

COMPREHENSIVE PLAN

Appendix 5

**HOUSING
NEEDS
ASSESSMENT**

June 2009

Executive Summary:

- ❖ There are a number of different methods of estimating the total number units necessary to meet future housing needs. None of these methods is 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, there are two related demographic and economic trends which complicate the projection of housing needs. The first is that a significant percentage of the housing stock is made up of occasional or recreational use second homes; and the second is a current and projected demographic profile that, in comparison to state and national averages, features an abnormally large percentage of residents aged 50 and older.¹
- ❖ By 2025, approximately 2,969 additional housing units will need to be constructed to house the projected population increase of 6,413 people. Of these units, approximately 1,095 must be affordable either for rent or to purchase for households earning \$100,000 or less (1 ½ x median household income).
- ❖ Currently there are approximately 2,146 cost burdened households in the County².
- ❖ By 2025, the projected population will not include a sufficient number of working age people to fill expected jobs in the county.
- ❖ Even if the minimum 2,969 housing units were built, by 2025, an additional 3,443 workers will need to commute to the islands daily to meet a projected labor shortfall.
- ❖ In addition to the 2,969 units needed to house the projected population increase, and as a means to discourage large scale commuting, a further 1,594 housing units for rental or purchase that are affordable to those between the ages of 20 and 50, living on less than 1 ½ x the median household income will be needed.
- ❖ If considered separately, the projected population increase alone would create a need for 1,095 units that would be affordable to rent or purchase for people and families earning 1 ½ x the median household income or less. The projected shortage of working age adults, however,

¹ Current percent of US population between 20 and 50 years old =36%; Current percent of Washington State population between 20 and 50 years old = 36%; Current percentage of San Juan County population between 20 and 50 years old = 22%; National and State current percentage of population 50 years old and above = 27%; San Juan County current percentage of population 50 and above = 48%. See

<http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls>

² See Table 5-16 below and <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/December2005>

may mean the creation of an additional 1,594³ units affordable to rent or buy for families earning 1 ½ x the median household income or less, for a total of 2,689 units affordable for either rent or purchase to households earning 1½ times the median household income or less will be needed by 2025.

- ❖ There is the potential for a need for the construction of a total of 4,563 units⁴ to house families in all income groups. This indicates a 40% increase in the overall number of housing units in the County.
- ❖ Median income earners in the county cannot afford to buy a house in the county.
- ❖ There are approximately 2,019 rental units⁵ in the County. 7.5%⁶ of the County's housing stock is considered multi-family, the state average is approximately 25.6%.
- ❖ In 2000, 12.3% of rental households paid 30+% of their gross household income for rent. 30.7% of rental households paid 35+% of their gross household income for rent. This equates to approximately 43%⁷ of the rental households, or 868 households renting living space.
- ❖ In order to purchase a median priced house in the county, a family, would need to be earning \$150,000 a year, almost 2 ½ x the median family income, and possess a further \$100,000 for a down payment.
- ❖ Wages in San Juan County are approximately 35%⁸ lower than they are on the mainland. The predominance of low wages in the county implies that the negative aspects of high housing costs will weigh more heavily upon those in the very low, low, moderate, middle and low upper median income households.
- ❖ Housing in San Juan County is the least affordable in the state.⁹
- ❖ The households living on 120% of the AMI or less, that do not have access to affordable housing currently provided by non-profits are most likely to be cost burdened by their housing expenses.

³ Assuming that the 3,443 people commuting were earning 1½ x the median income or less and would prefer to live in the same community as they work.

⁴ 2,969+1,594=4,563

⁵ See Washington Prospector, CTED Prospector Demographics SJC at

<http://www.sanjuanco.com/CDP/docs/CompPlandHousing/CTED%20Prospector%20Demographics%20SJC.htm>.pdf

⁶ See Census 2000 Housing Data at <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/censusdata.pdf>

⁷ See <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls>

⁸ See

<http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls#CountyAvWages!A1>.

Average state wage: \$42,881, Average San Juan County wage; \$27,563 (about 65% of the average state wage).

⁹ Glen E. Crellin. Housing Market and Housing Affordability. Washington Center for Real Estate Research, 2008. P.4

- ❖ 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 and an increase in the number of households that are cost burdened by the price of either rental or purchased homes.

Introduction:

RCW 36.70A.070 (2) details the mandatory requirements of the Comprehensive Plan Housing Element. This statute 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, the implementing regulations at WAC 365-195-310 specify requirements for a compliant comprehensive plan element, as follows:

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.

At the most basic level, it is necessary to estimate the range of housing needs for county residents of very low, low, moderate middle and upper median income levels in the future¹⁰. The primary elements of the housing needs equation are; Population, Land Availability, and Affordability.

¹⁰ Please see Table 5-17 of this report, Page 31 for a complete definition of these different income groups

The distinctions between each of these elements are more analytical than actual because each is shaped by activities in the others.

Each of the three elements above can be further refined into increasingly precise subsections of the broader element. Affordability, for example, must involve an analysis of the local housing market, which is both a function and product of the local economy. Affordability also has a demographic aspect to it which then ties population considerations into economic ones and so on.

Population Projections: Breakdown By Island:

The current population of the county in 2008 is approximately 16,100 people and will reach 22,513¹¹ by 2025, an increase of about 40% or 6,413 people, or 2,969 households, based on 2.16 persons per household.¹²

In 2005, San Juan County updated its population projections in Ordinance 15-2005. Table 5-1 provides overall projected population increase, percentage increase by island and the estimated need for housing units by dividing the total population growth per island by the county's average household size.

Table 5-1.¹³

Island	2005 Population	% Population By Island	2025 Population By Island	Pop Growth by Island	Total# New Housing Units ¹⁴	Housing units UGA
San Juan	5,214	30.6%	6,885	1671	774	
Friday Harbor	2,150	17%	3,821	1671	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	1087	503	252
Shaw	245	1.6%	356	111	56	
Total ferry served island	14,899	96.1%	21,660	6761	3,130	
Total	601	3.9%	874	273	126	

¹¹ 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.

¹² See <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/censusdata.pdf> P. 28.

¹³ Table 8, San Juan County Comprehensive Plan, Appendix I, Population Projections, Buildout Analysis and Land Use Inventory, November 29, 2005. P.7.

¹⁴ Total # of Units divided by 2.16 (San Juan County Average Household per Census 2000). See <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/censusdata.pdf> P. 28.

Non Ferry Served						
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 (OFM) 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 assumptions¹⁵:

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 the total population as in the 2000 Census.
6. That the percentage of total housing units that are second homes remains the same (29%)¹⁶.
7. That the UGA's of Eastsound, Lopez Village and Friday Harbor will accommodate 50% of the projected population growth for San Juan, Lopez and Orcas Islands.

¹⁵ All the assumptions are premised on the notion that short-term economic and social hiccoughs will not fundamentally disturb historic trends.

¹⁶ Census 2000 posts the total # of Housing Units in the County as 9,752 and the total # 'For seasonal, recreational or occasional use' as 2,851. 2,851 is 29.235% of 9,752. See P. 28 of San Juan County Census 2000 at <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/censusdata.pdf>

Table 5-2.

Island	2008 Population	% Population By Island ¹⁷	2025 Population By Island	Pop Growth by Island	Total# New Housing Units ¹⁸	Housing units UGA ¹⁹
San Juan	5,232	33% 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	1,400

In table 5-2 it is shown that the total population increase will require approximately 2,969 housing units, of which approximately 1,400 will be located within the Eastsound, Lopez Village or Friday Harbor UGA.

These numbers represent the County's official population projections and are the basis that planning for future development must be carried out. These population projections are derived from numbers handed down from the 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 and extremely volatile.²⁰ The unpredictability of the economic environment has a measurable impact on the validity of population projections for this County because, the combination of high land prices, low wages and location of the islands themselves, have

¹⁷ The change in the population distribution between San Juan Island and Friday Harbor reflects a further change in the Comprehensive Plan currently being discussed.

¹⁸ Total # of Units = new population divided by 2.16 (San Juan County Average Household).

¹⁹ 50% of population growth attributed to Eastsound, Lopez Village and Friday Harbor divided by 2.16

²⁰ 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.

created a locale that requires the possession of considerable personal capital for those who wish to buy a home here.²¹ This alone narrows the pool of potential future residents. Despite the lowest real estate tax levy rates in the state, (see table 5-3 below) lower income homeowners of the current population are impacted by the rising costs related to the increased value of land and the heightened cost of living while rental tenants are impacted by rising rents which are again tied to the increased value of the land and profits available to landlords through seasonal rentals.

