

COMPREHENSIVE PLAN

Appendix 5

HOUSING NEEDS ASSESSMENT

October 12, 2017 – SECOND DRAFT

APPENDIX 5

HOUSING NEEDS ASSESSMENT

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APPENDIX

1. Resolution No.13-2017 Adopting the San Juan County Affordable Housing Workgroup Strategic Action Plan.

5.1 Executive Summary

Housing is a critical element of the county's social well-being, quality of life and economic vitality, all of which are interconnected. The San Juan County Housing Needs Assessment provides the foundation upon which the Comprehensive Plan goals, policies and strategic actions are developed. It will also influence the goals and policies of other Comprehensive Plan elements helping to ensure the vitality and character of established residential neighborhoods, encourage the availability of affordable housing to all economic segments of the population, promote a variety of residential densities and housing types, and encourage preservation of the existing housing stock.

State Overview

Although Washington State's economy is currently strong and growing, housing availability and affordability is one of Washington State's most challenging issues. Washington is the third most expensive state in the nation. Home purchase prices are growing. The State's rental vacancy rates are below average. According to the American Community Survey, this rate was 3.3 percent in 2015 compared to 5.8 percent in 2010. According to the *State of Washington Housing Needs Assessment, January 2015*, cost burden is a large and growing problem for middle and lower-income families in Washington. Many are severely cost burdened. Increasingly, affordability has become a driver of homelessness in the state.

San Juan County is not alone in facing major housing challenges given State trends. In addition, San Juan County faces challenges and needs because it is an island community with island-specific needs, has a predominate service sector economy, experiences seasonal economic swings, and has large elderly, seasonal and recreational populations.

KEY ISSUES AND TRENDS

Population Growth

- The County's population is steadily increasing and aging.
- It is expected to increase by 3,109 people (19 percent) by 2036 based on the maintenance of the County's proportionate share of the State's population, primarily driven by migration.
- Population is aging and shows a diminished presence of 20 to 40 year olds compared to the State. The Office of Financial Management predicts that nearly 45 percent of the County's population will be 60 or older by the year 2030, a 3 percent increase from 2016.

Housing Units Needed by 2036

- It is estimated an additional 1,524 housing units will be needed to accommodate future population growth based on the 2036 population projection
- A total of 2,377 new housing units might be needed to meet the 2036 housing needs for both permanent residents and seasonal residents.
- Additional units outside of these projections will be needed to relieve financial pressure on cost-burdened households currently living in the County.

Income and Cost Burden

- San Juan County's per capita income is the second highest in the State at \$60,489, but the average annual wage is well below the State average at \$33,890.
- The number of households making \$100,000 a year or more are increasing in the County while those making between \$50,000 and \$99,999 are on the decline.
- If the County maintains its current distribution of household income, 3,728 households living in the County would be expected to meet low income by HUD guidelines in 2036.
- Of the full time households in San Juan County, 40 percent have income considered either low, very low or extremely low according to HUD's guidelines.
- According to the *2015 Washington State House Needs Assessment*, there are 3,100 cost-burdened households in San Juan County. The U.S. Department of Housing and Urban Development defines cost-burdened households as families paying over 30 percent of their monthly income for housing, and those paying over 50 percent of their monthly income are considered severely cost-burdened. From 2010 to 2015, the percentage of cost-burdened households in nearly every income bracket has increased.
- According to the September 2016 United Way ALICE Report, 11 percent of the County population lives below the Federal Poverty Level. Another 22 percent of households in San Juan County earn above the Federal Poverty Level, but not enough to afford a basic household budget of housing, childcare, food, transportation, and health care.

Employment

- Employment participation in the County is declining as the median age increases.
- The labor force of the County is shrinking and employment in San Juan County is heavily seasonal. Unemployment rates typically fluctuate up to 3 percent between their low point in January and the high in August.
- One third of workers are employed in low wage jobs in the accommodation, food services, or retail trade fields.
- The combination of low wage employment, the lack of affordable/available housing and high cost of living weighs against the in-migration of younger people with limited personal capital and favors affluent older people with greater personal capital.

Housing Inventory and Occupancy

- Development of new housing units has declined since the 1990's, and development has continued to slow since the recession of 2009.
- San Juan County shows a lack of diversity of housing types with few multi-family units. In 2015, 84 percent of structures in the County were 1-unit detached structures, as opposed to 63 percent statewide. Only 3.4 percent of the structures in the County consist of five or more units, compared to 19.5 percent statewide.
- No new multi-family unit permits were issued from 2009-2015.
- There is no apparent shortage of housing units in the County. However, despite there being 1 housing unit for every 1.2 residents, there was a 2015 shortage of available housing due to 43.4 percent of housing units being vacant units, compared to 9.3 percent of housing units in Washington State which are considered vacant.

- Only 16 percent of the County's total housing inventory is renter occupied compared to 34 percent statewide.
- The majority of vacant housing units in the County are categorized "For seasonal, recreational or occasional use."
- From 2000-2010, 56 percent of all new housing units were built for or converted to housing being used for seasonal, recreational or occasional use.
- From 2000-2010, roughly 21 housing units per year were converted from owner-occupied to vacant units.

Homelessness

- The 2017 Point in Time Count recorded the highest number of individuals considered homeless or at risk of homelessness residing in the County since the inception of the count.
- The highest percentage of respondents during the 2017 count were those living in substandard structures including recreational vehicles, trailers or tents.

Housing Stock Age and Condition

- Many of the County's housing units (45 percent) were built after 1990.
- Only 19 percent were built before 1970.
- The number of occupied housing units lacking complete plumbing facilities and/or complete kitchen facilities have increased.
- San Juan County has seen an increase in occupied housing units lacking complete plumbing facilities and/or complete kitchen facilities. Information on substandard housing in the County is incomplete but local Family Resource Centers have experienced an increase in people seeking services who are living in substandard housing.

Vacation Rentals

- The number of vacation rentals in the County has steadily increased since the year 2000, making up 7 percent of the total housing stock in 2015.
- From 2005-2010, there were 5.5 new dwelling units created in the County for every vacation rental permit issued per year.
- From 2011-2016 there were only 2.18 new dwelling units per vacation rental permit.
- The decline in new construction appears to be more of a factor than vacation rentals on housing supply and availability.

Rental Housing

- Renter-occupied housing units make up 16 percent of the houses in San Juan County, roughly 50 percent less than the ratio in the rest of Washington.
- One fourth of all rental units in the County cost \$1,250 or more a month.
- For households in the County making \$50,000 or less, there exists only one affordable rental unit for every 2.7 households.
- Rental housing in the County can be volatile and it is affected by seasonal economic shifts due to tourism and part-time residents.

Median Home Values

- The median home price in San Juan County has risen every year since 2012 and is currently 30 percent higher than the rest of Washington State.
- The median resale price of homes in the County in the first quarter of 2017 was \$453,100, 30 percent higher than the rest of Washington State.
- Home prices in San Juan County have risen every year since 2012 and appear to be uncorrelated to median wages. This implies that economic forces outside of the local County economy drive housing demand in the County.
- Only 22 percent of owner-occupied houses in San Juan County are valued between \$100,000 to \$300,000, compared to 50 percent in the rest of Washington State.
- There is a gap of nearly \$170,000 between what the average house in San Juan County sells for and what the average San Juan County family can afford.

Affordable Housing

- The County's 2017 Area Median Income as defined by HUD is \$67,600.
- There is a gap of nearly \$170,000 between what the County considers an affordable house for those making the Area Median Income and the median resale price of a home in the County.
- Only eighteen percent of houses in the County are valued at a price that is considered affordable to the 46 percent of households making \$50,000 or less.
- Approximately 3,728 households that are considered low income or below by HUD standards are projected to be living in San Juan County in the year 2036.

Housing Affordability Index

- According to the Washington Center for Real Estate Research Housing Affordability Index, housing in San Juan County is the least affordable in the State.
- San Juan County's Housing Affordability Index was 44.5 points lower than the rest of the State in 2017.
- Housing affordability has steadily declined in the County since 2012.
- First time homebuyers are particularly disadvantaged in the housing market due to the personal capital needed in order to afford a down payment for an average price home.
- Despite being considerably less affordable than the rest of Washington State, fluctuations in the affordability index of San Juan County since 2008 show a correlation with the State's housing market as a whole.

Housing Costs

- There were 3,100 cost-burdened households in San Juan County in 2015, and 3,713 are projected to live in the County by 2036.
- From 2000 to 2010, the percentage of cost-burdened households increased in nearly every income bracket in San Juan County.
- The lack of affordable housing options affects nearly every income bracket.
- It is becoming more common for middle and moderate-income households to become cost-burdened by housing.

Needs and Projections

Availability and affordability are the County's most pressing housing issues. The lack of affordable housing units in San Juan County combined with a significant percentage of housing stock made up of occasional or recreational use second homes makes estimating the future housing needs of San Juan County difficult.

Based solely on the approved projected population increase of 3,109 people by 2036, it is estimated that 1,524 additional housing units will be needed to accommodate this growth. Of these units, 809 are projected to be constructed in Urban Growth Areas. Approximately 1,097 of these units will need to be for owner-occupied housing and 428 for renter-occupied.

Additionally of those 1,524 units, it is projected that by 2036 the County will need:

- 333 units for those making 50 percent of the Area Median Income (AMI) or less,
- 424 units for those making between 50 to 100 percent of the AMI, and
- 767 units for those making above 100 percent of the AMI.

Another way of estimating future needs is to look at the occupancy of new housing units created in the County from 2000-2010. Of these, 56 percent were used for seasonal, recreational or occasional use in 2010. A projection of future housing needs must acknowledge that over half of all new housing created in the County will not be for full time owner or renter occupied housing.

Assuming that the 56 percent of all new housing units will be built for seasonal, recreational or occasional use, an additional 853 housing units (1,524 X 56 percent) would be needed to satisfy demand for seasonal or recreational use. This means that a total of 2,377 new housing units might be needed to meet the 2036 housing needs for both permanent residents and seasonal residents.

There are projected to be 3,728 low income or below households living in San Juan County by 2036, and 1,809 households who are considered severely cost-burdened.

