



San Juan County Community Development & Planning

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Housing Needs Assessment San Juan County 2008-2025

Executive Summary:

- ❖ By 2025, the minimum of an additional 2,248 housing units will need to be constructed to house the projected population increase. Of these units, approximately 1045 must be affordable to households earning \$100,000 or less (1 ½ x median household income).
- ❖ Even if the minimum 2,248 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 workforce housing units will need to be built.
- ❖ To house the entire projected workforce in 2025, 2639 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, \$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 and will reach 22,513¹ by 2025, an increase of about 40% or 6,413 people.

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 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. 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. 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 and further density downzones from greater than 1 unit in five acres to 1 unit in five acres, there will be sufficient land within these zones to meet at least 1/3rd of the total demand for housing or over 1/2 of the demand for housing for non working families.

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

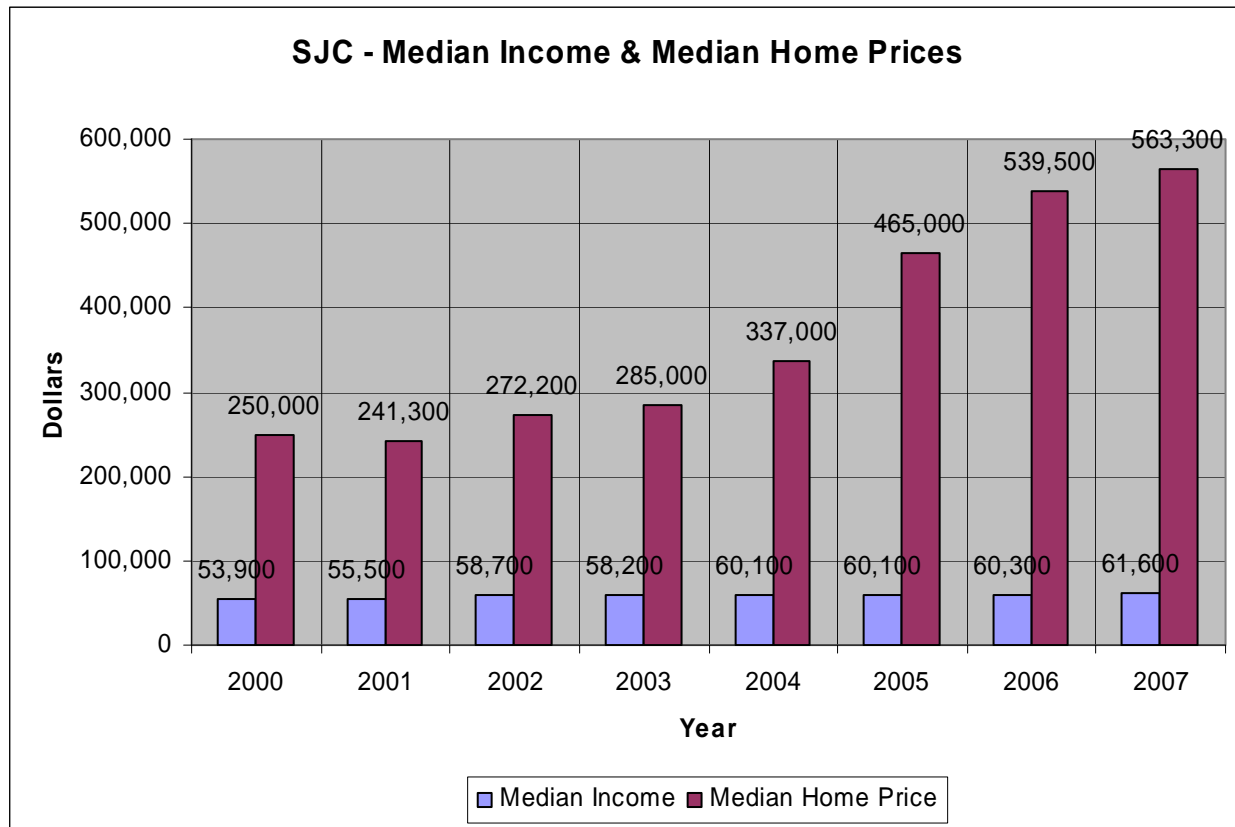
¹ Since the County's adoption of the population projection in 2005, the OFM has revised the 2025 total downwards slightly from 22,534 to 22,513.