Table 5-3.²²

PROPERTY TAX LEVY RATES BY COUNTY
Average Rates/\$1,000 of Assessed Value By Year Due, 2004-2008

County	2004	2005	2006	2007	2008
Adams	\$13.63	\$13.24	\$12.81	\$12.60	\$12.97
Asotin	14.43	14.09	13.93	13.33	12.45
Benton	13.86	13.23	12.75	12.49	11.96
Chelan	13.29	13.29	13.31	12.62	10.99
Clallam	11.14	11.03	9.99	8.64	8.15
Clark	13.30	13.06	12.01	10.25	9.80
Columbia	13.34	13.33	13.04	11.69	11.27
Cowlitz	12.58	12.7	12.48	11.53	10.87
Douglas	13.68	13.77	13.33	12.18	11.31
Ferry	9.84	9.50	9.02	9.60	9.02
Franklin	15.73	14.86	13.81	14.18	13.80
Garfield	15.95	16.13	14.68	11.70	11.01
Grant	14.36	14.10	13.74	13.52	13.12
Grays Harbor	13.69	14.29	13.78	13.34	11.35
Island	9.39	9.13	8.92	7.47	6.77
Jefferson	11.11	10.88	9.76	9.31	8.23
King	10.93	10.78	10.38	9.95	9.42
Kitsap	12.84	12.14	10.65	9.63	8.77
Kit Kittitas	10.67	10.44	10.00	9.24	8.36
Klickitat	11.98	11.30	10.79	10.93	9.99
Lewis	11.32	11.10	11.54	10.41	9.64
Lincoln	13.59	13.23	12.89	12.36	11.76
Mason	12.68	12.80	12.41	11.41	9.85
Okanogan	12.36	11.54	11.78	10.69	10.43
Pacific	14.35	14.07	13.92	13.06	12.01
Pend Oreille	11.58	12.08	11.29	9.71	10.12
Pierce	15.01	13.92	13.21	11.72	10.82
San Juan	6.68	7.04	6.89	6.08	5.52
Skagit	11.96	12.04	11.21	9.93	9.02
Skamania	9.89	9.78	9.20	8.93	8.36
Snohomish	12.55	11.85	11.07	9.94	8.94
Spokane	15.01	15.12	14.37	12.84	11.33
Stevens	11.28	11.18	10.92	9.45	9.86
Thurston	13.8	13.11	12.12	11.22	9.77
Wahkiakum	10.64	10.50	10.32	9.55	8.45
Walla Walla	14.32	14.61	14.60	13.77	12.64
Whatcom	12.99	12.52	11.47	10.47	9.86
Whitman	15.88	15.84	15.42	14.41	13.58
Yakima	12.76	12.66	12.15	12.17	11.48
TOTAL	\$12.21	\$11.87	\$11.32	\$10.48	\$9.72

Over the past decade, the rate of in migration tends to account for the County's population growth rather than natural increase. The OFM projections take into account the in and out migration of people to and from the County.

²¹ The Caldwell Banker Quarterly report shows that while there were far fewer transactions at the beginning of 2009 than 2008, reflecting the global recession, the actual value of those transactions remained remarkably high (Transactions = 20:46 down 57% while the value of those transactions was 15% lower than the previous year). Indicating that the property sales were of sufficiently high value to minimize the impact of 57% drop in sales volume. See <http://www.sanjuanco.com/cdp/default.aspx?dept=CDP&listname=CompPlandHousing>

²² See Washington State Department of Revenue, Tax Statistics 2008, October 2008. P. 52.

Table 5-4²³

	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

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

Table 5-5.

	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 5-6.

	2015
Age	Total
Total	19,150
0-4	665
5-9	717
10-14	777
15-19	713

²³ See <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls>

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 5-7.

	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 5-8.

	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 the total population in 2025 of 22,513 will require approximately 10,423²⁴ dwelling units.

The OFM estimates that in 2008 there are a total of 11,514²⁵ housing units in the county.

Table 5-9.²⁶

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

This indicates that currently 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.

For the purpose of this report, OFM's estimated number of units is assumed to be an accurate description of the existing housing inventory 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 housing units 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.

²⁴ Total population divided by average household of 2.16

²⁵ In 2025 this would mean a surplus of 1,082 housing units.

²⁶ See <http://www.ofm.wa.gov/pop/poptrends/housing2008.xls>

If, however, we divide the existing population 16,100 by 2.16, then there are only 7,454 occupied units in the county, which implies a greater second home rate (35%)²⁷. Other more concrete data, from the Washington Department of Community, Trade and Economic Development (CTED) suggests that the percentage of the County's housing stock that are second homes may be as high as 34%²⁸ which would translate into 3,914 units.

Of the different options for determining need, the San Juan County Planning Commission recommended the use of the projected population increase, 6,413 divided by the average household size, (2.16) which results in a total need of 2,969 units by 2025.

In order to meet that need, approximately 175²⁹ housing units per year will need to be constructed.

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 second home phenomenon. Housing units that are, for the most part, uninhabited but which remove the acreage from the stock of available land, appears to put an upward pressure on prices by increasing the scarcity of the land. The second home purchaser has, de facto, greater capital at their disposal than a someone moving from one residence to another or a first time home buyer, because the second home market is premised on the existence of a primary residence elsewhere that is not being sold³⁰. The increased access to capital allows the second home purchaser to bid up the cost of land to a level that excludes those with those with more limited reserves. The rapid land price rise over the last decade has also encouraged speculation. There is no evidence available at the moment to suggest that second homes are less likely to come on the market than primary residences, however, if these owners do have considerable assets at their disposal, then it seems that during a pricing downturn, it would be unlikely that they would be keen to sell off 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%³¹ of the county's territory is held for conservation purposes which further limits the amount of land that can be developed.

²⁷ $11,514 - 7,454 = 4,060$. 4,060 as a percentage of 11,514 = 35.26%

²⁸ CTED, Washington Prospector, Prospector Demographics for SJC, May 2008, at <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/CTED%20Prospector%20Demographics%20SJC.htm.pdf>

²⁹ 2,969 divided by 17 = 175

³⁰ It is assumed that for the majority of the nation's population, the purchase of a house is the largest single acquisition of a lifetime and that the option of having two or more residences is limited.

³¹ Per the Landbank data see <http://www.sanjuanco.com/CDP/docs/CompPlandHousing>

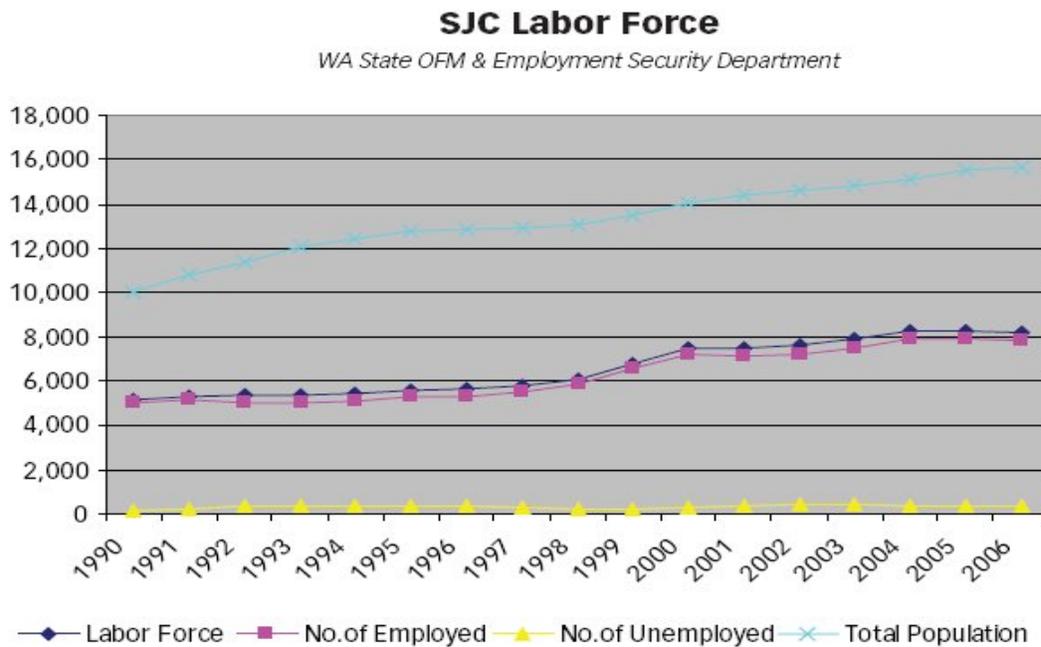
Demographics:

For the majority of the 20th century, the County was home to a relatively small and stable population which slowly increased from approximately 3,000 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 of 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.