Home prices fluctuate over time; however, it is clear that the price of homes in San Juan County is likely to remain beyond the reach of many economic sectors for the near 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. It could hasten the growth of the already disproportionate demographic that are elderly and decrease the proportion of youth and young parents.

It cannot be presumed that the proportions of the different income groups will remain constant over the planning horizon. If affordable housing for the very low, low, moderate and middle-income sectors is not available then many people in those sectors simply will not remain in, or relocate to the County.

The absence of affordable housing will ensure a corresponding lack of diverse income sectors by 2036. If housing that is affordable to all the different income groups is not developed over the planning horizon 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.

5.2 Introduction

RCW 36.70A.070 (2) details the mandatory requirements of the Comprehensive Plan Housing Element. The Housing Needs Assessment is one piece of the 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 purpose of this Housing Needs Assessment (HNA) is to evaluate the current stock of housing in the County. The HNA will evaluate the County's ability to meet future housing needs and to maintain the vitality and character of established residential neighborhoods. Another function of the HNA is encouraging the availability of affordable housing to all economic segments of the population. Housing costs are generally the single largest household expenditure for Washington residents.

The unique geography and economy of San Juan County can make solving housing problems more complicated than other areas of our State. San Juan County lacks the infrastructure of urban areas and has the additional difficulty of the Salish Sea dividing the County into smaller community units, which can prevent economies of scale.

The housing market in San Juan County is also driven by regional economic factors that can be difficult to address at the local level. This Housing Needs Assessment attempts to analyze the supply and demand factors affecting local housing, and engage with the following questions:

1. Is the current housing stock appropriate and affordable for current residents?
2. Is housing accessible for future residents housing needs?

This document uses a wide array of data sources in an effort to understand fully the many factors affecting housing in San Juan County. Some data is available going back 40 or 50 years, while other data sources are relatively new with limited historical data available.

The primary data sources used in the Housing Needs Assessment are from the:

- U.S. Census Bureau, including both the Decennial Census and the U.S. Census Bureau's American Community Survey (ACS),
- Washington Regional Economic Analysis Project (WA-REAP),
- Office of Financial Management (OFM),
- U.S. Department of Housing and Urban Development (HUD),
- Runstad Center for Real Estate Studies, and
- 2015 Washington State Housing Needs Assessment.

The ACS is a nationwide confidential survey conducted annually by the Census Bureau starting in 2005. Beginning in 2010, the ACS began to produce 5-year estimates for geographic areas with populations under 20,000. ACS data is not directly comparable to the Decennial Census as the ACS is an aggregate of data over a 5-year period.

5.3 Demographics

5.3.1 Population Trends and Projections

The population of the County in 2016 was approximately 16,314 people and is estimated to reach 19,423 by 2036. This represents an increase of about 19 percent or 3,109 people, or 1,524 households, based on 2.04 persons per household.¹

Population change is primarily driven by two factors:

1. Natural increase (births minus deaths); and
2. Net migration (in-migration minus out-migration).

The difference between births and deaths is considered the natural component of population change. The difference between in-migration and out-migration is considered the migration component of population change.

Both the natural and migration components of population change are tied to the community's demographic profile. Internal factors or population characteristics, such as the gender and age distribution of the community directly affect the rates of natural increase. External or social factors such as employment, housing, community facilities and education opportunities contribute to migration rates.

Table 5-1 shows the breakdown of the projected population increase by island. This projection is based on the maintenance of the County's proportionate share of the State's population. For the past 36 years, the County has retained a consistent share of the State population while the average annual increase rates are volatile and inconsistent from decade to decade. San Juan

¹ See <http://www.sanjuanco.com/DocumentCenter/View/11843>

County has averaged a 0.23 percent proportionate share of the Washington State Population since 1970.

Migration rather than natural increase is the source of the County’s population growth. The unpredictability of migration fosters variable average annual growth rates. The County’s population as a share of the State’s population has remained consistent since the 1980’s despite significant swings in migratory patterns. Additionally, each island’s share of the County’s population has been stable since the 1990 census.

With an average household size of 2.04, a population increase of 3,109 people will require the development of approximately 1,524 housing units Countywide or roughly 76 new units annually. The projected Housing Units needed in the Orcas and Lopez Urban Growth Areas (UGAs) is based on the premise that 50 percent of future development will occur within the respective UGA’s.

Table 5-1. San Juan County Population and Housing Units 2036 Projection.

Island	2016 Population	% Population By Island (2016)	2036 Population By Island	% Population By Island (2036)	Pop Growth by Island	Total # New Housing Units**	Housing Units UGA
San Juan Island (unincorp.)*	5,560	34.1%	6,146	31.6%	586	287	-
Friday Harbor	2,250	13.8%	3,152	16.2%	902	442	442
San Juan Island Subtotal	7,810	47.9%	9,298	47.9%	1,488	729	442
Orcas	5,395	33.1%	6,423	33.1%	1,028	504	252
Lopez	2,466	15.1%	2,936	15.1%	470	230	115
Shaw	241	1.5%	287	1.5%	46	23	0
Total Ferry Served Islands	15,912	97.5%	18,944	97.5%	3,032	1,486	809
Total Non-Ferry Served	402	2.5%	479	2.5%	77	38	0
Total	16,314	100.0%	19,423	100.0%	3,109	1,524	809

Source: U.S. Census, OFM annual estimate. 1.7 percent annual population growth rate attributed to the Town of Friday Harbor from personal correspondence with the Town of Friday Harbor’s Land Use Administrator, Mike Bertrand, on March 9, 2017.

The Office of Financial Management (OFM) identifies the 5-year cohorts used in the medium projection in Table 5-2. This data shows that 58 percent of the County population is over the age 50. Conversely, OFM data shows that approximately 34 percent of the State’s population is over the age of 50. Table 5-2 also shows the County has a diminished presence of people between the ages of 20 and 40. In Washington, 20 to 40 year olds make up approximately 28 percent of the population. In San Juan County, they make up 16 percent².

Demographic data compiled from federal data sources including the Bureau of Economic Analysis, Bureau of the Census, American Community Survey office, U.S. Department of Commerce, Bureau of Labor Statistics and U.S. Department of Labor by the Economic Profile System reveal the following attributes of the County’s population:

² OFM: Forecast of State population by age and sex; November 2016

- The median age of the County’s population changed from 47 in 2000 to 54 in 2015. Half of the County’s population is now over 54 years old, and 63 percent is over the age of 45. The median age of the State is 37.
- The County’s population is highly educated. Approximately 46.6 percent of the population have attained a bachelor’s degree or higher. By contrast, approximately 32.9 percent of the State’s population have achieved the same level of education.³
- San Juan County is the smallest county in Washington by total landmass.
- Data from the Office of the Superintendent for Public Instruction (OSPI), corrected to eliminate distortion by Orcas Island School District’s OASIS program, shows that enrollments in the school districts on San Juan, Orcas and Lopez Islands has declined at an annual average rate of -1.6, -2.6, and -0.45 respectively between 2005 and 2016. This is consistent with populations whose median age is increasing and negative natural increase.

Table 5-2. OFM Population Projection by 4 Year Age Cohort.

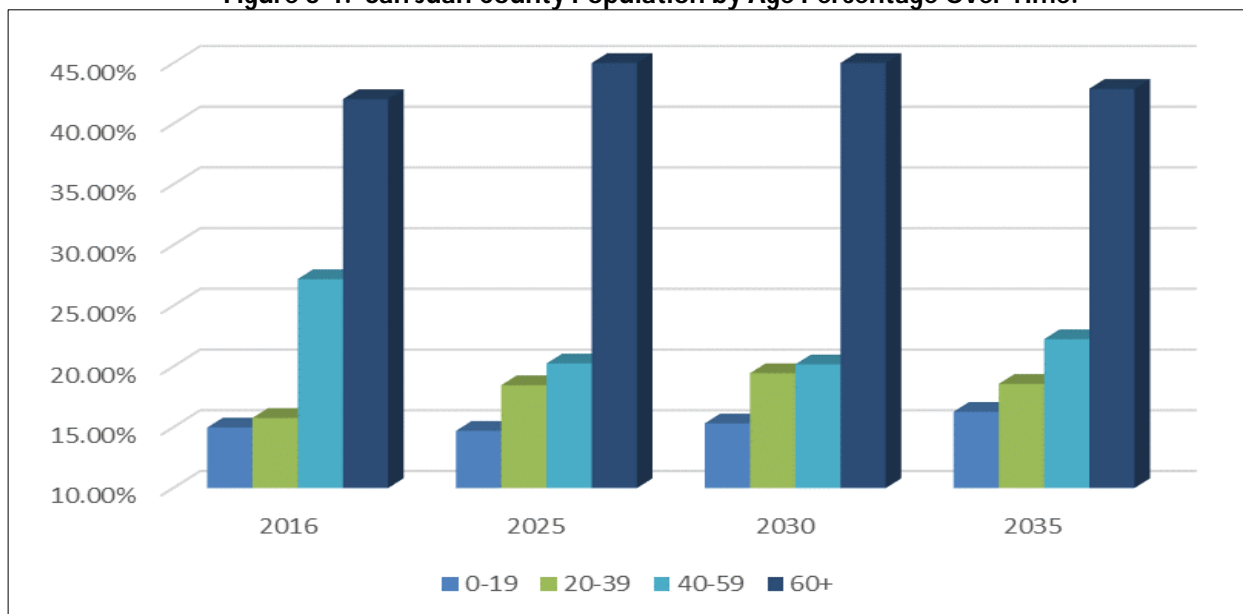
	2016	2025	2030	2035
Age	Total	Total	Total	Total
	16,320	16,606	16,939	17,216
0-4	459	600	632	642
5-9	580	619	676	710
10-14	710	601	686	758
15-19	697	623	602	693
20-24	627	614	587	577
25-29	552	767	717	664
30-34	653	926	944	880
35-39	743	761	1,048	1,078
40-44	812	746	846	1,150
45-49	961	763	794	896
50-54	1,170	856	820	857
55-59	1,497	999	958	929
60-64	1,781	1,412	1,109	1,071
65-69	1,848	1,665	1,428	1,121
70-74	1,349	1,686	1,561	1,370
75-79	842	1,438	1,478	1,403
80-84	517	875	1,149	1,198
85+	522	655	904	1,219

Source: WA OFM GMA 2012 Intermediate Projections

Figure 5-1 presents the projected arc of the age of the County’s population over time according to the OFM intermediate projections. The OFM projects the 60+ population demographic to plateau around 2025 and then slowly to begin to recede.

³ Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

Figure 5-1. San Juan County Population by Age Percentage Over Time.



Source: WA OFM GMA 2012 Intermediate Projections

The migration component of population change is more volatile than the natural component. Major economic, social, climate or national changes can generate spurts and slowdowns in migration that are difficult to predict. Uncertainty about the pace and nature of economic recovery, property costs, and the availability of medical services may affect County migration trends in the future.

The combination of low wage employment in the seasonal service and recreation sectors (see Figure 5-7), and lack of affordable housing (see Tables 5-10, 5-11, and 5-12) weighs against the in-migration of younger people with limited personal capital and favors affluent older people with greater personal capital. This characteristic is reflected in the age of the County's population.

Based solely on population projection, it is estimated that an additional 1,524 housing units will be needed to accommodate future population growth, 809 of which are projected to be constructed in Urban Growth Areas (see Table 5-1).

Based on trends shown in HUD's Comprehensive Housing Affordability Strategy data⁴, 1,097 of these units will need to be for owner-occupied housing and 428 for renter-occupied. Additionally, this data shows that 333 of these new units will need to serve households making 50 percent of the Area Median Income (AMI) or less, 424 for those making between 50 to 100 percent of the AMI, and 767 for those making above 100 percent of the AMI (see Table 5-3).

If the County maintains its current distribution of household income, 3,728 households would be expected to be living in the County in 2036 that are considered low income by HUD guidelines (see Section 5.5.2, Table 5-11).

⁴ <https://www.huduser.gov/portal/datasets/cp.html>

Table 5-3. 2036 Housing Units Projection by Income Distribution.

	Owner Occupied Units Needed	Renter Occupied Units Needed	Total
Household Income <= 30% HAMFI ⁵	66	99	165
Household Income >30% to <=50% HAMFI	95	73	168
Household Income >50% to <=80% HAMFI	171	92	263
Household Income >80% to <=100% HAMFI	119	42	161
Household Income >100% HAMFI	645	121	767
Total	1,097	427	1,524

Source: HUD Comprehensive Housing Affordability Strategy Data 2010-2014, SJC 2036 Population Projection

However, this does not take into account the rate at which housing units in the County are being built or converted to non-owner-occupied units. Of the 3,561 new housing units created in the County from 2000-2010, 56 percent were built for or converted to housing categorized as being used for seasonal, recreational or occasional use in 2010 (see Table 5-7).

Assuming that the 56 percent of all new housing units will be built for seasonal, recreational or occasional use, an additional 853 housing units (1,524 X 56 percent) would be needed to satisfy demand for seasonal or recreational use. This means that a total of 2,377 new housing units might be needed to meet the 2036 housing needs for both permanent residents and seasonal residents.

Given the 2000-2010 data trend, if 1,524 housing units were built by the private market over the planning horizon, 853 (2,377 – 1,524) units represent how many units would be expected to be built for seasonal, recreational or occasional use (or units from the current owner/renter occupied stock which are converted to seasonal/ recreational/occasional use).

These numbers speak solely to satisfying the housing demand of future population growth, and do not address the need for affordable housing that currently exists (see Table 5-13, Figure 5-22). It is difficult to estimate the number of units needed to satisfy the current need for affordable housing in the County.

There are estimated to be 3,713 cost-burdened households (those paying greater than 30 percent of their monthly gross income to housing costs) in San Juan County by 2036, and 1,809 severely cost-burdened households (those paying greater than 50 percent). Additional affordable housing units outside of the 2,377 target will need to be built to address this issue. See Section 5.5 for a further discussion of affordable housing needs in the County.

KEY ISSUES:

- Population is expected to increase by 3,109 people by 2036, primarily driven by migration.
- Population is aging and shows a diminished presence of 20 to 40 year olds compared to the State.
- It is estimated an additional 1,524 housing units will be needed to accommodate future population growth.

⁵ *HAMFI- HUD Area Median Family Income, see Table 5-9

- A total of 2,377 new housing units might be needed to meet the 2036 housing needs for both permanent residents and seasonal residents.

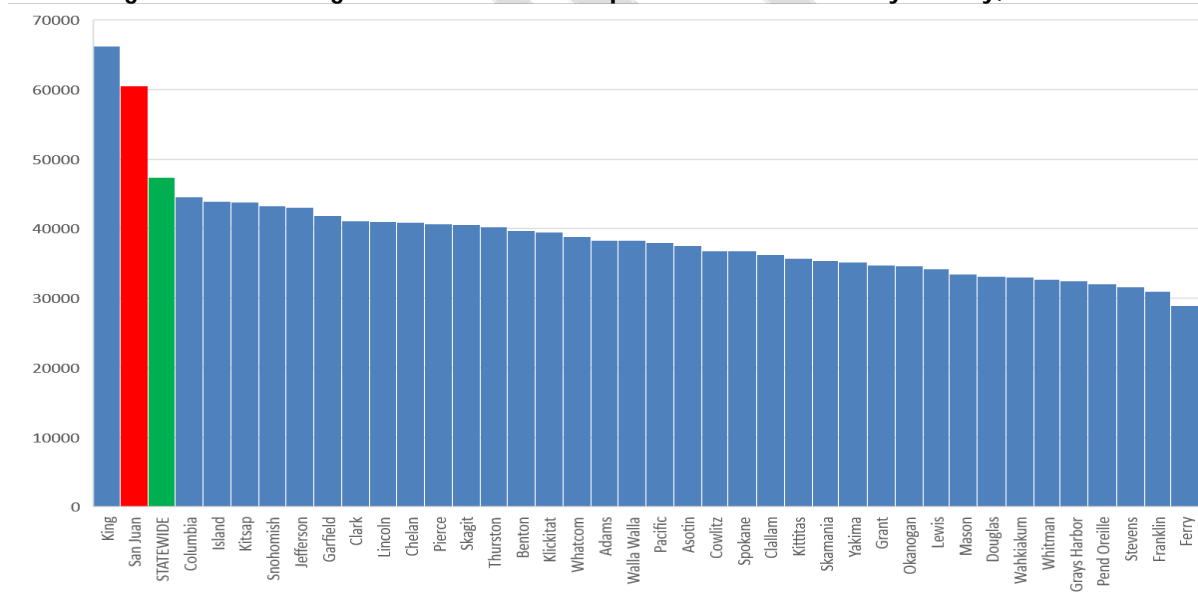
5.3.2 Income and Economic Structure

The purpose of this Section is to describe the current economic landscape of San Juan County and promote a better understanding of the economic factors that influence the County housing market.

Figure 5-2. depicts the Real Per Capita Personal Income for San Juan County compared to counties around the State. San Juan County's Real Per Capita Personal Income in 2015 was \$60,489, the second highest in Washington State after King County. The statewide average for 2015 was \$47,381.

The County's Real Per Capita Personal Income may be misleading due to the high proportion of retirees in the community. The average annual wage in San Juan County for 2016 was \$33,890⁶, which Figure 5-3 shows is well below the State average.

Figure 5-2. Washington State Real⁷ Per Capita Personal Income by County, 2015⁸



Source: Calculations by the Washington Regional Economic Analysis Project (WA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis

⁶ Washington State Dept. of Employment Security San Juan County Data Tables

⁷ Real per capita personal income determined using the Chain-Weight Implicit Price Deflator for Personal Consumption (2009=1.00).

⁸ In 2015 Constant Dollars

Figure 5-3. Average Annual Wage, Adjusted for Inflation, 1987 – 2015

Source: Washington State Dept. of Employment Security San Juan County Data Tables

Table 5-4 shows the change in household income and benefits brackets from the 2006-2010 American Community Survey period to 2011-2015. Over this period, the percent of households making less than \$25,000 remained relatively stable while households making \$25,000 to \$75,000 declined by 1.9 percent. Households making above \$75,000 increased by 2.0 percent.

According to the September 2016 United Way ALICE Report⁹, 11 percent of the County population lives below the Federal Poverty Level (FPL). Another 22 percent of households in San Juan County earn above the Federal Poverty Level (FPL), but not enough to afford a basic household budget of housing, childcare, food, transportation, and health care. This report indicates that a single individual would need to make \$20,820 annually, and a family of four with one infant and one preschooler would need to make \$57,864 annually just to survive on a bare-minimum budget without leaving anything for savings.

⁹ http://www.unitedwayalice.org/documents/15UW%20ALICE%20Report_PNW_Lowres_10.27.16.pdf

Table 5-4. San Juan County Income and Benefits.