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.

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. Since then, as the graph below dramatically depicts, it has become almost utterly impossible for wage and salary earners³ in the County to afford to purchase a home here.

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%.

² Table 29, San Juan County Comprehensive Plan, Appendix 1, Population Projections, Buildout Analysis and Land Use Inventory, November 29, 2005. P. 34.

³ For this report, the terms, ‘wage and salary earners’, ‘working families’ and ‘working folks’ refers to families and individuals in the county who earn or live on up to 150% of the area median household income or approximately \$92,000.

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.⁴

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.⁵

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 largest single determinant in the cost of housing units is the price of the land.

Both San Juan County⁶ and the Federal Department of Housing and Urban Development (HUD)⁷, define housing affordability as housing that costs 30% or less of the gross household income. People paying more than that are considered cost burdened and are likely to have difficulty paying for other essentials such as insurance, food, heating, car payments etc. Families or individuals paying more than 30% of their gross income for their housing needs are considered to be cost burdened and 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

⁴ Glen E. Crellin. Housing Market and Housing Affordability, Washington Center for Real Estate Research, Autumn 2008. P. 4

⁵ San Juan County Comprehensive Plan Economic Development Element, September 2007. P. 10.

⁶ SJCC 18.60.260 B states, "Affordable housing is housing where the occupants pay no more than 30 percent of gross monthly income for total housing costs, including the cost of property taxes and insurance for homeowners and monthly utilities, excluding telephone, for owners and renters."

⁷ See <http://www.hud.gov/offices/cpd/affordablehousing/>

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 County⁸.

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 not had any access to the ownership market, it is unlikely that they will possess sufficient resources. 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 funds to reenter the islands' homeownership market at some point in the future.

Within the realm of homeownership, working people are being systematically excluded from the market and 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.⁹ 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 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 options¹⁰.

A report by Community Development and Planning, published in August 2007, holds that the grey rental market will house approximately "one third of the

⁸ 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.

⁹ 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.

¹⁰ San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft. December 22, 2005. Table 13, P.16.

middle income category and one quarter of the moderate income category will find affordable housing in the unincorporated area.”¹¹ This proposition would indicate that approximately 272¹² of the new households could find affordable rentals within the Non-UGA areas of the County.

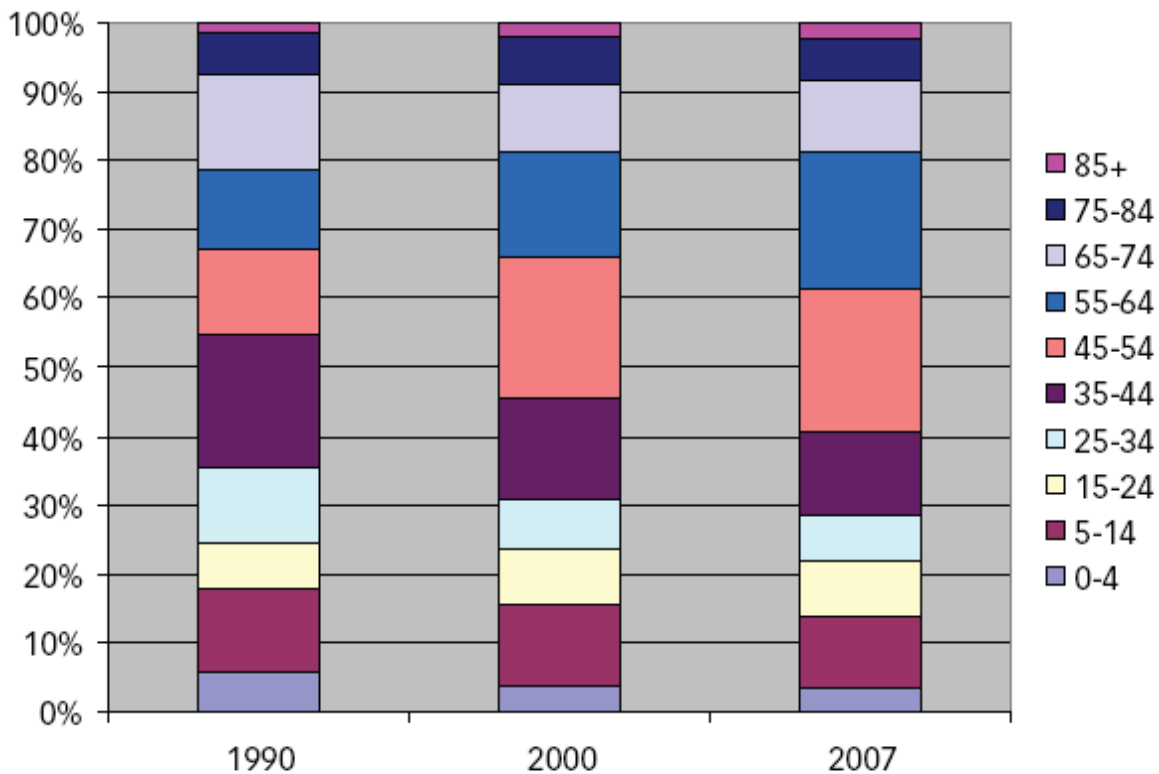
Land prices fluctuate over time, however, it is clear that for primarily aesthetic and social reasons, the price of land in San Juan County is likely to remain inflated beyond the reach of working families for the foreseeable future. This fact, in the absence of a concerted effort to combat its effects, 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, decreasing the proportion of youth and young parents and ultimately, hastening the demise of the remaining strands of traditional island culture.