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, the provision of services for retiree's and the construction of homes became increasingly important sectors 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. 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, a percentage that is almost double that of the state and nation³². While the population increased in both age and number, the percentage of the total population that is part of the average annual labor force remained relatively static.

³²See <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls#PopAgeComp!A1>
National percentage of pop over 50 = 28.8. San Juan County percentage of pop over 50 =47.6%

Figure 5-1.³³



The stability of the workforce in relation to the rise in population³⁴ 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 Table 5-5, 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 currently working people 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 likely to be beyond the reach of people hoping to fill the jobs they will have vacated.

To delineate the impact on housing availability in the County when the large number of currently working people retire over the planning period its necessary 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.³⁵ In 2000 the total population of working age (16-65) was approximately 9,200 people or 65%.

³³ Taken from San Juan County Economic Almanac, 2008. See <http://www.islandway.org/almanac.htm>

³⁴ Between 1990-2006, the total population increased by about 60% while the workforce increased by 33%.

³⁵ <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/censusdata.pdf> P.40

In 2008, the average annual workforce was approximately 8,000³⁶ out of a working age population of approximately 10,236³⁷ 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 3,704 housing units occupied by employed people, of which approximately 2,704 are owner occupied and 1,000 are rented³⁸.

Of the current working age population, approximately 5,100 of them, or 49%, are between the ages of 50 and 65. If we 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. If we assume that 30% of these 2,550 (or 354 households) rent living space in the county and given that these people will retire over the planning horizon, then, in housing terms, these numbers mean that approximately 1,181 housing units currently housing working people, will no longer do so. If we deduct the rentals from the final total of lost units, on the assumption that retiree's currently renting would transition into permanent housing here or elsewhere, only 827 owner occupied units would be removed from the inventory.

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 9,982³⁹. This means that should the ratio of working to non working people remain the same in 2025 as it is in 2008, there will be an active workforce of approximately 7,814⁴⁰ people, or 3,618 households.

When the existing stock of owner occupied housing is reduced by the number of units whose owners are retiring, then in 2025 there will be 1,877 owner occupied units that will remain occupied by the working population. If we assume that the 1,000 units currently rented remains the same, then, this means that the County is facing a shortage of approximately 741⁴¹ owner occupied housing units for the projected working age population by 2025. This disparity may be absorbed by a slight expansion in the rental market.

³⁶ See http://www.choosewashington.com/counties/Labor_Force.asp?county_id=63 (of which approximately 22% were self employed. See note 47 this report.)

³⁷ See OFM population estimates by Age and Sex 1980-2008, September 2008, Tables 5-5 – 5-8.

³⁸ Assuming the rates of owner occupied housing to rental housing (73%:27%) is equitably distributed among the population.

³⁹ 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 pages 9-11 of this report.

⁴⁰ 79% of the working age population of 9,982

⁴¹ 2,704 - 827 = 1,877 + 1000 rentals = 2,877

Table 5-10.

		%	# of	# of	# of	# of	# Owner
	Working	Working	Working	Working	Working	Units	Units Lost
	Age Pop	Age Pop	Age	Age Pop	Age Pop	needed	to
		Employed	Working	over 50	over 50	for	Retirement
					not	working	between
					working	pop	2008 and
							2025
2008	10,236	79	8,000	5,100	2,550	3704	
2025	9,982	79	7,814	3,871	1,936	3,618	827

Demographic Profile and Economic Health:

The scenario above is premised upon decreasing both the working age population 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. Based 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 ½ % that occurs over the same period as the total population increases by approximately 40%. Simultaneously, the number of full time equivalent jobs⁴² in the county is roughly equivalent to half the total population, so if this remains the same over time, then in 2025 there will 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 3,443⁴³ 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.

One of the causes of the increasingly skewed and age heavy demographic profile of the county is the absence of housing for the first time homebuyer segments of the population and the subsequent absence of people within the 20-45 age groups. Currently approximately 15% of the county's population falls into that demographic sector, in comparison, that age group makes up about 28% of the State's population. Conversely 57% of the county's population is 45 years old and above while that sector makes up approximately 36% of the states population. In 2025, the 20-45 cohorts are expected to make up 21% of the population while the 45 and above groups will make up 63%.

⁴² As seen in Table 5-11 there are approximately 10,592 full and part time jobs in the county, the average annual workforce of approximately 8,000 indicates there are approximately 2,952 part time jobs in the San Juan economy or just over 25%.

⁴³ 11,257=50% of projected population minus employed working age pop 7,814 = 3,443

Local businesses have long noted the difficulty to attract workers to a place offering relatively low wages and limited housing choices.

Land Availability:

The County currently includes two non-municipal Urban Growth Areas (UGAs) (Eastsound and Lopez Village) and one municipal UGA, Friday Harbor. Eastsound and Lopez Village UGAs 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 needs of 50% of San Juan Island's population increase. If the Eastsound and Lopez Village UGA's are found compliant as currently constituted, increased development activity in these areas will be permitted. These UGAs allow dense development within the expressed aesthetic preferences of the respective communities and provide space for a variety of housing types. Their zoning actively encourages the development of affordable housing units. Over the planning horizon, it is expected that these UGAs will grow in both size and density.

The Rural Residential and Rural Farm Forest zones have historically provided the space for the majority of the new housing 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.

The build out analysis adopted by the county in Ordinance 15-2005 notes that there are 15,794 parcels in the County and within the current zoning and density patterns, the residential land capacity of the county is approximately 20,449 units.⁴⁴ As noted above, the OFM states that there are 11,514 housing units built. Therefore, without changing the density patterns within either the UGAs or rural areas there is space in the county for another 8,935⁴⁵ units.

Affordability:

In the strictest interpretation, 'affordable housing' means housing that costs no more than 30% of a household's gross income. The term, 'affordability', is interpreted in a broader sense and pertains to the ability of families of all income ranges to work and live in the same community. As a collection of islands, with no physical connection with the mainland, the issue of housing affordability, or the lack thereof, in San Juan County is one that affects the economic and social make up of the community. The local economy is marked by some significant contrasts such as the high per capita income level, relatively low wages and the high levels of income derived from transfer payments such as rents. In addition, it's clear that the local economy does not

⁴⁴ Table 29, San Juan County Comprehensive Plan, Appendix 1, Population Projections, Buildout Analysis and Land Use Inventory, November 29, 2005. P. 34.

⁴⁵ OFM determination of Housing Units in San Juan County in 2008, 11,514. 20,449 minus 11,514=8,935

support many jobs that offer sufficient pay to allow the majority of people currently renting living space to transition into home ownership.

In order to analyze both narrow and broad definitions of affordability it's necessary to review the sources and structure of personal income in the County in relation to the County's employment matrix, wage and salary trends and the manner in which all of these different elements shape the affordable housing issue.

The County's Economic Structure:

Data for analyzing the County's economic structure is available from a number of sources. Both the Washington Employment Security Department (WESD) and the US Bureau of Economic Analysis, (BEA) in particular the Pacific Northwest Regional Economic Analysis Project⁴⁶, (PNREAP) were the sources for much of the information that follows.