	2006-2010 Estimates ¹⁰	2011-2015 Estimates ¹¹
Total households¹²	7,986	7,708
Less than \$10,000	4.4%	5.7%
\$10,000 to \$14,999	5.5%	5.0%
\$15,000 to \$24,999	10.6%	9.7%
\$25,000 to \$34,999	10.4%	10.6%
\$35,000 to \$49,999	13.8%	14.9%
\$50,000 to \$74,999	21.6%	18.4%
\$75,000 to \$99,999	13.8%	12.0%
\$100,000 to \$149,999	11.1%	12.5%
\$150,000 to \$199,999	3.3%	4.9%
\$200,000 or more	5.4%	6.2%
Median household income (dollars)	55,238	55,960
Mean household income (dollars)	77,120	80,794

Source: U.S. Census Bureau, 2006-2015 American Community Survey 5-Year Estimates

The majority of income in San Juan County is earned through property income. Figure 5-4 delineates personal income in the County into three types. Earned Income can be viewed as compensation for labor services. Property Income represents payments in the form of dividends, interest and rent for the services of capital. In contrast to the other two components of income, Transfer Payments are by definition payments that are not related to the provision of services. Transfer Payments are payments received from things such as Social Security, Disability Payments, medical payments from Medicare and Medicaid, Family Assistance, Food Stamps, Supplemental Security Income, Unemployment Insurance Payments, and Veterans Benefits Payments. Property Income made up 53.8 percent of the total personal income in the County in 2015, compared to 20.9 percent for Washington State and 18.8 percent nationally. In combination, Property Income and Transfer Payments amounted to 68.8 percent (53.8 percent + 15.0 percent) of San Juan County's personal income in 2015.¹³

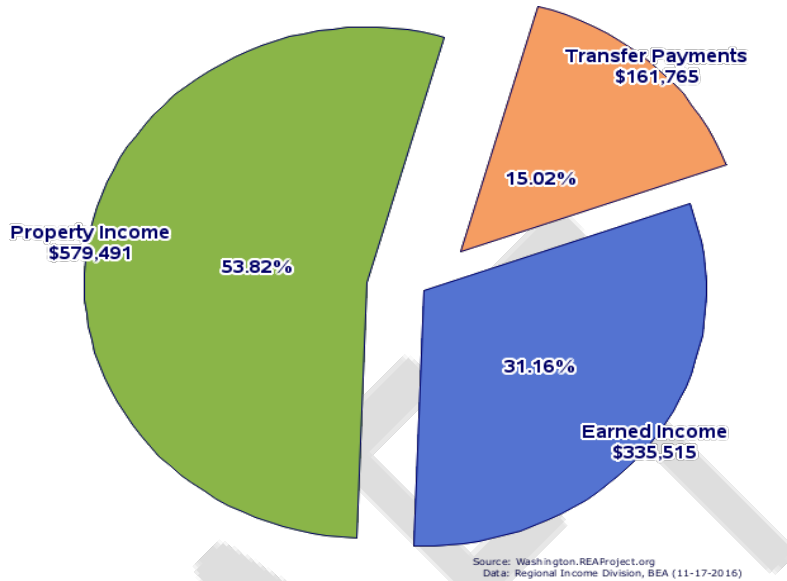
¹⁰ In 2010 Inflation Adjusted Dollars.

¹¹ In 2015 Inflation Adjusted Dollars.

¹² A family consists of a householder and one or more other people living in the same household who are related to the householder by birth, marriage, or adoption. All people in a household who are related to the householder are regarded as members of his or her family. A family household may contain people not related to the householder, but those people are not included as part of the householder's family in tabulations. Thus, the number of family households is equal to the number of families, but family households may include more members than do families. A household can contain only one family for purposes of tabulations. Not all households contain families since a household may be comprised of a group of unrelated people or of one person living alone - these are called nonfamily households. Source: ACS 2013 Subject Definitions.

¹³ Source: Washington.REAproject.org

Figure 5-4. Major Components of Total Personal Income, San Juan County, 2015 (Thousands of Dollars)



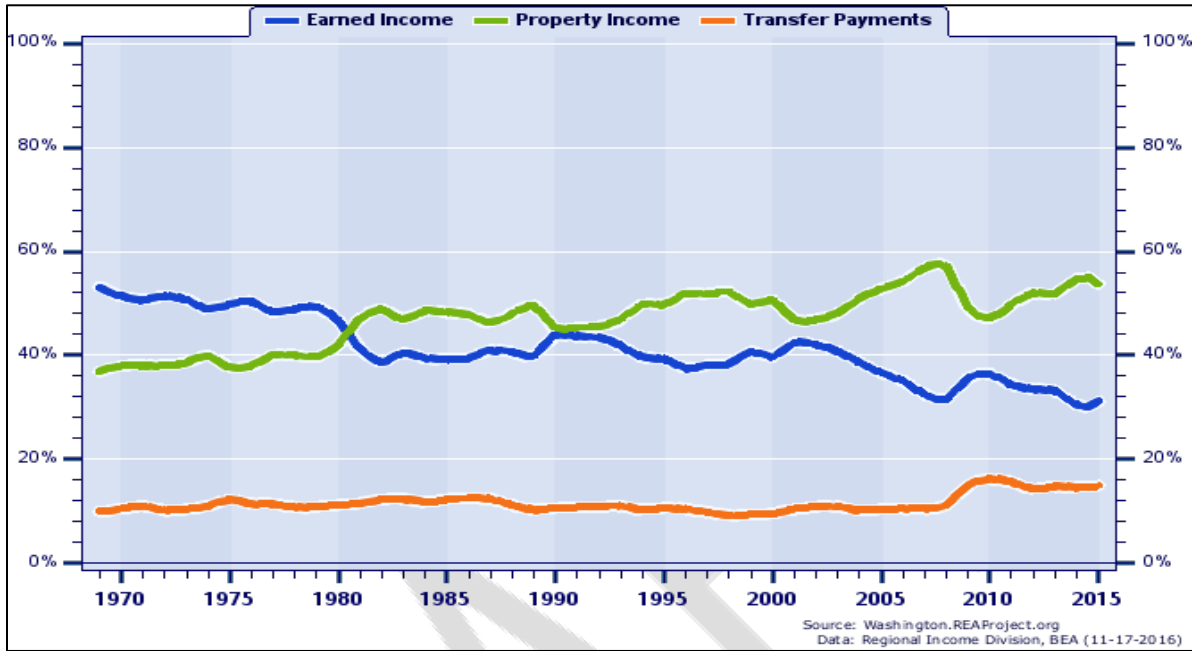
Property Income as a percentage of total personal income in San Juan County is overrepresented in comparison to the rest of Washington State and the country. This is consistent with San Juan County's booming real estate and vacation rental market. Despite having the second highest per capita personal income in Washington (as seen in Figure 5-2), San Juan County has by far the lowest percentage of Earned Income in the state.

Earned Income made up only 31.2 percent of personal income in 2015, which amounted to a substantially smaller share than the corresponding 63.9 percent for Earned Income nationwide and is nearly 10 percent less than the County with the second lowest share of Earn Income in Washington (Jefferson County at 40.83 percent).

Figure 5-5 traces the changing share and relative importance of each income type over time since 1969. Earned Income as a share of San Juan County's personal income declined from 53.1 percent in 1969 to 31.2 percent in 2015, a shift in relative share declining 22.0 percent. Offsetting this decline was a 16.9 percent increase in Property Income's share from 36.9 percent in 1969 to 53.8 percent in 2015; and a 5.0 percent advance in Transfer Payments share, from 10.0 percent to 15.0 percent over the same period. Large increases in Property Income and Transfer Payments share are often associated with counties that experienced an influx of relatively affluent retirees.¹⁴

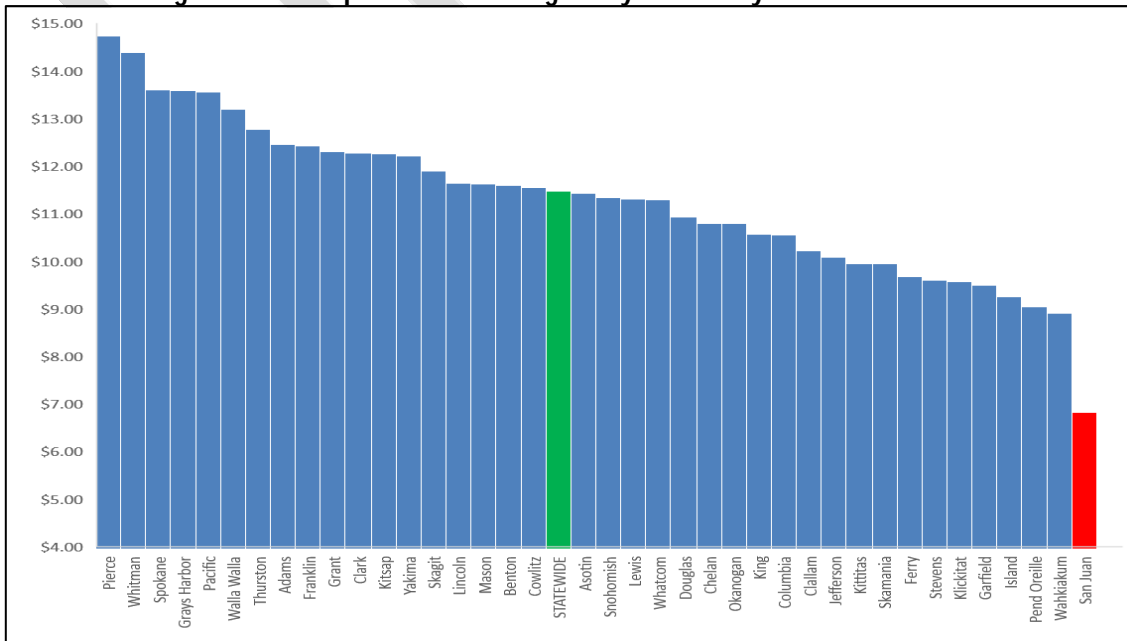
¹⁴ Source: Washington.REAproject.org

Figure 5-5. Major Components as a Percent of Total Personal Income: San Juan County, 1969 – 2015



The County has the lowest real estate tax levy rate in the State despite having the second highest per capita personal income of any County in the State and property income making up nearly 54 percent of all total income in the County. As shown in Figure 5-6, the average levy rate in San Juan County is \$6.82 per \$1,000 of assessed value. This is \$4.65 lower than the statewide average, \$7.91 lower than the highest rate in the State (Pierce County) and \$2.08 less than the next lowest County (Wahkiakum).

Figure 5-6. Comparison of Average Levy Rates¹⁵ by Year Due in 2009-2016



Source: WA Department of Revenue Property Tax Statistics 2016 Comparison of Average Rates by Year Due

¹⁵ Per \$1,000 of assessed value.

KEY ISSUES:

- San Juan County’s per capita income is the second highest in the State at \$60,489, but the average annual wage is well below the State average at \$33,890.
- The majority of personal income in the County comes from property income.
- Eleven percent of San Juan County’s population lives below the Federal Poverty Limit. It is estimated that another 22 percent lives above this limit but does not earn enough to afford basic households needs.

5.3.3 Employment

In addition to migration and natural increase, housing and employment opportunities are key variables influencing population change. Traditionally employment stimulates the demand for housing, however, over the past forty years San Juan County has followed a different path by becoming an affluent retirement community with low wage employment options.