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 5-2.¹³

Population percentage by Age

WA State Office of Financial Management



¹¹ Expansion of the Friday Harbor Urban Growth Area, August 24, 2007. P. 4

¹² Total pop increase minus 72% (4617) 17%/3.3 and 16%/4, 1093 and 1029 respectively, divided by 2.16.

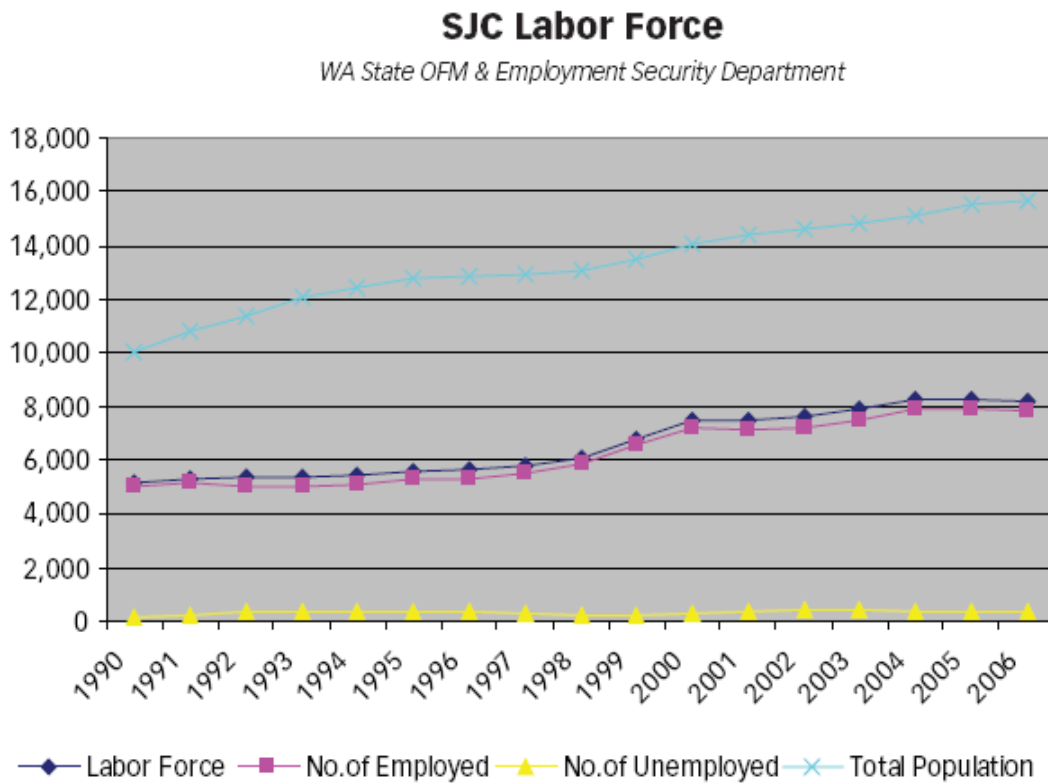
¹³ Taken from San Juan County Economic Almanac, September 2008.