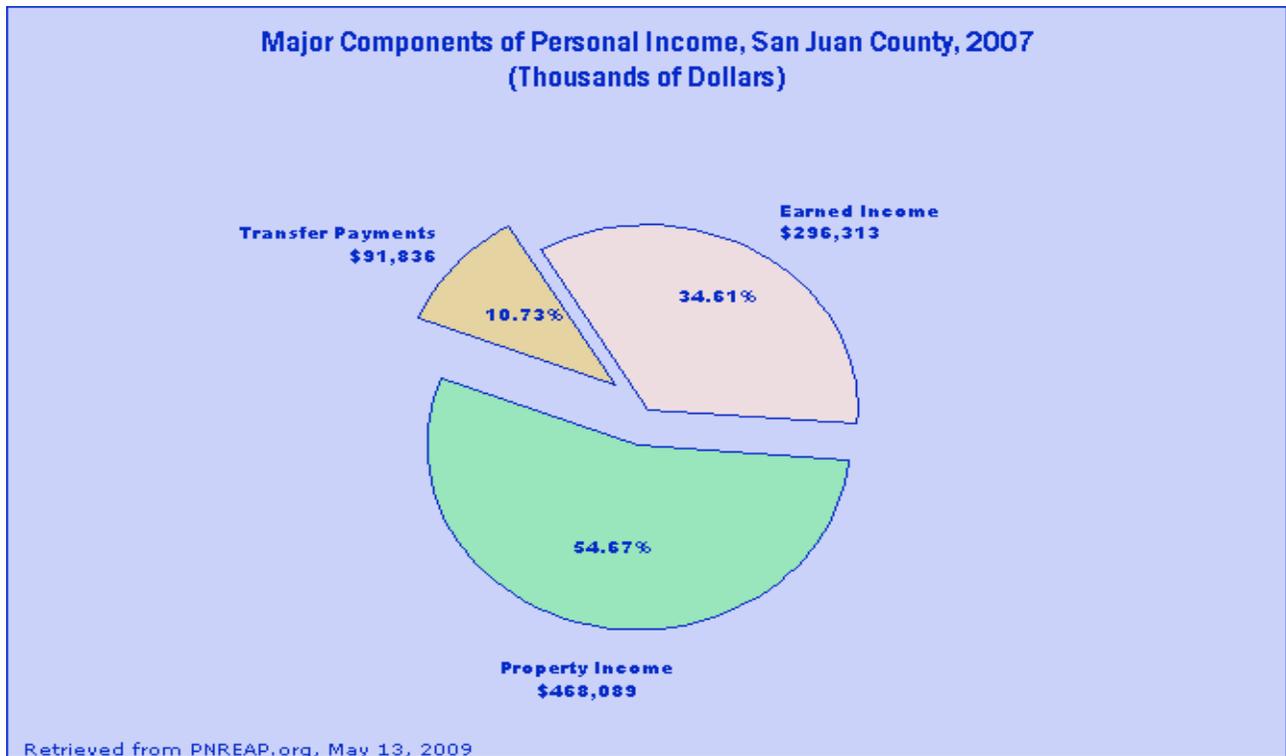
The specific dollar figures are less important than a broad based examination of the County's economic structure. This study must include an analysis of the employment matrix and the sources of personal income. PNREAP defines the three components of personal income in the following manner:

- A. Earned Income can be viewed as compensation for labor services.
- B. Property Income represents payments in the form of dividends, interest and rent for the services of capital owned by persons.
- C. Transfer payments are by definition payments that are not related to the provision of services.

The relative importance of these components in the make up of personal income in the county can be seen in Figure 5-2 below.

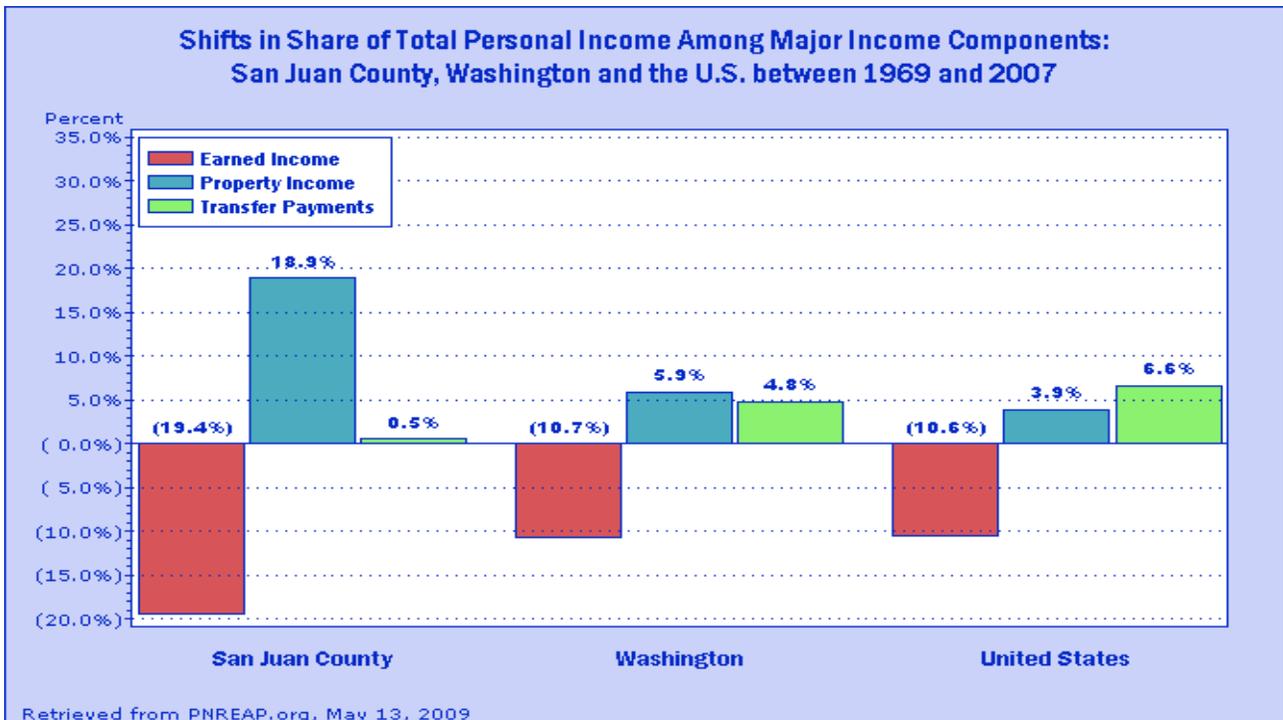
⁴⁶ The PNREAP is a subdivision of the US Bureau of Economic Analysis and has compiled historic and current data on a number of states including Washington, Idaho, Montana, Oregon and California. Please see <http://www.pnreap.org/> for further details. Reports generated through this site are non-transferable to out of date Explorer web browsers and obsolete versions of word.

Figure 5-2.



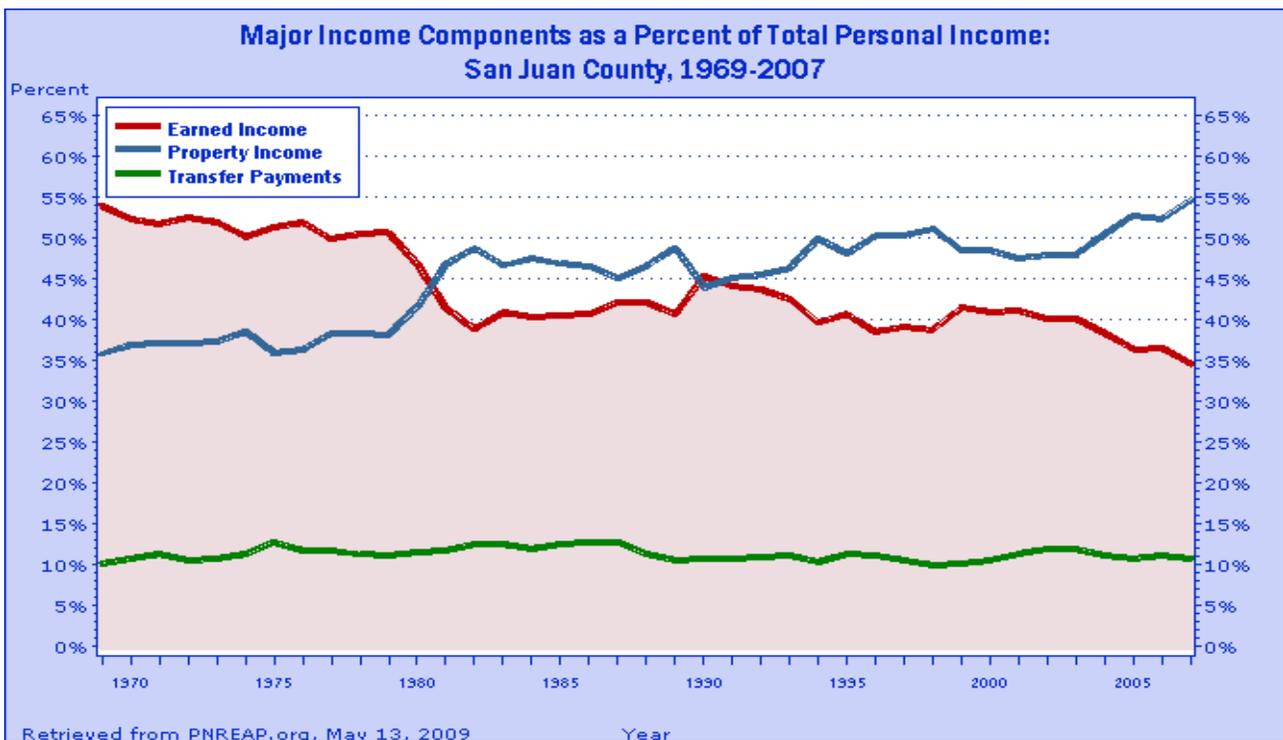
As can be seen above, the major source of income in the county is derived from the 'dividends, interest and rent for the services of capital owned by persons,' which implies that a significant portion of the residents personal income is tied to the possession of capital. The graph below shows how the relationships between the different components of income have changed over time in comparison to the same changes in both state and nation. As can be seen, in the State and Nation transfer payments increased their share only slightly over the 39 years between 1969 and 2007, in the County; however, while the role played by earned income decreased by 19.4% and property income increased its share by 18.9%. In relation to the graph below, the PNREAP notes, "When a notable increase in property income's share is observed often this associates with a county or region that experienced an influx of relatively affluent retirees." One of the most notable implications of the high rate of property income in the economy is a decreased reliance by some population sectors on earned income to cover the cost of living.