For the majority of the 20th century, the County was home to a relatively small and stable population with an economy that centered on fishing, farming and logging. In the mid 1960’s San Juan County begin to transition away from these core industries to a tourism based economy due to a lack of secondary processing on the islands and increased competition from mainland industries. As the County’s median age and retirement population has trended upward employment participation has predictably declined. Table 5-5 presents rates of labor force participation of two five-year periods. Labor force participation has declined by over 3 percent during this period while the number of unemployed individuals and families with two working parents has increased.

Table 5-5. San Juan County Population Employment Status.

EMPLOYMENT STATUS	2006-2010 Estimates	2011-2015 Estimates
Population 16 years and over	13,366	13,988
In labor force	61.2%	58.0%
Civilian labor force	60.7%	58.0%
Employed	58.9%	54.6%
Unemployed	1.9%	3.4%
Armed Forces	0.4%	0.0%
Not in labor force	38.8%	42.0%
Civilian labor force	8,119	8,110
Unemployment Rate	3.1%	5.9%
Own children of the householder under 6 years¹⁶	613	587
All parents in family in labor force	61.3%	68.3%
Own children of the householder 6 to 17 years	1,710	1,573
All parents in family in labor force	73.2%	76.4%

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

¹⁶ Own child refers to a never married child under the age of 18 in a family or a subfamily who is a son or daughter, by birth, marriage, or adoption, of a member of the householder’s family, but not necessarily of the householder. Source: ACS 2013 Subject Definitions.

Table 5-6 breaks down the County workforce by occupation and industry. Service occupations have surpassed sales and office occupations to become the second most common in the County behind management, business, science, and arts occupations. Between 2010 and 2015, Agriculture, forestry, fishing and hunting, and mining employment has more than doubled in the County.

The 2009 Recession should be noticed as having had an effect on the statistics in Table 5-5 and 5-6, as the 2011-2015 ACS covers a time during which the County was in the immediate process of recovering from that financial crisis. It is difficult to measure the full scope of the Recession's effect on the County's economy and employment data.

One type of job that is not represented in this table but, anecdotally, has become more commonplace in the County is those whose occupations allow working remotely. Increased telecommunication capacity in the County and the ubiquity of remote workstation tools such as Skype for business have made the islands more attractive to high wage earners who can "telecommute" to jobs that can be far removed from the physical location of the County.

Table 5-6. San Juan County Population Occupation and Industry.

OCCUPATION	2006-2010 Estimates	2011-2015 Estimates
Civilian employed population 16 years and over	7,870	7,633
Management, business, science, and arts occupations	36.5%	37.7%
Service occupations	18.9%	22.0%
Sales and office occupations	21.8%	19.1%
Natural resources, construction, and maintenance occupations	16.5%	13.7%
Production, transportation, and material moving occupations	6.3%	7.5%
INDUSTRY		
Civilian employed population 16 years and over	7,870	7,633
Agriculture, forestry, fishing and hunting, and mining	1.5%	3.6%
Construction	16.7%	11.9%
Manufacturing	2.8%	4.5%
Wholesale trade	1.8%	1.5%
Retail trade	10.2%	9.8%
Transportation and warehousing, and utilities	5.7%	5.0%
Information	2.1%	2.3%
Finance and insurance, and real estate and rental and leasing	8.5%	6.6%
Professional, scientific, and management, and administrative and waste management services	15.0%	11.8%
Educational services, and health care and social assistance	14.7%	17.1%
Arts, entertainment, and recreation, and accommodation and food services	13.2%	15.4%
Other services, except public administration	4.8%	6.0%
Public administration	3.1%	4.3%

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

Figure 5-7 shows the ratio of employees in each industry in the County, along with the average annual wage for that industry in 2016. This graph shows that the jobs most common in the County

are also some of the lowest paid. Accommodation and Food Services along with Retail Trade make up a third of jobs in the County while paying on average \$22,824 and \$30,981 respectively.

Figure 5-7. San Juan County Covered Employment Classified by Industry, 2016¹⁷



Source: Employment Security Department, Quarterly Census of Employment & Wages

Employment in San Juan County is heavily seasonal and unemployment rates typically fluctuate up to 3 percent between their low point in January and the high in August.¹⁸ Figure 5-8 shows the dramatic change that occurs from one season to the next. Once again, this data paints the picture of a County whose economy is highly driven by the tourism industry.

Figure 5-8. Unemployment Rate, Non-Seasonally Adjusted, 2016

Source: Washington State Dept. of Employment Security, Labor Area Summaries

¹⁷ The number below each industry label is the Average Annual Wage for that industry in 2016.

¹⁸ <https://esd.wa.gov/labormarketinfo/labor-area-summaries>

KEY ISSUES:

- Employment participation in the County is declining as the median age increases.
- Tourism heavily affects employment in San Juan County leading to large seasonal swings in unemployment.
- One third of workers are employed in low wage jobs in the accommodation, food services, or retail trade fields.

5.4 Housing Inventory

To estimate future housing needs properly, the makeup of the current housing stock must be understood. According to the 2015 American Community Survey (ACS) 5-Year estimate, there were 13,619 total housing units in San Juan County or 1 housing unit for every 1.2 residents. 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. A large population of second and vacation homes in the County mostly explains this phenomenon.

The numbers in Table 5-7 are derived from both the decennial censuses of 2000 and 2010 as well as the 2015 ACS 5-Year Estimate. These data sets cannot be directly compared because the ACS is an average over a 5-year period rather than a single point in time. The two sets together are useful for insight into current demographic trends.

San Juan County housing unit inventory increased 37 percent from the 2000 Census to the 2010 Census. Since the 2010 Census, development in the County has slowed, and the ACS 5-year estimate for 2015 shows a meager increase of 306 Housing Units since the 2010 Census.

Table 5-7 illustrates a disproportionate number of vacant housing units in San Juan County. According to the 2015 ACS 5-year estimates, vacant housing units made up 9.3 percent of all total housing units in Washington State. San Juan County had 43.4 percent vacant units in the same period.

Table 5-7. San Juan County Housing Inventory¹⁹.

	2000 Census	2010 Census	Change from 2000-2010	2015 ACS
Total housing units	9,752	13,313	+3561	13,619
Owner occupied	4,754	5,360	+606	5,507
Renter occupied	1,712	2,253	+541	2,201
Vacant housing units	3,286	5,700	+2414	5,911
Percentage of Total				
Owner occupied	48.75%	40.26%	-8.49%	40.44%
Renter occupied	17.56%	16.92%	-0.63%	16.16%
Vacant housing units	33.70%	42.82%	+9.12%	43.40%
Vacant Housing Unit by Type				
For seasonal, recreational, or occasional use	2,776	4,748	+1972	4,808
For sale only	82	187	+105	222
For rent	129	311	+182	214
Rented or sold, not occupied	63	57	-6	111
For migrant workers	0	5	+5	0
Other vacant	236	392	+156	556

Source: U.S. Census Bureau, 2000 Census, 2010 Census, 2011-2015 American Community Survey 5-Year Estimates

Of the 3,561 new housing units created in the County from 2000 - 2010 (356 per year), 56 percent were built for or converted to housing categorized as being used for seasonal, recreational or occasional use in 2010 (see Table 5-7 in Section 5.4.1). Vacant Housing units overall increased their share of total housing units during this time frame by 9.1 percent.

Figure 5-9 compares the number of new residents in the County to the number of new housing units built since 1980. In the 1980s, there was one new housing unit built in the County for every 2.88 new residents. During the 1990s that figure dropped to 1.1. From 2000-2010, the ratio of new housing units created to the number of new island residents was over 2 to 1. This has left the County in a situation where despite having 13,619 housing units in 2016 for a population 16,314, there is still a lack of affordable and accessible housing in San Juan County.

¹⁹ The Data in this table for 2015 was calculated by the ACS using annual surveys conducted during 2011-2015 and are representative of average characteristics during this period. Data from the ACS cannot be directly compared to Census data.

Figure 5-9. New Residents to New Housing Units, 1980-2010

Source: SJC DCD Housing Units Data Assembled 2017. Data on Population Figures and Housing Units pulled from US Census.

Figure 5-10 shows the number of housing building permits issued in the County from 1980-2016. After a construction boom during the 1990's, construction of new houses slowed over the past decade, and construction of new multi-family housing projects has almost entirely ceased.

There is a lack of multi-family housing units in the County in general. In 2015, 84 percent of structures in the County were 1-unit detached structures, as opposed to 63 percent statewide.

Figure 5-10 also shows the trend of multi-family units developed since 1980. Only 3.4 percent of the structures in the County consist of five or more units, compared to 19.5 percent statewide.²⁰ No new multi-family unit permits were issued from 2009-2015. Due to low multi-family unit production over the past 35 years the County now has a lack of diversity in its housing structures.

Figure 5-10. San Juan County Housing Permits, 1980-2016

Source: Washington State Employment Security Dept. San Juan County Data Tables

²⁰ Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

KEY ISSUES:

- Development of new housing units has declined since the 1990's, and development continues to slow since the recession of 2009.
- San Juan County shows a lack of diversity of housing types with sparse numbers of multi-family units.
- There is no shortage of housing units in the County. There are 1.2 residents for every housing unit. However, the majority of these units are unavailable because the County has a disproportionately large population of vacant housing units due to its status as a vacation destination.
- From 2000-2010, 56 percent of all new housing units were being used for seasonal, recreational or occasional use.

5.4.1 Vacant Units

For the purposes of this Housing Needs Assessment, the term “vacant” means the definition for “Vacant Housing Units” as defined by the U.S. Census Bureau²¹:

“A housing unit is classified as occupied if it is the usual place of residence of the individual or group of individuals living in it on Census Day, or if the occupants are only temporarily absent, such as away on vacation, in the hospital for a short stay, or on a business trip, and will be returning....

A housing unit is classified as vacant if no one is living in it on Census Day, unless its occupant or occupants are only temporarily absent such as away on vacation, in the hospital for a short stay, or on a business trip and will be returning. Housing units temporarily occupied at the time of enumeration entirely by individuals who have a usual residence elsewhere are classified as vacant....

Vacant units are subdivided according to their housing market classification as follows:

For Rent - These are vacant units offered “for rent” and vacant units offered either “for rent” or “for sale.”

Rented, Not Occupied - These are vacant units rented but not yet occupied, including units where money has been paid or agreed upon, but the renter has not yet moved in.

