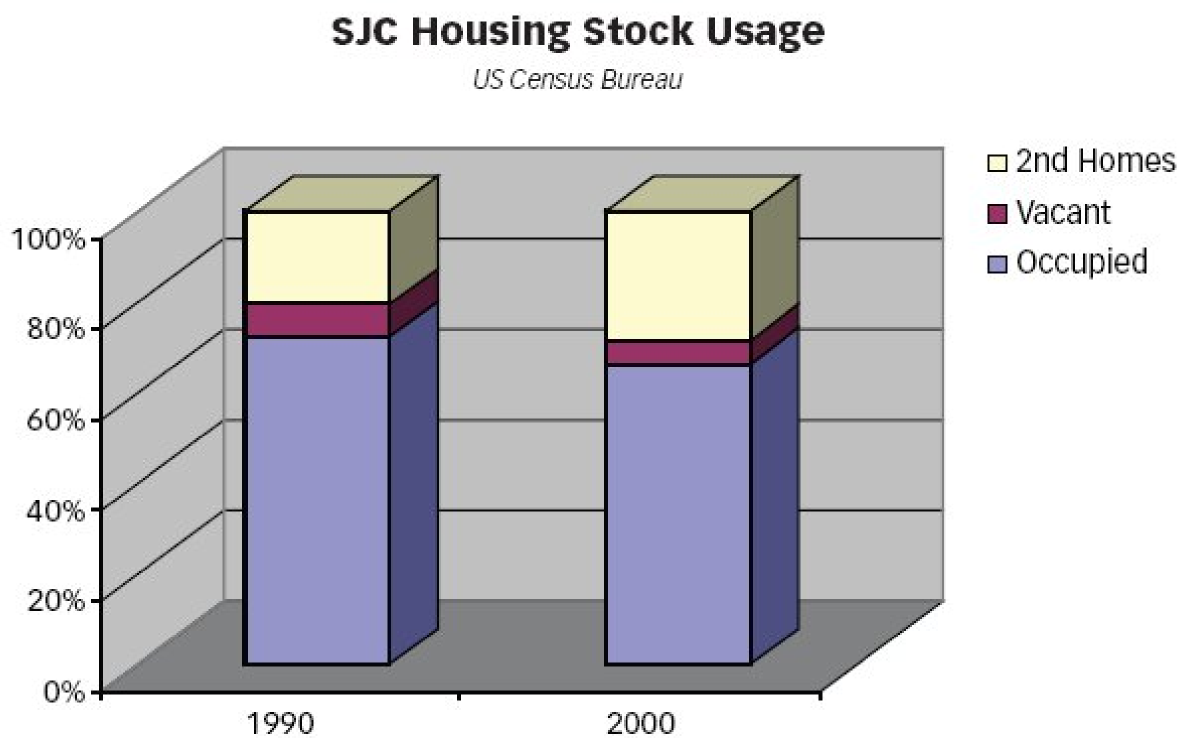
[46] 11257=50% of projected population minus employed working age pop 7,814 = 3,443

One of the causes of the increasingly skewed and age heavy demographic profile of the county is the absence of housing for the crucial first time homebuyer segments of the population and the subsequent absence of people within the 20-45 age groups. In order to reverse this trend, the county would have to provide an additional 1,594 affordable housing units, for a total of 2,689 affordable units.

Local businesses have long noted the difficulty to attract workers to a place offering relatively low wages and very limited housing choices. The OFM's population projections, in this context, actually show the logical and expected outcome of current housing policies.

If the projected workforce housing needs are not met over the planning horizon, the diverse character of the island community will be irredeemably altered.

Figure 5-4.



Excluding the 2nd home market, to meet the projected demand for housing, approximately 155 affordable units per year and 82 market rate units will need to be constructed.

Population Projections:

San Juan County adopted 25 year population projections in 2005 as part of that year's Comprehensive Plan Population element update. These numbers represent the County's official population projections and are the rock upon which planning for future development must be based. These population projections are derived from numbers handed down from the Washington State Office of Financial Management (OFM) from which all GMA planning must proceed.

While cultural change is a relatively slow process, marking its course over generations, economic change is increasingly rapid, extremely volatile and can destroy personal fortunes almost as fast as they can be generated[47]. The unpredictability of the economic environment has a measurable impact on the validity of population projections for this County because, the combination of excessively high land prices, distinctly low wages and the relative inaccessibility of the islands themselves, have coalesced into an locale that demands the possession of considerable personal wealth for the majority of people who wish to move here.