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 5-3.¹⁴



The stability of the workforce in relation to the rise in population¹⁵ 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 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 hoping to fill the jobs they vacated.

In order to develop an appropriate estimate of the housing needs required for the county's projected population growth overall and more particularly 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

¹⁴ Taken from San Juan County Economic Almanac, 2008.

¹⁵ Between 1990-2006, the total population increased by about 60% while the workforce increased by 33%.

to make a number of presumptions about the continuity of economic trends and patterns, such as the high 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 course, one 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.¹⁶ In 2000 the total population of working age (16-65) was approximately 9,200 people or 65%.

In 2008, the average annual workforce was approximately 8000¹⁷ out of a working age population of approximately 10,236¹⁸ 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 22,514 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 9,982¹⁹. 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 7,814²⁰ people. The projected working population of the county will require a minimum of 3,568 units.

When the existing stock of workforce housing is reduced by the number of units whose owners are retiring, then in 2025 there will be 1523 owner occupied units that will remain occupied by working folk. If we presume that the 1,000 units currently rented remains the same, then, this means that the

¹⁶ Quoted in San Juan County , Economic Development Element, September 2007, p.19

¹⁷ See http://www.choosewashington.com/counties/Labor_Force.asp?county_id=63

¹⁸ See OFM population estimates by Age and Sex 1980-2008, September 2008.

¹⁹ 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. See p.4 of this report.

²⁰ 79% of the working age population of 9,982

County is facing an absolute shortage of approximately 1045²¹ housing units for the projected workforce by 2025.

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 workforce housing there will be an additional demand for a further 1,203²² units and if the 2nd home rate remains consistent with the 2000 Census, there will be a further 655 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%.

The implications of these trends are obvious. Either the number of jobs in the county decreases by approximately 30% or approximately 3,443²³ 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.

The primary cause 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 2639 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.

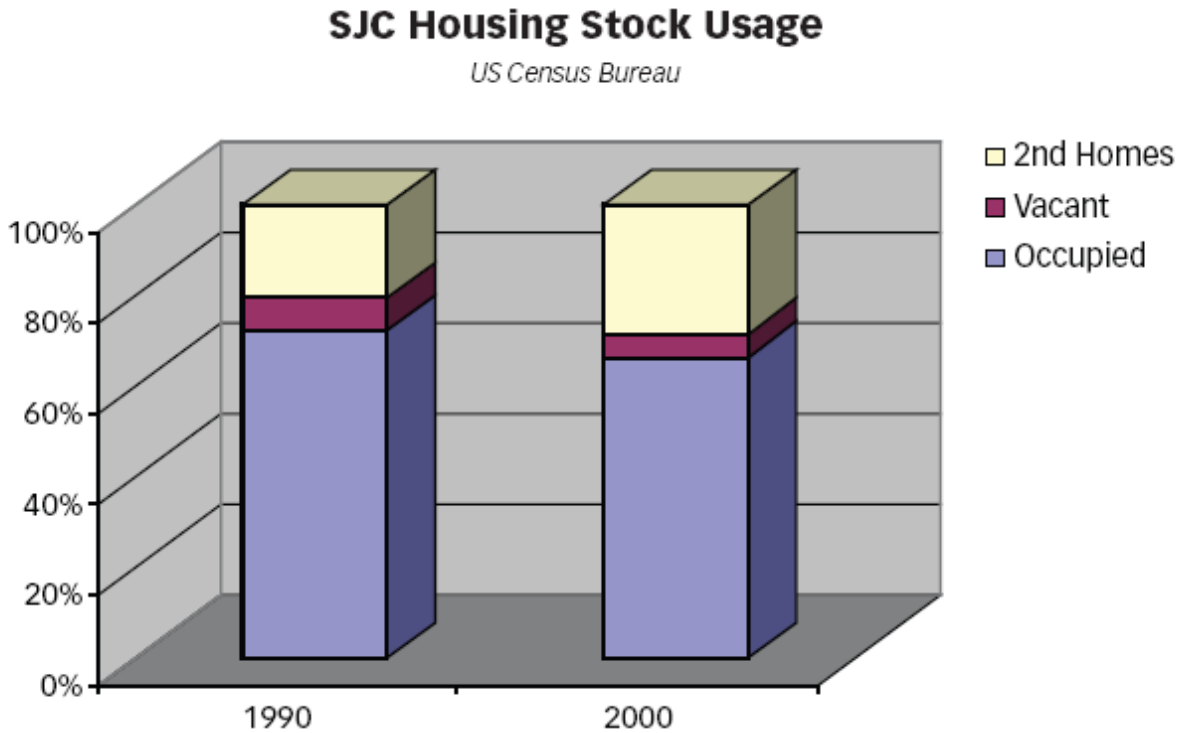
If the projected workforce housing needs are not met over the planning horizon, the diverse character of the island community will be irredeemably altered.