For Sale Only - These are vacant units being offered “for sale only,” including units in cooperatives and condominium projects if the individual units are offered “for sale only.” If units are offered either “for rent” or “for sale,” they are included in the “for rent” classification.

Sold, Not Occupied - These are vacant units sold but not yet occupied, including units that have been sold recently, but the new owner has not yet moved in.

²¹ Source: 2010 Census Summary File, Technical Documentation, U.S. Census Bureau September 2012

For Seasonal, Recreational, or Occasional Use - These are vacant units used or intended for use only in certain seasons or for weekends or other occasional use throughout the year. Seasonal units include those used for summer or winter sports or recreation, such as beach cottages and hunting cabins. Seasonal units also may include quarters for such workers as herders and loggers. Interval ownership units, sometimes called shared-ownership or time-sharing condominiums, also are included here.

For Migrant Workers - These include vacant units intended for occupancy by migratory workers employed in farm work during the crop season. (Work in a cannery, freezer plant, or food-processing plant is not farm work.)

Other Vacant - If a vacant unit does not fall into any of the categories specified above, it is classified as "Other vacant." For example, this category includes units held for occupancy by a caretaker or janitor and units held for personal reasons of the owner."

The majority of vacant units in the County consists of units described as "For seasonal, recreational or occasional use." Despite the gains made in overall housing units from 2000-2010, only 17 percent of new units were owner-occupied and 15 percent were renter-occupied in 2010. Over that same period, 1,972 units were added to the County's stock of seasonal, recreational or occasional use units. Seasonal, recreational or occasional use units represent 56 percent of the total of all new units.

Renter-occupied housing remained relatively stagnant as a proportion of total units during this period but still showed a modest decline. These trends indicate that the islands are an area with an increasing number of housing units being bought or built by non-County or part-time residents as second homes for vacationing or investment properties. This means that any forecast of future housing needs in the County must anticipate over 50 percent of new units will not be built for owner-occupied units meant for full time County residents.

Table 5-7 also shows the conversion rate of owner-occupied housing units to vacant housing units. From 2000-2010 the rate of conversion was roughly six percent or about 21 housing units per year. During that same period there were roughly 48 new vacation rental permits issued per year according to SJC Department of Community Development (DCD) vacation-rental permit data assembled in 2016 (Figure 5-16 in Section 5.4.6). This indicates that the majority of new vacation rentals permitted from 2000-2010 did not come from the stock of owner-occupied housing.

Each island in the County is not affected equally by the high percentage of vacant units. Table 5-8 shows that despite having only 24.4 percent of the total housing unit stock in the County, Lopez Island also maintains a nearly equal share of the number of vacant units. Lopez has the highest number of housing units per resident (1.32 housing units for every resident) yet maintains the lowest percentage of rental units of any island in the County. The percentage of housing units on San Juan, Orcas and in Friday Harbor are mostly in line with their share of the total population. The equal share of vacant units per island would suggest that those looking to purchase second or part-time seasonal homes are not constrained by typical economic or geographic factors motivating population movement through the rest of the County.

Table 5-8. Housing Inventory by Island, 2010.

Island / Area	Total Units	% of Total	Vacant Units	% of Total	Rental Units	% of Total
San Juan County	13,313		5,700		2,253	
Lopez Island	3,249	24.40%	1,861	32.65%	345	15.31%
Orcas Island	4,515	33.91%	1,854	32.53%	826	36.66%
San Juan Island	5,549	41.68%	1,985	34.82%	1,082	48.02%
Friday Harbor	1,273	9.56%	258	4.53%	513	22.77%
Unincorporated San Juan Island	4,276	32.12%	1,727	30.30%	569	25.26%

Source: U.S. Census Bureau, 2010 Census.

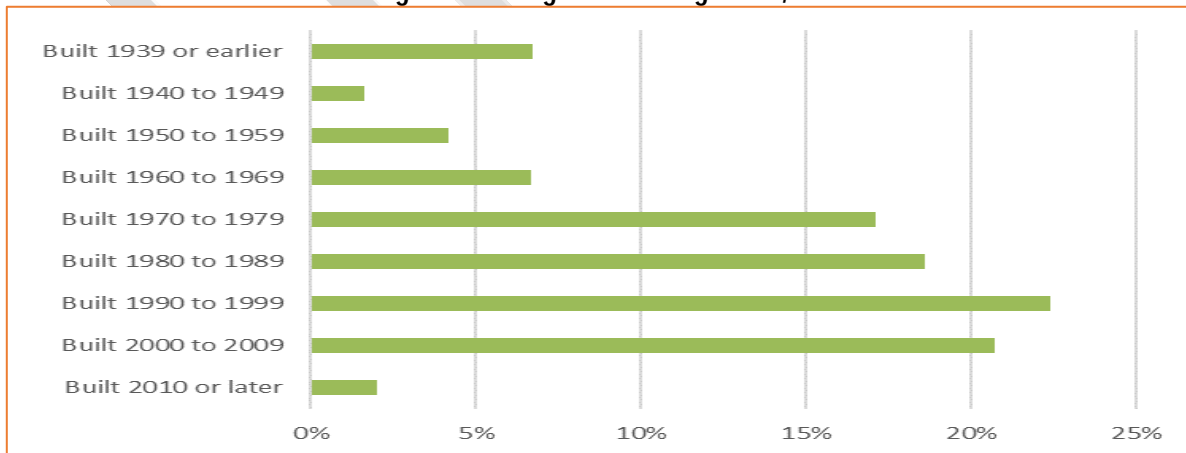
KEY ISSUES:

- The majority of vacant housing units in the County are categorized as “For seasonal, recreational or occasional use.”
- From 2000-2010, roughly 21 housing units per year were converted from owner-occupied to vacant units.

5.4.2 Age and Condition of Housing Stock

One strength of the County is the average age of its housing stock. Figure 5-11 shows the breakdown of the County’s housing stock by age. About 45 percent of the houses in San Juan County were built in the year 1990 or later, as opposed to 36 percent in Washington State. Ideally, this would mean that the County might not need to devote quite as many resources to maintain the upkeep of the existing aging housing stock as other areas in our state. Only 19 percent of houses in the County were built before 1970 while the rest of the State sits at 33 percent.

Figure 5-11. Age of Housing Stock, 2011-2015



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

There is limited Census level data on the condition of living quarters but according to the ACS, there has been an increase in occupied housing units lacking complete plumbing facilities from 1.7 percent in 2010 to 3.2 percent in 2015. The rest of the State has remained flat at 0.5 percent over this same period. Additionally, occupied housing units lacking complete kitchen facilities has doubled from 0.9 percent in 2010 to 2 percent in 2015, again while the rest of the State has remained static.

According to the local family resource centers, there has been an increase in the number of families living in substandard housing with poor conditions such as trailers or recreational vehicles, and it is not uncommon for people to live some or all of the year in a tent. Also, the largest percentage of respondents to the County's 2017 Point in Time Homeless Count were those living in substandard structures (see Section 5.5.5).

KEY ISSUES:

- Many of the County's housing units (45 percent) were built after 1990. Only 19 percent were built before 1970.
- The number of occupied housing units lacking complete plumbing facilities and/or complete kitchen facilities have increased. Information on substandard housing in the County is incomplete, but local family resource centers have stated there has been an increase in those seeking services in the County who are living in substandard housing.

5.4.3 Median Home Values

According to the ACS 2015 5-year estimate, the median home value for San Juan County is \$465,500. The median home price in San Juan County has risen every year since 2012, increasing by 8 percent in 2014, 6 percent in 2015 and 6 percent again in 2016.²²

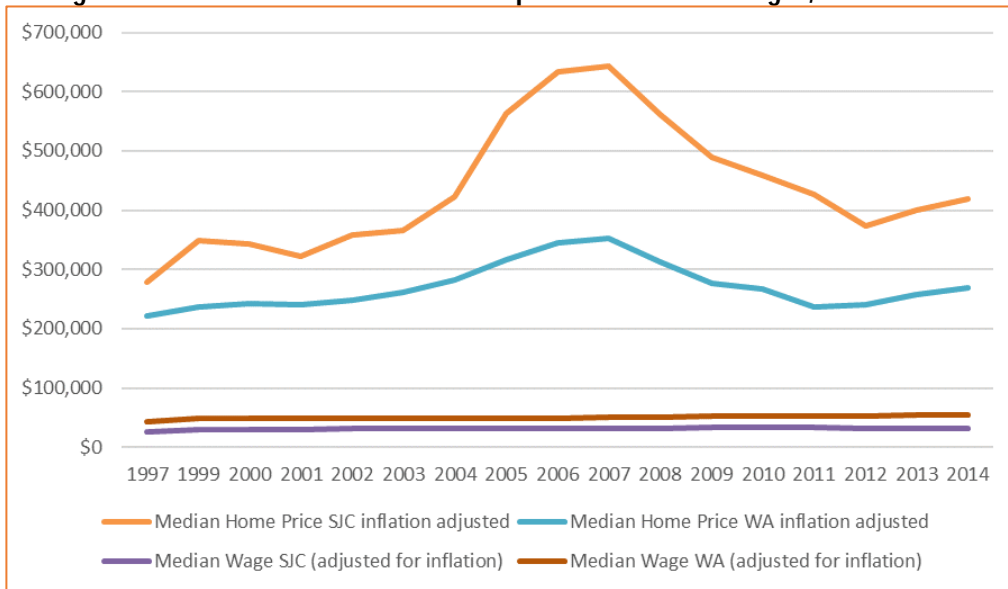
The Washington Center for Real Estate Research (WCRER) places the median resale price of homes in the County in the first quarter of 2017 at \$453,100. The median resale price is nearly 30 percent higher than the rest of Washington State. Because the County is a desirable tourist and second home destination, homebuyers must compete for housing not only with other County residents but also with people from all over the world.

Anecdotally, one contributing factor to high home values and difficulties in creating affordable housing (see Section 5.4) is the reputed higher cost of construction on the islands. The cost of transporting certain building materials from the mainland and a small labor pool of skilled local labor means considerably higher construction costs and challenges than other areas of the State.