Despite one of the lowest real estate tax rates in the state, the lower income homeowners of the current population are severely impacted by the rising costs related to the increased value of land and the heightened cost of living while the tenants are severely impacted by rising rents which are again tied to the increased value of the land and windfall profits available to landlords through seasonal rentals.

This means that the standard natural increase/decrease population nexus is compounded and exacerbated by the fluctuations in capital markets. The OFM projections take into account the in and out migration of people as the table below natural increase accounts for little of the County's population growth.

Table 5-15

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Average 1990-2007
Total Change	323	200	200	300	400	200	200	345
Births	101	110	86	88	101	110	113	103
Deaths	115	130	120	113	106	102	105	104
Natural Increase	-14	-20	-34	-25	-5	7	8	-1
Net In-migration	337	220	234	325	405	193	192	346

The current population of the county in 2008 is approximately 16,100 people and will reach 22,513[48] by 2025, an increase of about 40% or 6,413 people.

Below are the OFM San Juan County population projections broken down by cohort.

[47] At the time of writing, the credit industry in the US and the world is in a crisis that could, if prolonged, spark a recession that will obviate the demand for much more housing in the county, conceivably at least until 2018.
[48] Since the County's adoption of the population projection in 2005, the OFM has revised the 2025 total downwards slightly from 22,534 to 22,513.

Table 5-16.

	2008
Age	Total
Total	16,100
0-4	565
5-9	717
10-14	923
15-19	786
20-24	494
25-29	528
30-34	533
35-39	814
40-44	1,076
45-49	1,519
50-54	1,824
55-59	1,733
60-64	1,518
65-69	1,004
70-74	692
75-79	569
80-84	403
85+	402

Table 5-17.

	2015
Age	Total
Total	19,150
0-4	665
5-9	717
10-14	777
15-19	713
20-24	535
25-29	794
30-34	950
35-39	961
40-44	941
45-49	947
50-54	1,289
55-59	1,600
60-64	1,932
65-69	2,078
70-74	1,582
75-79	1,134
80-84	715
85+	820

Table 5-18.

	2020
Age	Total
Total	20,857
0-4	709
5-9	807
10-14	844
15-19	699
20-24	477
25-29	700
30-34	1,040
35-39	1,165
40-44	1,112
45-49	1,049
50-54	1,044
55-59	1,386
60-64	1,823
65-69	2,148
70-74	2,227
75-79	1,558
80-84	1,023
85+	1,046

Table 5-19.

	2025
Age	Total
Total	22,513
0-4	707
5-9	863
10-14	955
15-19	762
20-24	469
25-29	634
30-34	927
35-39	1,289
40-44	1,355
45-49	1,247
50-54	1,160
55-59	1,120
60-64	1,591
65-69	2,037
70-74	2,309
75-79	2,211
80-84	1,423
85+	1,454

The coarsest analysis would suggest that a total population of 22,513 will require approximately 10,423[49] dwelling units.

The OFM estimates that in 2008 there are a total of 11,514[50] housing units in the county.

Table 5-20.

	Total	1 Unit	2+ Units	Spec
San Juan	11,514	9,502	815	1,197
Unincorporated	10,339	8,941	309	1,089
Incorporated	1,175	561	506	108
Friday Harbor	1,175	561	506	108

This indicates that there is a surfeit of housing units within the County. Standard economic theory would suggest that the abundance of housing units would put a downward pressure on prices, however, in San Juan County the housing price trajectory over the last decade has been almost exactly the opposite.

Given the vagaries of the County's records, for the purpose of this report, I use the OFM's estimated number of units as an accurate description of the existing housing situation in the county.

One of the prominent reasons for this counter intuitive impact of surplus housing units on the local pricing mechanisms is the market distortion generated by the large percentage of second or third homes in the County. The 2000 Census held that approximately 29% of the houses in San Juan County were second homes, or approximately 3,339 units. These units are marked by part time residencies and long term vacancy rates.