Figure 5-3.



The changes above are the aggregate results of the shifts in relative importance of each of the different components of income tracked temporally below.

Figure 5-4.



The decline of earned income relative to property income is most pronounced during the recession of the early 1980s. The beginning of the 1990s shows a brief equalization of both property and earned incomes, however, subsequent to 1995 the decline of earned income mirrors perfectly the increasing importance of property income within the local economy. The impact of the rising proportion of property income is reflected in the county's relatively high per capita income level.

THE COUNTY'S EMPLOYMENT MATRIX

Table 5-11 shows the total number of both part-time and full time jobs in the County rather than working population. The BEA estimates are based on place of work rather than place of residence.

Table 5-11.⁴⁷

San Juan County: Full and Part Time Employment ⁴⁸							
Employment by Place of Work	2001	2002	2003	2004	2005	2006	2007
Total Employment	9,925	9,763	9,998	10,248	10,436	10,592	10,592
By Type:							
Wage and Salary	5,808	5,729	5,906	6,111	6,095	6,206	6,412
Proprietors Employment	4,117	4,034	4,137	4,380	4,380	4,640	4,540
Farm Proprietors	208	209	201	197	197	193	187
Non Farm Proprietors ⁴⁹	3,909	3,825	3,891	3940	4,183	4,447	4,353
By Industry:							
Farm Employment	238	240	232	226	232	228	222
Non Farm Employment	9,687	9,523	9,766	10,022	10,276	10,644	10,730
Private Employment	8,673	8,526	8,711	8,967	9,226	9,557	9,657
Forestry, Fishing, Related Activities & Other ⁵⁰	D	D	D	D	D	D	D
Mining	D	D	D	D	D	D	D
Utilities	68	66	69	76	82	83	88
Construction	1,385	1,301	1,324	1,353	1,421	1,499	1,497
Manufacturing	344	412	D	483	470	483	482
Wholesale Trade	110	121	118	119	132	143	134

⁴⁷ From PNREAP report.

⁴⁸ The estimates for 2001-2007 are based on the 2002 North American Industry Classification System (NAICS), therefore industry estimates are not presented in this table.

⁴⁹ Excludes limited partners

⁵⁰ Not shown to avoid disclosure of confidential information

Retail Trade	973	991	978	973	959	954	948
Transportation & Warehousing	154	163	163	173	170	180	181
Information	129	106	126	154	144	136	120
Finance & Insurance	232	232	222	221	229	233	240
Real Estate & Rental & Leasing	801	745	774	701	785	822	955
Professional & Technical Services	706	669	D	D	D	D	D
Management of Companies & Enterprises	43	61	D	D	D	D	D
Administrative & Waste Services	430	459	485	559	566	588	624
Educational Services	109	114	149	162	179	185	203
Health Care & Social Assistance	431	460	467	481	487	514	531
Arts, Entertainment & Recreation	539	519	529	517	540	527	537
Accommodations & Food Services	1,313	1,233	1,276	1,302	1,283	1,295	1,364
Other Services Except Public Administration	652	660	667	713	753	760	757
Government & Govt. Enterprises	1,014	997	1,055	1,055	1,050	1,090	1,073
Federal, Civilian	66	64	66	63	64	67	66
Federal Military	52	52	53	53	50	48	47
State & Local	896	881	936	939	936	975	960
State Govt.	116	120	147	157	163	194	168
Local Govt.	780	761	789	782	773	781	792

As an initial indication of the impact of the seasonal nature of many of the jobs in the county, it should be noted that the total number of jobs in the county in 2007 (10,592) is larger than the working age population of 2008 (10,236) and 24% greater than the average annual workforce of 8,000⁵¹. One implication of this disparity is that some sectors of the population will be filling more than one job. Seasonal jobs in the county are found within the service industries and their temporary nature help to reduce the county's average wage per job. In comparing Farm Employment with Farm Proprietors it's clear that the majority of farmers in the County are unlikely to hire agricultural labor (222 jobs relative to 187 farm proprietors, a difference of 35 positions). In comparing the numbers of wage and salary earning positions (60.5% of total

⁵¹ See San Juan County Economic Almanac, 2008. See <http://www.islandway.org/almanac.htm>

jobs) to the self-employed and other employers (39.5%⁵² of total), it remains unclear in which sectors the self employed dominate. There are industry sectors that are less reliant on large scale operations to be economically viable such as some Retail Trades, Real Estate, Professional and Technical services which are likely to contain a significant portion of entrepreneurs. The majority of the employed population works for a small business that employs between 1-4 people⁵³ (72.7%). Within the private sector it's clear that Construction provided the largest number of jobs in the County in 2007. If Construction is considered together with Retail, Real Estate, as well as Accommodation and Food Services sectors, the combination makes up approximately half of the private sector jobs in the County (49.3%).

The table below shows that the value nonfarm proprietary income, which would include the self-employed as well as small business owners, was approximately 29% of the salaried and wage sector of the local economy. Table 5-12 further quantifies the importance of the dividend, interest and rent portion of the local economy.

Table 5-12.

Personal Income by Major Source and Earnings by Industry San Juan County 2006-2007 (Thousands of Dollars)		
Income by Place of Residence	2006	2007
Personal Income	\$771,095	\$856,238
Population (persons)	15,116	15,182
Per Capita Personal Income (Dollars)	\$51,012	\$56,398
Earnings by Place of Work		
Earnings by Place of Work	\$270,878	\$285,347
Less: Contrib for Govt. Social Insurance	\$34,355	\$35,965
Employee & Self-emp. For Soc. Ins.	\$17,626	\$18,818
Employer Contribs for Soc. Ins	\$16,729	\$17,147
Plus: Adjustments for Residence	\$44,991	\$46,931
Equals Net Earnings by place of Residence	\$281,514	\$296,313