As seen in Figure 5-12, Median Wages in both San Juan County and Washington State have remained relatively stagnant since 1997 while Median Home Prices rose dramatically from 1997 to 2007 before seeing a decline due to the Great Recession and have begun to climb again. This graph illustrates that the Median Wage of the County and State do not appear to be factors that influence home prices.

²² Source: Washington Center for Real Estate Research, Housing Market Snapshot State of Washington and Counties First Quarter 2017

Figure 5-12. Median Home Prices Compared to Median Wages, 1997-2014



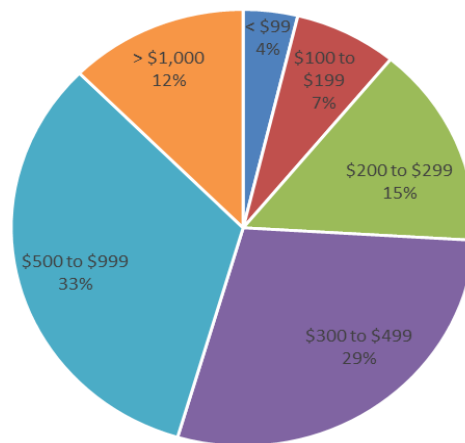
Source: Runstad Center for Real Estate Research; <https://fortress.wa.gov/esd/employmentdata/docs/regional-reports/san-juan-county-data-tables.xlsx>; Bureau of Labor Statistics, CPI Inflation Calculator

Figure 5-13 lays out the owner-occupied housing stock in the County by value. According to the 2011-2015 ACS, homes in the County valued at over \$300,000 make up 74 percent of owner-occupied units. There is a lack of units available between \$100,000 - \$300,000; half of all owner-occupied houses in Washington State fall into this range, but only 22 percent of the owner-occupied houses in San Juan County are valued in this range. This graph also does not take into account the value of houses considered vacant, which represents 43 percent of the County housing stock, meaning that the percentage of houses in the County valued at less than \$300,000 is likely even lower. Of owner-occupied dwellings on the islands, 43 percent do not have a mortgage. This is 13 percent higher than the State average.

Figure 5-13. Owner-Occupied Housing Stock by Value (Thousands of Dollars), 2011-2015

Census American 5-Year

KEY



Source: U.S. Bureau, 2011-2015 Community Survey Estimates

ISSUES:

Home prices in San Juan County have risen every year since 2012, and appear to be uncorrelated to median

wages. This implies that economic forces outside of the local County economy drive housing demand in the County.

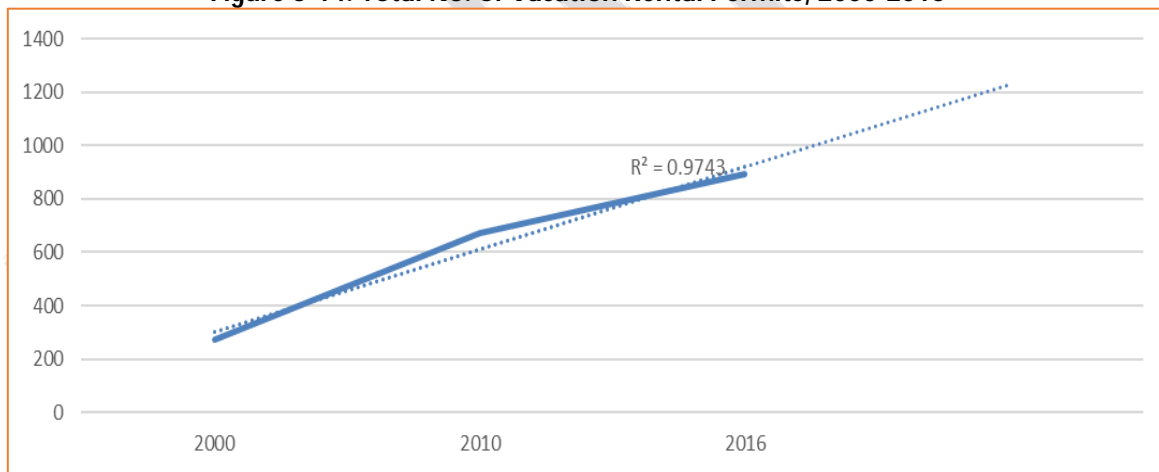
- Only 22 percent of owner-occupied houses in San Juan County are valued between \$100,000 and \$300,000, compared to 50 percent in the rest of Washington State.
- The median resale price of homes in San Juan County in the first quarter of 2017 was \$453,100, 30 percent higher than the rest of Washington State.

5.4.4 Vacation Rentals

The rise of online vacation rental (VR) services like Airbnb²³ and VBRO (Vacation Rentals by Owner) has created new pressures on vacation destination community housing supplies, often in unexpected ways. Figure 5-14 shows that the number of vacation rentals has been steadily increasing in the County since the year 2000, long before the increased popularity of online VR booking websites.

Despite the continued growth of VRs in the County, VR permitted dwellings only made up 7 percent of the total housing stock in 2015 (see Figure 5-15) and 15 percent of the total vacant housing stock. This figure does not account for vacation rentals that are operated without a permit.

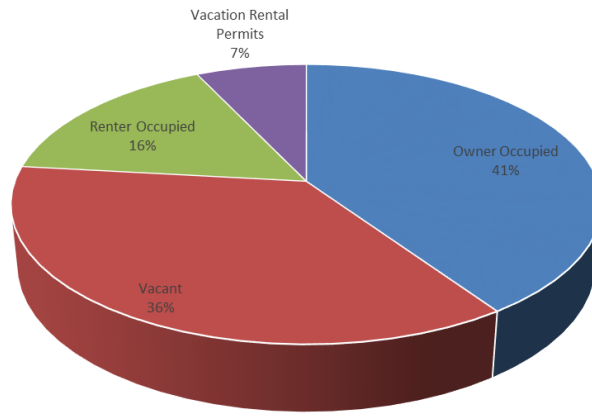
Figure 5-14. Total No. of Vacation Rental Permits, 2000-2016



Source: SJC DCD VR Permit Data Assembled 2016

Figure 5-15. Housing Units by Occupancy Type, 2015

²³ From Airbnb.com: “Founded in August of 2008 and based in San Francisco, California, Airbnb is a trusted community marketplace for people to list, discover, and book unique accommodations around the world.”

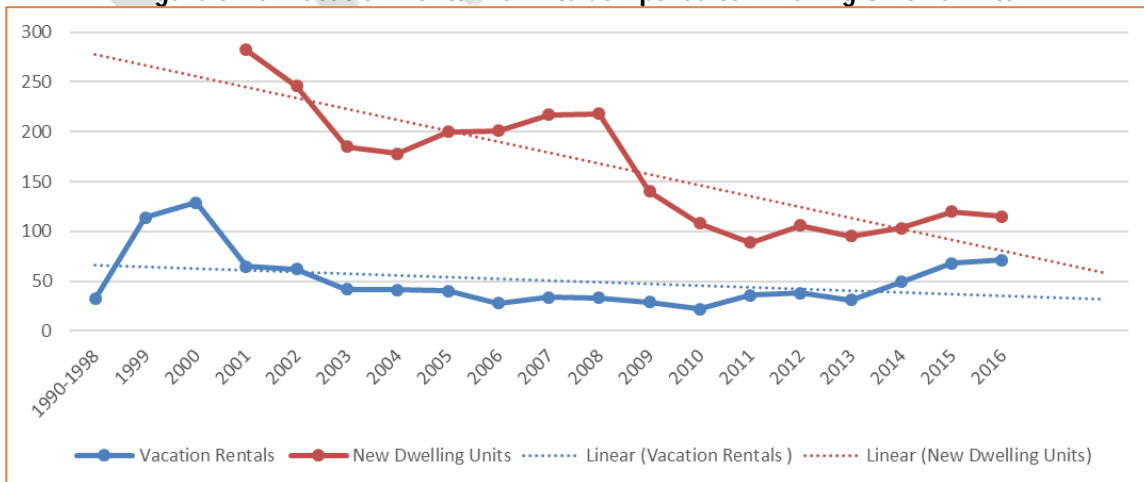


Source: U.S. Census Bureau, 2000 Census, 2010 Census, 2011-2015 American Community Survey 5-Year Estimates, Source: SJC DCD VR Permit Data Assembled 2016

While 7 percent of County housing stock is made up of vacation rental (VR) units, this is not alarming. The ratio of new VR permits to new housing units being built tells a slightly different story. Vacation rental units have maintained a steady and modest growth over the past 10 years, while at the same time the number of new dwelling unit permits has seen a steady decline (see Figure 5-16). This means that although there has not been a large jump in the total number of VR units over time, VR units are becoming a larger and larger proportion of housing stock.

From 2005-2010, there were on average 5.5 new dwelling units created in the County for every VR permit issued per year. From 2011-2016, there were only 2.18 new dwellings units per VR permit per year.²⁴ Figure 5-17 depicts the different types of housing stock’s changing proportions over the past 15 years. The trend of declining housing building permits appears to be a greater issue than the trend of increasing vacation rentals.