As seen in Table 5-3 if the OFM housing unit estimate is reduced by the approximate number of 2nd homes, the total number of occupied residential housing units is 8,177, which would imply that there will be a need for approximately 2,248[51] additional units to meet the demand of the projected population in 2025. If the sole consideration in determining the number of units that are necessary to house the projected population increase, 6,413 the number of needed units would be 2,969. If this was reduced, as in Table 5-3,

---

49 Total population divided by average household of 2.16

50 In 2025 this would mean a surplus of 1082 housing units.

51 There is no single ideal method of determining these unit numbers. Another option would be take the total number of new residents, 6413/2.16=2969 units. If we then add the 9% vacancy rate listed in the 2000 Census, to account for the units that are in transition, going on market, on market, going off market etc., we have an excess capacity, excluding second homes, of 735units. If we deduct 735 from 2969,we get a total need for 2234. Alternatively, if we look at the total population in 2008=16,100/2.16=7454 units + 9% vacancy = 670=8215 available units which if deducted from the total number necessary would be a need of 2208. Finally, a further option, would be to simply assume that 25% of the currently existing second home owners become full time residents over the planning horizon, then the new units needed would be 2969-835=2134 new units.

by the percentage of units either on sale, for rent or transitioning from secondary to primary residences, the result would be 2,067.

In order to do so, approximately 122 units must be built per year.

Beyond the information provided by the 2000 Census, received wisdom and anecdotes, there is little hard data to determine the true extent, and thus evaluate the impact of the 2nd home phenomena. Sufficed to say, housing units that are, for the most part, uninhabited which remove the acreage from the stock of available land, appears put an upward pressure on prices by increasing the scarcity of the land while the essential character of the market itself presumes the existence of considerable individual capital reserves which would allow the 2nd home purchaser to outbid those with limited reserves which in turn also puts an upward pressure on the cost of land. The rapid land price rise over the last decade has also encouraged both speculation while further raising the perceived value and social exclusivity of the islands. There is no evidence available at the moment to suggest that 2nd homes are less likely to come upon the market than primary residences, however, if these owners do have considerable assets at their disposal, then it seems unlikely that during a pricing downturn, they would be keen to dispose of their units. The impact of this may be softened by the number of people who, when finished working elsewhere retire to their home on the island.

Adding to the constraints on the amount of land available for construction is the fact that approximately 20% of the county's territory is held for conservation purposes.

The implication of tables 5-6, 5-7 and 5-8 is that if the proportions of the different income groups remain the same over the planning horizon, 85% of the potential new households or approximately 2,523[52] new households will require housing that is cheaper than that which is currently available.

It is misleading to presume that the proportions of the different income groups will remain constant because all new additions to existing population would require the provision of affordable housing to all income groups in the appropriate proportions over the planning horizon in order to actually live in the County in 2025. If housing that is affordable to the very low, low, moderate, middle and lower upper income sectors is not developed over the planning horizon than it is reasonable to assume that both total numbers and relative percentages of very low income to middle income earners will decline dramatically relative to the upper income groups.

[52] 72% of projected population increase of 6413.

Options:

Decisions made today, particularly in relation to housing, will have long term consequences for the county and community. While some may argue that activities in the market place are the only real solution to the housing crisis and associated community issues, however, it's clear that the market place has not addressed the needs of very low, low, moderate, middle income residents, therefore only a truly community based political solution will be sufficient to meet the challenge. There is no single strategy best suited to tackle the issue of the lack of affordable housing. Every possible strategy and tactic, from down payment assistance and credit counseling, density bonuses and clustered developments, through private enterprise options and direct government intervention must be brought to bear on solving the problem. Ultimately, the residents of the county must decide the shape of the social, economic and cultural structure of the community that they prefer and then determine what they are willing to pay for it.

Within the framework of the housing needs assessment, the broad outlines of three alternative development patterns emerge as a result of the choices made by the community today.

Alternatives:

1. Do Nothing.

    This option presumes that neither County nor Town governments will adopt any measures that will have any appreciable impact, either positive or negative, on the availability of housing that working people can afford.

    Over the planning horizon, the existing non-profit housing groups will struggle to develop housing options for significant numbers of very low to moderate income households. If these groups maintain their previous form then it's possible that up to 300 units may be constructed by 2025. It is expected that should land prices continue to climb, the access of non profits to building sites will decrease.

    Private enterprise solutions to the lack of workforce housing may arise haphazardly in the form of a much greater reliance on both a full time and seasonal commuter workforce.