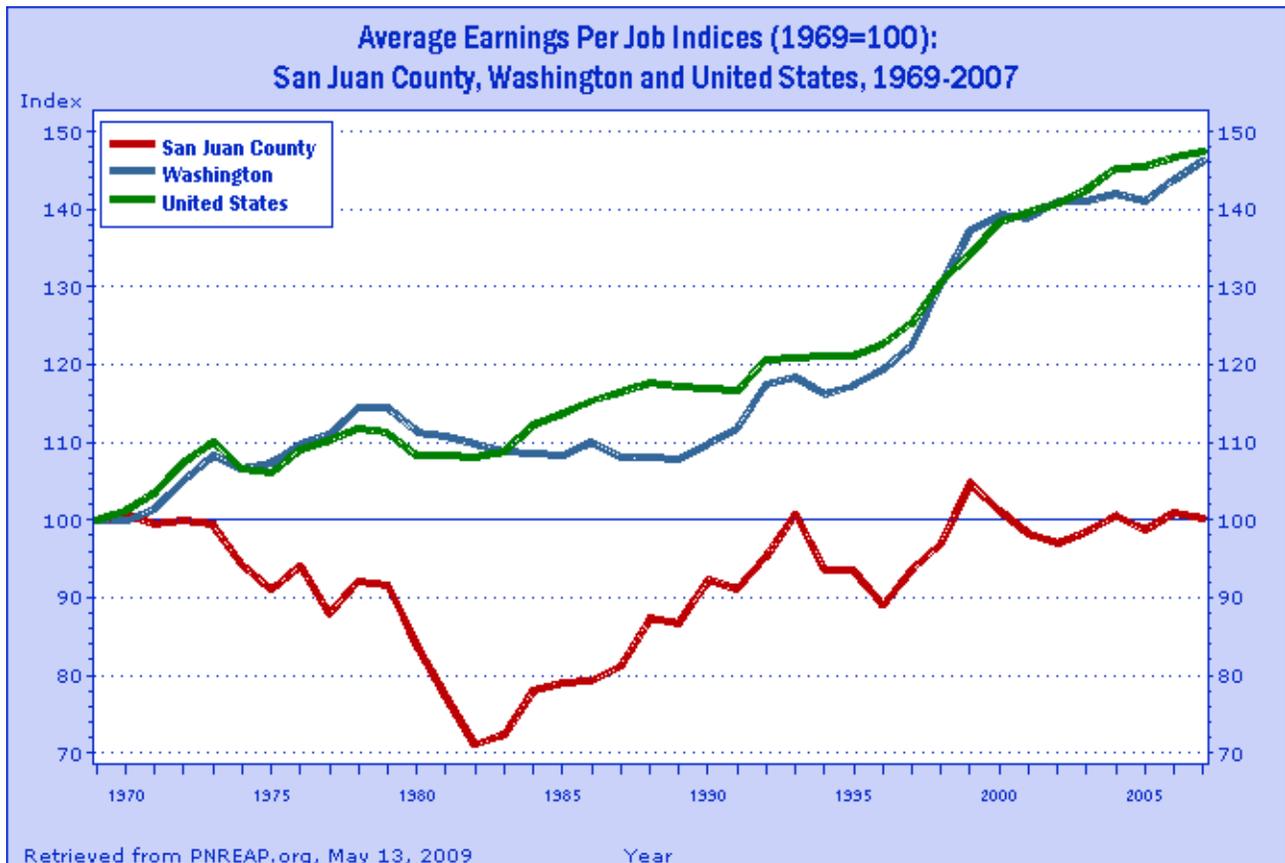
⁵² Census Quick Facts states that there are 2,410 nonemployer firms, or self employed businesses which account for approximately 22% or 957 of the non farm proprietor occupations.

⁵³ See Washington Prospector Economic Development Report, <http://www.sanjuanco.com/cdp/default.aspx?dept=CDP&listname=CompPlandHousing>

Plus: Dividends, Interest and Rent	\$403,766	\$468,089
Plus: Current Transfer Receipts	\$85,815	\$91,836
Wage and Salary Disbursements	\$177,888	\$189,382
Supplements to wages and salaries	\$39,469	\$41,299
Employer Contrib. for Pension & Ins Funds	\$22,740	\$24,152
Employer Contrib. for Govt. Soc. Ins.	\$16,729	\$17,147
Proprietors Income	\$53,521	\$54,666
Farm Proprietors Income	-316	-52
Non Farm Proprietors Income	\$53,837	\$54,718

Within the public sector, local government⁵⁴ provides almost four times as many jobs as State and Federal employers and is the fifth largest source of employment within the county.

Figure 5-5.

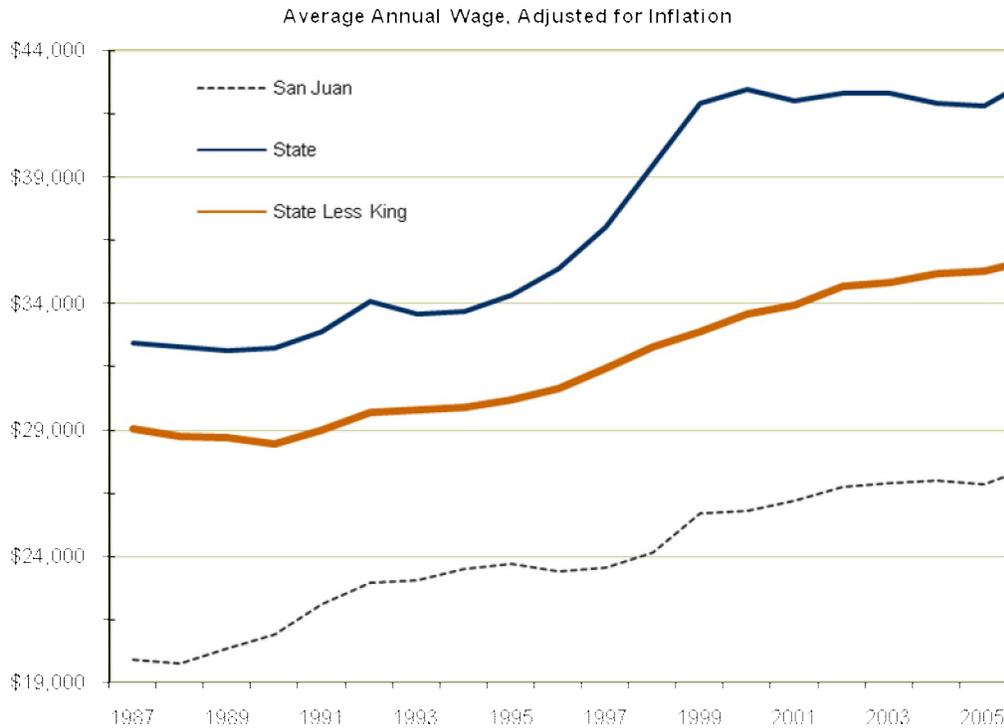


⁵⁴ This sector includes junior taxing districts, such as ports.

Figure 5-5 uses 1969 as the base year, with cumulative growth indices to measure the average earnings per job of subsequent years as percent of 1969. These indices facilitate a direct comparison of the differences in cumulative growth of average earnings per job between San Juan County, Washington, and the nation. From this graph we can see that the average real wage earnings per job in San Juan County increased by 0.3% over the 1969-2007 period. The percentage increase in the average earnings per job in both the state of Washington and the nation over the same period were 46.2% and 47.4%, respectively.

Since 1969, an already high level of property income has become the most substantial form of personal income in the County, and its predominance suggests that it may bridge the apparent contradiction between low wages and relatively high per capita and median incomes.

Figure 5-6.⁵⁵



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 5-13 below, shows that average annual wage for the county has over the past three years has been just over 30% lower than the state average and is amongst the lowest in the state (35th out of 39).

⁵⁵ Taken from the Office of Financial Management, San Juan County Profile, 2006 See <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls>

While the pay rates and wage earnings are, for most activities, among the lowest in the State, it's anomalous that per capita income in the county is relatively high, almost \$10,000⁵⁶ inflation adjusted dollars higher than either state or national rates.

Table 5-13.⁵⁷

	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

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 property income in the county is the most likely source of the per capita income and median incomes that are higher than average wage levels would suggest as probable.

Table 5-14.

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

⁵⁶ Taken from the Office of Financial Management San Juan County Profile, 2006. See <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls> Table titled Personal Income San Juan County.

⁵⁷ IBID.

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			

The fact that property income makes up 54% of the County's income, points to the declining role of traditional commerce and associated activities which, when combined with geography, can exert a downward pressure on the price of labor in the wage and salary sector. The current recession has created a large labor reserve which is likely to drive down wages and salaries over the short term. Over the long term, it's possible that future shortages of labor will push wages upwards, however, historically this has not been the case in San Juan County.

The result then, is a county that combines low wages, limited employment opportunities, low property tax levy rates, high per capita incomes and high housing costs which forms the limits of affordability within the housing market.

AFFORDABLE HOUSING:

As noted above, the definition of 'affordable housing' is living spaces that do not cost more than 30% of a family's gross income. Annually, the Department of Housing and Urban Development (HUD) announces 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.

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 2008⁵⁸.

⁵⁸ 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.

Table 5-15.