²¹ $2,704 - 1,181 = 1,523 + 1000 \text{ rentals} = 2523 - 3568 = 1045$

²² $2,248 - 1045 = 1203$

²³ $11257 = 50\%$ of projected population.

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 generated²⁴. 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.

²⁴ 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.

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 current population of the county in 2008 is approximately 16,100 people and will reach 22,513²⁵ by 2025, an increase of about 40% or 6,413 people.

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

Table 5-1.

	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 5-2.

	2015
Age	Total
Total	19,150
0-4	665
5-9	717

²⁵ 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.

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 5-3.

	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 5-4.

	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 10,423²⁶ dwelling units. In 2005, it was estimated that the total number of dwelling units already constructed was 10,650, which, if true, would mean that in the 17 years between 2008 and 2025, the County would not need to provide sites for any further development as there are sufficient dwelling units already constructed to exceed the potential demand in 2025.

Dwelling Units, however, need not be actual residences, the dwelling unit data includes hotel rooms, bed and breakfasts and even camp sites in the overall total. Appendix 1, of the San Juan County Comprehensive Plan, corrected November 2005, puts to the total number of residences in the County at 9,984 in 2005. If the permits issued for single family, multifamily, manufactured homes and owner/builder permits for the years 2006, 2007 and up to August 2008 are included in the overall count, the total number of residences in the County in 2008 stands at 10,552.²⁷ Estimates published by San Juan Economic Council put the total number of housing units in the county as high as 11,252 in 2006.

The OFM estimates that in 2008 there are a total of 11,514²⁸ housing units in the county.

Table 5-5.

	Total	1 Unit	2+ Units	Spec
San Juan	11,514	9,502	815	1,197
Unincorporated	10,339	8,941	309	1,089

²⁶ Total population divided by average household of 2.16

²⁷ This number is a combination of the residential units listed per island in the 2005 population appendix and the permits issued since then for single family residences, multifamily, manufactured homes and ADU's .

²⁸ In 2025 this would mean a surplus of 1082 housing units.

Incorporated	1,175	561	506	108
Friday Harbor	1,175	561	506	108

Again, 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 rather than that of the 2005 Appendix 1.

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.

If the OFM housing unit estimate is reduced by the approximate number of 2nd homes, the total number of residential housing units is 8,175, which would imply that there will be a need for approximately 2,248²⁹ additional units to meet the demand of the projected population in 2025. In order to do so, approximately 132 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

²⁹ 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.

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.

It's inevitable that an analysis of the San Juan County incomes should reveal a wide gap between income garnered by resident wage and salary earners and a significant portion of the non working population. The most glaring illustration of this disjunction is the high per capita income versus average wage. Currently the per capita income in San Juan County is approximately \$45,000 while the average annual wage is approximately \$32,000. This is a disparity of approximately 40%.

The county's economic structure shows that some 65% of the County's jobs are within the accommodation/food services, government, construction and retail. The average pay in all of these sectors, with the exception of government, is lower than the state average, (an average of 32% lower), and have increased considerably slower than inflation, only 3% between 2002 and 2004. The graph below³⁰ depicts the low rates of pay in the Tourism related sector and shows that the pay does not increase sufficiently to meet the raising prices due to inflation. These service sector jobs, upon which the county's tourism industry is built³¹ are remarkable for their low rates of pay, which has a depressive effect on both the calculation of the average wage and helps to drive down the wages actually paid to working people.

Figure 5-5³².