    It's possible that a cartel of the different tourism dependent industries may seek to develop some kind of dormitory option. It is assumed that a group of this nature would probably seek to develop a communal campsite with amenities rather than bricks and mortar buildings to provide living space for their seasonal workers. It’s also possible that another mobile home park like the Oaks could be developed.

The absence of workforce housing on the islands will likely lead to the closure of some businesses while others will struggle to find permanent employees. Businesses are likely to have to deal with a high turnover in staff positions as off island employees find other work on the mainland that is likely to be both better paid and involve a much shorter commute.

Along with business closures, and subsequent reduced entertainment and service options, school enrollment will continue to drop which may lead to the closure of schools on Shaw and Lopez and the consolidation of the different school districts.

The absence of workforce housing is also likely to lead to levy raises to cover the costs of paid emergency workers, such as firemen, the majority of whom are currently volunteers. As the population ages there will be fewer and fewer people that are capable of actually carrying out the tasks and so full time paid employees will need to be found.

2. Develop plans to accommodate the movement of the workforce out of the county.

Another option the community may choose is to embrace the current demographic trends.

While high prices, low wages, absence of peers and limited social opportunities already serve to curb the desirability of the county as a place to work and raise a family; it’s likely that the adoption of regulations that limit the expansion of workforce housing, curtail the public activities and services used by very low, low, moderate, middle and lower upper income households, will further limit the incentives for working people to relocate to the islands.

Limiting the on island workforce to that which is absolutely necessary for the protection of the health, safety and welfare of the residents will mean that other than firemen, sheriff’s deputies and essential medical personnel, the working population will have to be brought in daily. The on island workforce could be further restricted to only those tasks that are site specific, such as teachers, construction workers and additional health care providers.

The only mass transit link to the mainland the county currently enjoys is via Washington State Ferries and there is no county wide transit system. An on island transit system will need to be developed to ensure that workers can get to their places of employment that are distant from the ferry docks.

A separate but related option may be to develop large, long term secure parking lots in the immediate vicinity of the ferry landings to provide space for workers to leave their vehicles overnight.

If no transit system is developed, then the existing ferry service carrying capacity will be quickly exceeded by workers bringing their vehicles.

Less geographically specific tasks could be accomplished on the mainland. Office space in Anacortes, Mount Vernon or Burlington could be acquired to provide workspace for the town and county government workers. Additional regulations to foreclose and restrain the development of in-house offices or other cottage enterprises will help push the less place dependent workforce from the county.

3. Develop an effective response to the shortage of affordable workforce housing.

   The last option will require widespread support of the community as well as significant political and planning action to develop a long range plan that identifies ideal sites for housing, develops sufficient capital facilities to meet the prospective demands, and provides for a variety of methods by which housing goals can be achieved.

   On obvious starting point would be the creation of a vehicle such as an independent Housing Authority that is funded through some reliable method such as a real estate excise tax, affordable housing impact fees on development applications, or as a separate levy as part of the property tax. These funding mechanisms would not preclude the use of a variety of state and federal funding programs. The new entity could, working in conjunction with the existing non profit organizations, begin work on the construction of housing units and would provide a direct method by which the community could achieve their goals.

   At the regulatory level existing regulations could be adapted to minimize their negative impact on affordable housing provision, fees for affordable housing projects could be decreased, density bonuses for the private provision of affordable units could be increased as with height limits and density designations within the existing UGAs, the definition of affordability could be changed to include up to 150% of the area median income earners.

Appendix 1

Affordable Housing inventory for San Juan County

Opal Community Land Trust- Orcas Island
Opal Commons 18 homes
Bonnie Brae 24 homes
Oberon Wood 11 homes
Lahari Ridge 6 homes
Scattered Sites 5 homes
Wild Rose Meadow 32 homes - under development
Orcas Village 12 homes – planned
7 rental apartments

Homes for Islanders – San Juan Island
Leward Cove 8 homes
Rocky Bay 8 homes
Park Plaza 9 homes - under development

Homes for Islanders – Orcas Island
Woodland Estates 8 homes – breaking ground summer 2008

San Juan Community Home Trust – San Juan Island
Salal 15 homes
Buck Property – proposed 5 acres developed with potentially 50 homes (additional 10 acres with 70 homes proposed)

Lopez Community Land Trust – Lopez Island
Morgan Town 8 homes
Coho 7 homes
Innisfree 8 homes
Sustainable Community Homes 11 homes - under development
2 rental apartments

Private Efforts – San Juan Island
The Oaks manufactured home community has 77 homes on 1/8 acre leased parcels. In 2007 they were selling for $110k-$140k. T he homeowner typically pays a fee of $250-$300 per month for land lease and upkeep, in additional to a mortgage payment.