Area Median Income Household Groups ⁵⁹ per HUD Standards					
AMI Sectors	% of Income	% of SJC Households in 2000	# of SJC Households in 2008 ⁶⁰	# of SJC Households in 2025 ⁶¹	# of new Households in 2025
Very Low Income	0 to 50% of Median	23%	1,714	2,397	683
Low Income	50% to 80% of Median	16%	1,192	1,667	475
Moderate Income	80% to 95% of Median	16%	1,192	1,667	475
Middle Income	95% to 120% of Median	17%	1,267	1,771	504
Low Upper Income	120%-150% of Median	13%	969	1,355	387
Total		85%	6,334	8,857	2,524
Beyond 150%	150%+ of Median	15%	1,118	1,563	445
Total		100%	7,452	10,420	2,969

⁵⁹ See San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft, December 22, 2005, Table 12, P.15. Data derived from Census 2000.

<http://www.sanjuanco.com/CDP/docs/CompPlandHousing/Appendix%205%20Draft%20Dec%202005.pdf>

⁶⁰ Assuming that the ratios remain the same over time.

⁶¹ Assuming that the ratios remain the same.

Table 5-16.

AMI Household Groups ⁶² Spending 30+% On Housing					
AMI Sectors	% of Income	% of SJC Households in 2000	# of SJC Households in 2008 ⁶³	# of SJC Households Spending 30%+ Income for Housing	# of new Households in 2025 Spending 30+% on Housing ⁶⁴
Very Low Income	0 to 50% of Median	23%	1,714	651 38%	683 259
Low Income	50% to 80% of Median	16%	1,192	548 46%	475 218
Moderate Income	80% to 95% of Median	16%	1,192	524 44%	475 209
Middle Income	95% to 120% of Median	17%	1,267	355 28%	504 141
Low Upper Income	120%-150% of Median	13%	969	68 7%	386 27
Total		85%	6,334	2,146	2,523 854
Beyond 150%	150%+ of Median	15%	1,118	-	445

Table 5-16 shows that currently there are 2,146 or approximately 28% of all households in the County that are cost burdened. If these trends and ratios remain the same, then by 2025 there will be an additional 854 cost burdened households in the County.

The current HUD income figures for the County are below.

⁶² See San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft, December 22, 2005, Table 13, P.16. Data derived from Census 2000 and includes both rental households and home owners.

<http://www.sanjuanco.com/CDP/docs/CompPlandHousing/Appendix%205%20Draft%20Dec%202005.pdf>

⁶³ Assuming that the ratios remain the same over time.

⁶⁴ Assuming that the ratios remain the same.

Table 5-17.

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
San Juan County	\$ 65,000	Extremely Low	30%	13,650	15,600	17,550	19,500	21,060	22,620
		Very Low	50%	22,750	26,000	29,250	32,500	35,100	37,700
		Low	80%	36,400	41,600	46,800	52,000	56,160	60,320
		Moderate	95%	43,225	49,400	55,575	61,750	66,690	71,630
		Middle	120%	54,600	62,400	70,200	78,000	84,240	90,480
		Low Upper	150%	68,250	78,000	87,750	97,500	105,300	113,100

A CTED analysis of the distribution of income in the County shows that it's likely that, since the 2000 census the families falling into the very low to moderate income categories (0%-95% of Area Median Income) may have changed very little. Table 5-18 below shows that in 2008 approximately 57% of the County's households fall into the very low-moderate categories, while Table 5-15, based on 2000 Census, above shows that 55% of the County's households fall into those categories. Table 5-18 shows that the percentage of County household's earning more than 150% of the AMI has increased more than 5% since the 2000 Census and now makes up the largest income category.

Table 5-18.⁶⁵

2008 Household Income Distribution		
	Total	%
	481	6.3%
\$10-\$20K	717	9.4%
\$20-\$30K	766	10.1%
\$30-\$40K	763	10.0%
\$40-\$50K	884	11.6%
\$50-\$60K	708	9.3%
\$60-\$75K	915	12.0%
\$75-\$100K	795	10.5%
> \$100K	1,569	20.7%

If the ratios of extremely low, very low, low, moderate, middle and low upper income groups and percentages in each group that are cost burdened remain

⁶⁵ See CTED, Washington Prospector, Prospector Demographics for SJC, May 2008, at <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/CTED%20Prospector%20Demographics%20SJC.htm.pdf>

the same over the planning period, then in 2025 there will be approximately 3,000 households that may suffer some degree of housing cost burden.

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. People considered cost burdened and are likely to have difficulty paying for other essentials such as insurance, food, heating, car payments etc.

HUD, the State and the 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 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 5-19.

Maximum Affordable Housing Costs					
	2008 Median Income p.a.	Max Monthly Housing Costs per month ⁶⁶	Max Rent ⁶⁷	Max Affordable Purchase Price ⁶⁸	Shortfall to median House Price
Extremely Low	\$0- \$19,500	\$0 - \$488	\$440	\$58,500	\$504,800
Very low	\$19,500- \$32,500	\$488 - \$813	\$732	\$97,500	\$465,800
Low	\$32,500 – \$52,000	\$813 - \$1,300	\$1,170	\$156,000	\$407,300
Moderate	\$52,000- \$61,750	\$1,300 - \$1,544	\$1,390	\$185,250	\$378,050
Middle	\$61,750 – \$78,000	\$1,544 - \$1,950	\$1,755	\$234,000	\$329,300
Low Upper	\$78,000 – \$97,500	\$1,950 – \$2,438	\$2,195	\$292,500	\$270,800

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.

⁶⁶ For ownership affordability this includes house payment, taxes, insurance and utilities, for rentals it includes rent and utilities.

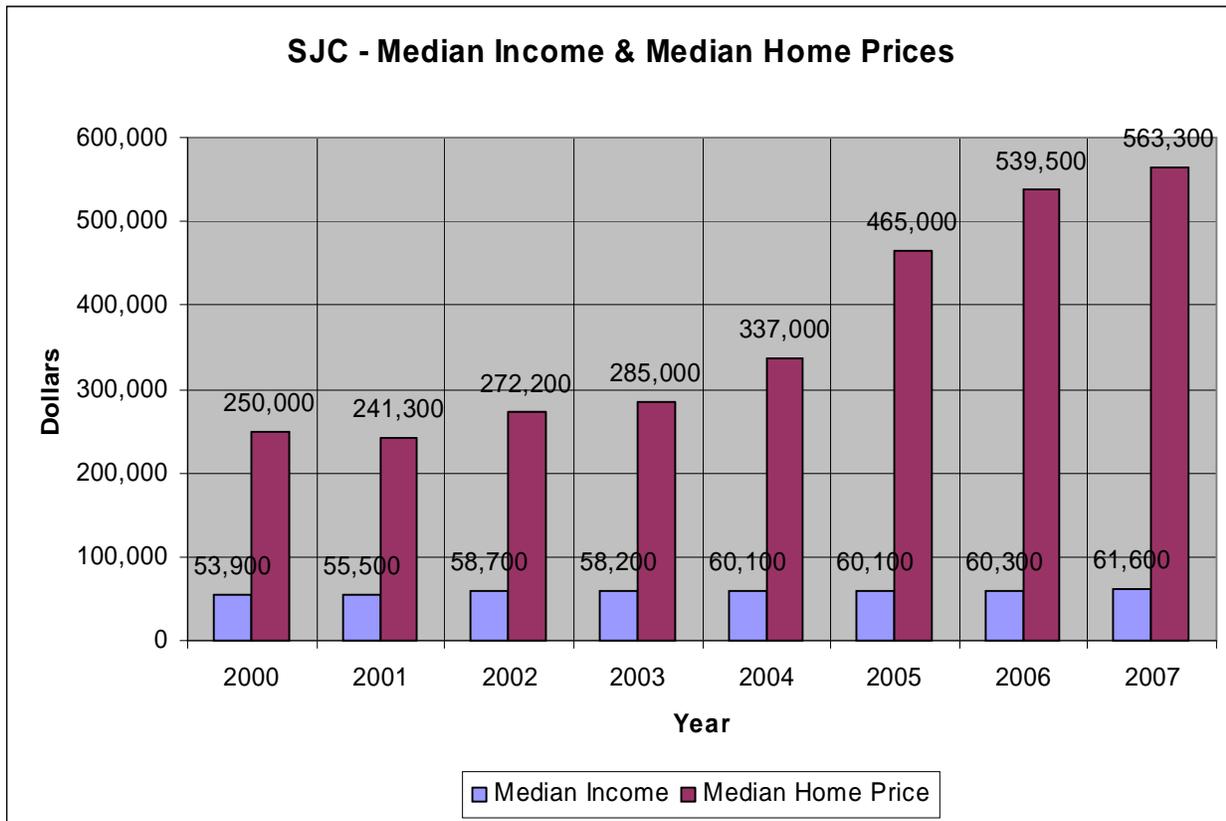
⁶⁷ Rent = 30% of income minus 10% for utilities.