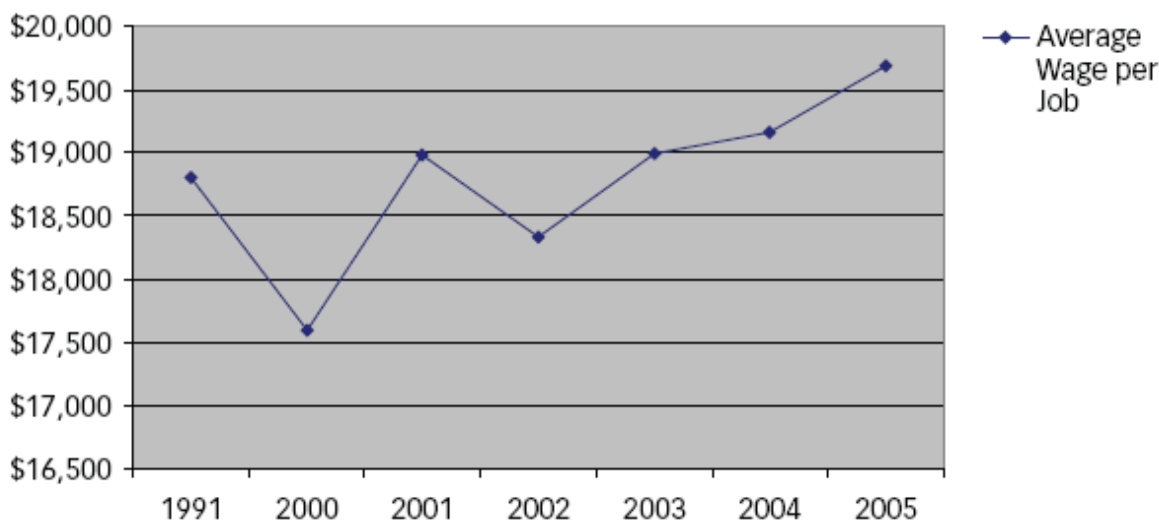
³⁰ Taken from San Juan County Economic Almanac, 2008. P. 45

³¹ In 2005, tourism accounted for 118.7 million dollars or about 20% of the County's employment. See San Juan County Comprehensive Plan, Draft Economic Development Element, September 2007. P. 49.

³² Taken from the San Juan County Economic Almanac, 2008. P.45.

Average Wage per Job (adjusted for inflation 2000 dollars)

Dean Runyan



One of the most notable aspects of the County's economic structure is the percentage of total personal income that comes from transfer payments such as interest, dividends or rent. Currently approximately 46% of total personal income in the county is derived from investments while only 27% is derived from wages.

The household median income³³ in the County was about \$61,600 in 2007. As will be shown below, households earning less than approximately 180-200% of the median income are unable to afford a median priced house in the county.

The 2000 census shows that only about 9.2% of the County population falls below the federal poverty level. As per usual, female headed single parent families were hardest hit making up about 67% of those earning below poverty level incomes.

According to the 2000 Census the county's households³⁴ fall into these income groups:

Table 5-6.

Median Income Household Groups ³⁵
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³³ It's instructive to remember that the county's median household income is distorted by the significant proportion investment income in the county. This is particularly significant when compared to the average wage of approximately \$30,000.

³⁴ US Census household income statistics do not include single people or households of non related people.

³⁵ See San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft, December 22, 2005, Table 12, P.15.

Very Low Income	0 to 50% of Median	23%
Low Income	50% to 80% of Median	16%
Moderate Income	80% to 95% of Median	16%
Middle Income	95% to 120% of Median	17%
Upper Income	120%+ of Median	29%

The US Department of Housing and Urban Development defined the above income ranges for all income groups.

Table 5-7.

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 proportions of the different income groups in Table 5-5³⁶ remain the same as they were in 2000 then:

Table 5-8.

	% of area median household income	2008 Households	2025 Households	# Increase	% Increase

³⁶ Using a family of four as the base.

Very Low	0-50%	1714	2397	683	40%
Low	80%	1192	1667	475	40%
Moderate	95%	1192	1667	475	40%
Middle	120%	1267	1771	504	40%
Upper	120+%	2161	3022	861	40%

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, 72% of the potential new households or approximately 2138³⁷ 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 working population 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.

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 working 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.

³⁷ 72% of projected population increase of 6413.

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 earners. 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 working families and through a variety of both regulatory and cultural means 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 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 Housing Authority 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.