Harbor Ridge Mobile Home Park in Friday Harbor as of 2006 had 70 units with 187 low and very low income persons living there. They also have $300 per month land lease added to their rental cost of unit or loan (if any).

Summary:
170 single family homes built or currently under development
77 manufactured homes on leased land

70 mobile homes on leased land
140 proposed housing units
9 rental apartments

The Affordable Apartments are listed below:

Lavendar Hollow
PO Box 1058
Eastsound, WA 98245
360.376.5479

Units	Type	Rent
12	1 bdrm	$540
8	2 bdrm	$595
2	3 bdrm	$643
0	4 bdrm	$0
total: 22		

USDA Rental Assistance Subsidized: 17

Gerard Park
595 Linder Street
Friday Harbor, WA 98250
360.378.5407

Units	Type	Rent
20	1 bdrm	$473
1	2 bdrm	$531
0	3 bdrm	$0
0	4 bdrm	$0
total: 21		

USDA Rental Assistance Subsidized: 16 ***Seniors or Disabled***

Rosewood
525 Perry Place
Friday Harbor, WA 98250
360.378-3000

Units	Type	Rent
4	1 bdrm	$0
10	2 bdrm	$0
4	3 bdrm	$0
0	4 bdrm	$0
total: 18		

USDA Rental Assistance Subsidized: 18

Surina Meadows
535 Linder Street
Friday Harbor, WA 98250
360.378.3034

Units	Type	Rent
3	1 bdrm	$580
15	2 bdrm	$638
2	3 bdrm	$695
0	4 bdrm	$0
total: 20		

USDA Rental Assistance Subsidized: 18

Westview
452 Lopez Rd.
Lopez Island, WA 98261
360.468.3821

Units	Type	Rent
6	1 bdrm	$545
12	2 bdrm	$600
0	3 bdrm	$0
0	4 bdrm	$0
total: 18		

USDA Rental Assistance Subsidized: 10

Island Meadows
360 Carter Ave.

Units	Type	Rent
17	1 bdrm	$489
2	2 bdrm	$524

Friday Harbor, WA 98250	0	3 bdrm	$0
360.378-3000	0	4 bdrm	$0
total:	19		
USDA Rental Assistance Subsidized:	***10***	***Seniors or Disabled***	

	Units	Type	Rent
Harborview	12	1 bdrm	$547
500 Tucker Ave.	8	2 bdrm	$564
Friday Harbor, WA 98250	0	3 bdrm	$0
360.378.3000	0	4 bdrm	$0
total:	20		
USDA Rental Assistance Subsidized:	***6***		

	Units	Type	Rent
Islewood	10	1 bdrm	$543
855 Guard Street	8	2 bdrm	$480
Friday Harbor, WA 98250	0	3 bdrm	$0
360.378.3000	0	4 bdrm	$0
total:	18		
USDA Rental Assistance Subsidized:	***9***		

	Units	Type	Rent
Friday Harbor Village	0	1 bdrm	$0
445 Carter Ave.	8	2 bdrm	$675
Friday Harbor, WA 98250	12	3 bdrm	$775
360.378.3000	6	4 bdrm	$825
total:	26		
USDA Rental Assistance Subsidized:	***0***		

	Units	Type	Rent
Orcas Longhouse	16	1 bdrm	$378
236 Prune Alley	0	2 bdrm	$0
Eastsound, WA 98245	0	3 bdrm	$0
360.376.2023	0	4 bdrm	$0
total:	16		
USDA Rental Assistance Subsidized:	***0***	***Seniors or Disabled***	

Total Units:	198	
Total USDA Rental Assistance:	***104***	****Rent is limited to 30% of tenants income***
Total Non-Subsidized:	***94***	****Income must be 60% or less of SJC AMI to qualify***

APPENDIX 2