⁶⁸ This is premised on acquiring a loan of no more than 3x of gross household income and a median house price of \$563,300. (Recent studies from the Washington Real Estate Research Center shows that the median house price in San Juan County for the first quarter of 2009 is \$684,000.)

Rental prices vary with the season, location and the local economy⁶⁹. In May 2009, 2-3 bedroom units, may rent for between \$1,000 and \$2,000+ approximately. Efficiencies, studios and one bedroom units were advertised for monthly rents of between \$650-\$1000. These costs suggest, that during a global economic recession, families falling within the very low to low income categories are likely to have difficulties finding affordable rentals while families in the moderate to low upper income categories are likely to find the current market rates affordable.

Figure 5-7 below, graphically displays the disparity between median wages and median home prices in the county.

Figure 5-7.



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%.

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

⁶⁹ It is almost impossible to extrapolate any long term rental trend in the County from current conditions. At this moment rents are generally lower than they were in previous years. It seems likely that they will rise again as the local economy improves.

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.⁷⁰

When analyzing the different factors that contribute to the differential between the price of homes and regional income, consideration must be given to the costs of transportation and skilled local labor. These costs alone ensure that basic 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 minimum cost of construction is approximately \$200 per square foot; and if the cost of land is included its approximately \$300 per square foot⁷¹.

In the absence of substantial personal capital, it is unlikely that households that are currently renting housing units, possess sufficient resources to move into the housing ownership market. 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.⁷² Currently the average first time home buyer can afford just ¼ of the median 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 median price of a home in the county.

In the closing months of 2008, the median house prices have dropped precipitously, however, the Washington Center of Real Estate Research report on the fourth quarter of 2008 shows that the median resale price of a home in the county is \$452,000 and is still the least affordable in the state.

RENTAL MARKET

Assessing the extent of the rental market is problematic because it encompasses a broad array of housing and rental options. CTED states that in 2008 of a total of 11,465 dwellings only 7,598 are occupied and of those only 2,019 are rentals.⁷³

⁷⁰ Glen E. Crellin. Housing Market and Housing Affordability, Washington Center for Real Estate Research, Autumn 2008. P. 4

⁷¹ Personal interview with building professionals, January 2009

⁷² See Glenn E. Crellin. Housing Market and Housing Affordability, Washington Center For Real Estate Research. Autumn, 2008. P.5. (the average first time homebuyer can afford approximately 25% of the cost of a house in San Juan County, the lowest in the state).

⁷³ See CTED Prospector Demographics SJC at

<http://www.sanjuanco.com/CDP/docs/CompPlandHousing/CTED%20Prospector%20Demographics%20SJC.htm.pdf>

Table 5-20.⁷⁴

2008 Total Number of Housing		
	Total	%
Total Dwellings	11,465	
Owner-Occupied Dwellings	5,579	73.4%
Renter-Occupied Dwellings	2,019	26.6%
Housing Units Occupied	7,598	66.3%

Beyond multifamily rental units (7.5% of the rental stock) and individual houses, there is a substantial market of rooms in shared accommodations, cabins, accessory dwelling units, converted sheds, tents, yurts and travel trailers used as permanent residences that currently house a significant portion of the low, moderate, and middle income populations. The OFM estimates that as many as 1,200 of the housing units in the County are non-traditional residences. It is assumed that the majority of the non-traditional units are rented rather than owned.

Census 2000 data⁷⁵ shows that over 12% of the County's rental households 30% of their gross household income and more for rent and over 30% paid more than 35% of their gross household incomes for rent. Assuming the CTED figures in Table 5-19 are correct then approximately 868 renter households are currently cost burdened.

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 lower prices. In 2005, it was determined that while low to moderate income families may have access to rent controlled apartments or other expressly 'affordable housing' programs, 72% of wage earning renters whose income falls into the moderate and middle income categories 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 potentially cost burdened by their housing options⁷⁶.

Within the county there are a number of different groups who have been working to provide 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. Altogether these groups have created approximately 326 housing units⁷⁷. In addition there are

⁷⁴ See CTED Prospector Demographics SJC at

<http://www.sanjuanco.com/CDP/docs/CompPlandHousing/CTED%20Prospector%20Demographics%20SJC.htm.pdf>

⁷⁵ See <http://www.sanjuanco.com/cdp/Docs/CompPlandHousing/SanJuanCountyWorkbook2006.xls>

⁷⁶ San Juan County Comprehensive Plan, Appendix 5, Housing, 2nd Draft. December 22, 2005. Table 13, P.16. See <http://www.sanjuanco.com/CDP/docs/CompPlandHousing/Appendix%205%20Draft%20Dec%202005.pdf>

⁷⁷ See Addendum 1 to this report, the San Juan County Affordable Housing Inventory.

also 198 “affordable apartments” in San Juan County that were largely constructed using United States Department of Agriculture low interest loans or Low Income Housing Tax Credits. The absence of multifamily units is worrisome, one multiunit owner stated publicly that even with the existing federal assistance programs, due to density restrictions, even in UGA’s, that it’s impossible, to build multifamily units in sufficient numbers to make them both profitable and affordable.

Land prices fluctuate over time; however, it is clear that the price of land in San Juan County is likely to remain beyond the reach of many economic sectors for the foreseeable future. This fact, in the absence of an effort to combat its negative impacts , is likely to have significant consequences on the demographic profile of the community and the county’s social fabric by hastening the growth of the already disproportionate portion of the population that are elderly and decreasing the proportion of youth and young parents.

It is misleading to presume that the proportions of the different income groups will remain constant. If housing affordable to the very low, low, moderate and middle income sectors is not available then many in those sectors simply won’t relocate to the County. That is to say, in the form of a self fulfilling prophecy, the absence of affordable housing will ensure a corresponding lack of those income sectors by 2025. If housing that is affordable to all the different income groups is not developed over the planning horizon then 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. It’s clear that the market is not capable of addressing the housing needs of many very low to middle income residents, therefore only a truly community based 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, possibly, some form of minor government intervention, must be used in order to solve 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.

Addendum 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. The homeowner typically pays a fee of \$250-\$300 per month for land lease and upkeep, in addition 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

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.
 Friday Harbor, WA 98250
 360.378-3000

Units	Type	Rent
17	1 bdrm	\$489
2	2 bdrm	\$524
0	3 bdrm	\$0
0	4 bdrm	\$0

total: 19

**USDA Rental Assistance
 Subsidized: 10** **Seniors or
 Disabled**

Harborview
 500 Tucker Ave.
 Friday Harbor, WA 98250
 360.378.3000

Units	Type	Rent
12	1 bdrm	\$547
8	2 bdrm	\$564
0	3 bdrm	\$0
0	4 bdrm	\$0

total: 20

**USDA Rental Assistance
 Subsidized: 6**

Islewood
 855 Guard Street
 Friday Harbor, WA 98250
 360.378.3000

Units	Type	Rent
10	1 bdrm	\$543
8	2 bdrm	\$480
0	3 bdrm	\$0
0	4 bdrm	\$0

total: 18

**USDA Rental Assistance
 Subsidized: 9**

Friday Harbor Village
 445 Carter Ave.
 Friday Harbor, WA 98250
 360.378.3000

Units	Type	Rent
0	1 bdrm	\$0
8	2 bdrm	\$675
12	3 bdrm	\$775
6	4 bdrm	\$825

total: 26

**USDA Rental Assistance
 Subsidized: 0**

Orcas Longhouse
 236 Prune Alley
 Eastsound, WA 98245
 360.376.2023

Units	Type	Rent
16	1 bdrm	\$378
0	2 bdrm	\$0
0	3 bdrm	\$0
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**

Addendum 2

Overview of State and Federal Programs Available to Aid the
Development of Affordable Housing

Taken from the Jefferson County/Town of Port Townsend 2006 Housing Plan
Reprinted with Permission