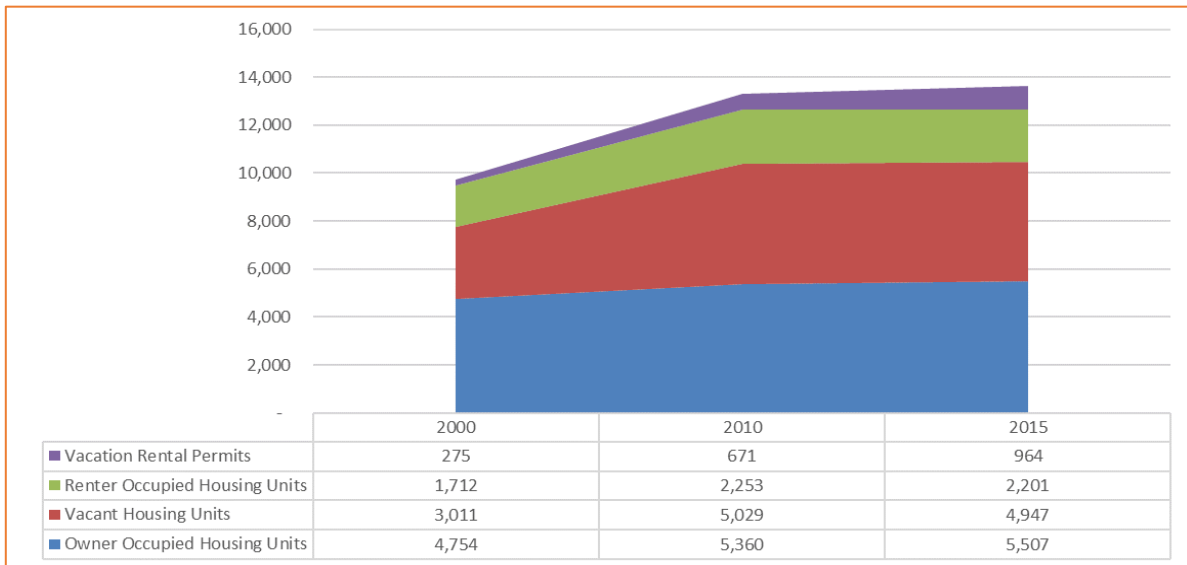
Figure 5-16. Vacation Rental Permits Compared to Dwelling Unit Permits



Source: SJC DCD VR Permit Data Assembled 2016

Figure 5-17. Housing Units by Occupancy Type

²⁴ Source: SJC DCD VR Permit Data Assembled 2016



Source: U.S. Census Bureau, 2000 Census, 2010 Census, 2011-2015 American Community Survey 5-Year Estimates
 Source: SJC DCD VR Permit Data Assembled 2016

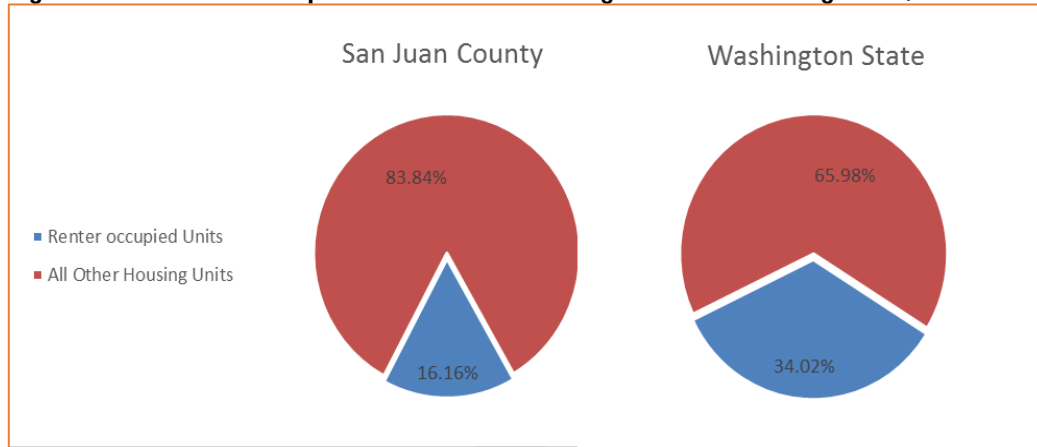
KEY ISSUES:

- The number of vacation rentals in the County has steadily increased since the year 2000, making up 7 percent of the total housing stock in 2015.
- From 2005-2010, there were 5.5 new dwelling units created in the County for every vacation rental permit issued per year.
- From 2011-2016 there were only 2.18 new dwelling units per vacation rental permit.

5.4.5 Rental Housing

As shown in Table 5-7, renter-occupied housing units only make up roughly 16 percent of all housing units. This is over 50 percent less than the percentage of renter occupied housing units in Washington State as a whole (see Figure 5-18 below). While the high number of vacant housing units accounts for some of this disparity, it is also worth noting that renter occupied housing units make up only 29 percent of the total owner occupied housing stock, whereas in the rest of the state that renter occupied housing makes up 38 percent. This contrast is even starker when comparing the percentage of total rental units.

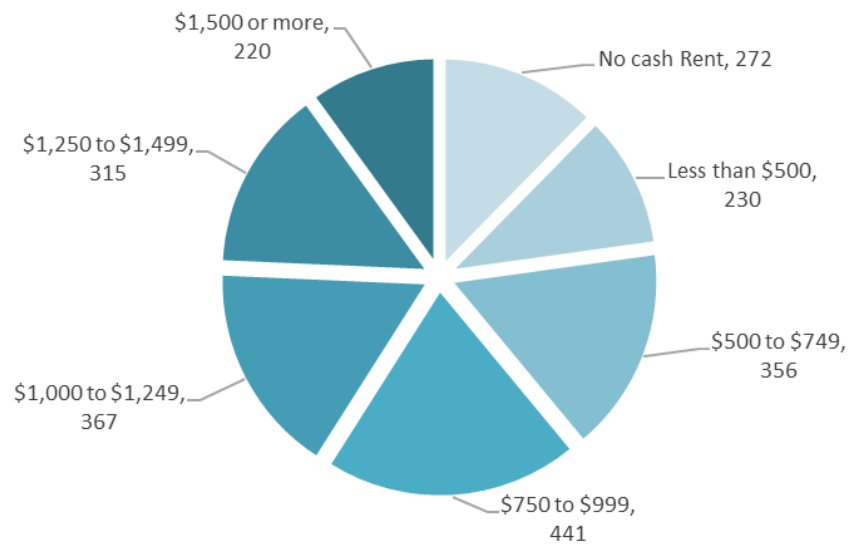
Figure 5-18. Renter Occupied Units as a Percentage of Total Housing Units, 2011-2015



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

Figure 5-19 illustrates the County’s inventory of rental housing units by gross rent. Of the rental stock in San Juan County, 25 percent have a gross rent of \$1,250 or more a month. San Juan County has a large population of rental units with no cash rent, 13 percent of all rental housing units in the County (4 percent is the statewide average). It is hard to speculate on the details of rental units without cash rent, but these units likely consist primarily of accessory dwelling units on properties where the tenants labor in lieu of rent. Similarly, many units that have less than \$500 rent are apt to be a similarly subsidized arrangement.

Figure 5-19. Rental Housing Units by Gross Rent, 2011-2015



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

The 2011-2015 ACS Survey estimated there are 3,538 households in the County who make \$50,000 or less annually (see Table 5-4). An affordable rental unit is defined as rent including utilities that costs no more than 30 percent of the household’s gross monthly income. Assuming a

monthly utility cost of \$215 a month²⁵, the maximum rent that would be affordable to someone at the top of this income bracket would be \$1,035. As seen in Figure 5-19, there are only 1,299 rentals in the County with gross rent below \$1,000. That equates to one affordable rental unit for every 2.7 households making \$50,000 or less.

Anecdotally, the rental market in San Juan County tends to be volatile and seasonal. More housing is typically available in the winter months when there is less demand for rental housing from seasonal workers, and homes that were used for vacation rentals during the summer months are temporarily used for semi-long term tenants when demand is lower. Coupled with an extremely low vacancy rate, even the loss of one rental housing unit can lead to an entire family relocating off island. This puts tremendous economic pressure on renters in San Juan County who must live in uncertainty. In a healthy housing economy, there is a steady stock of vacant rentals available for people experiencing short or long-term economic transitions due to job or housing losses.

KEY ISSUES:

- Renter-occupied housing units make up 16 percent of the houses in San Juan County, roughly 50 percent less than the ratio in the rest of Washington.
- One fourth of all rental units in the County cost \$1,250 or more a month.
- For households in the County making \$50,000 or less, there exists only one affordable rental unit for every 2.7 households.
- Rental housing in the County can be volatile and is affected by seasonal economic shifts and part-time residents.

5.5 Affordable Housing

The Growth Management Act defines affordable dwelling units for sale as:

“Housing with mortgages that consume no more than thirty percent of the owner’s gross annual household income,” [WAC 365-196-410(2)(e)(A)].

More specifically, San Juan County Code 18.60.260 defines affordable housing as:

“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. Except where further specified in the Comprehensive Plan and this code, “affordable housing” refers to such housing serving as the primary residence for very low-, low-, moderate- and middle-income households. The definition of income groups by household size shall be

²⁵ Assumption based on rates for Orcas Power and Light Company (Opalco), Eastsound Water & Sewer District and Eastsound Water User Association. Opalco average monthly bill is roughly \$120 according to https://www.opalco.com/wp-content/uploads/2016/12/2017-Budget-Insights_Set-Rates-3.pdf

Eastsound Sewer and Water District rate is \$48 a month: <http://eswd.org/media/96e372b560ea6563ffff80b4ffffe417.pdf>

Eastsound Water Users Association has a base rate of \$47 a month: <https://eastsoundwater.org/wp-content/uploads/2016/08/2016-ewua-RATES.pdf>

as most recently defined by the U.S. Department of Housing and Urban Development (HUD) for San Juan County.”

Table 5-9 below sets out HUD’s income limit guidelines for 2017. HUD defines these guidelines as:

“...income limits that determine eligibility for assisted housing programs including the Public Housing, Section 8 project-based, Section 8 Housing Choice Voucher, Section 202 housing for the elderly, and Section 811 housing for persons with disabilities programs. HUD develops income limits based on Median Family Income estimates and Fair Market Rent area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county.”

Table 5-9. HUD Area Median Income Limit Guidelines, 2017²⁶.

Area	Median Income	2017 Income Limit		1 person	2 persons	3 persons	BASE 4 persons	5 persons	6 persons
		Category							
San Juan County	\$67,600	Extremely Low	30%	14,250	16,250	20,420	24,600	28,780	32,960
		Very Low	50%	23,700	27,050	30,450	33,800	36,550	39,250
		Low	80%	37,900	43,300	48,700	54,100	58,450	62,800
		Moderate	95%	44,950	51,400	57,800	64,220	69,350	74,500
		Middle	120%	56,800	64,900	73,000	81,120	87,600	94,100
		Low Upper	150%	71,000	81,100	91,250	101,400	109,500	117,600

Source for 2017 Median Income, Extremely Low, Very Low, and Low Categories: <https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn>

Between the years 2012-2013, San Juan County created the *Community Conversations Report*²⁷. This report arose out of a series of roundtable discussions on Orcas, Lopez, San Juan and Shaw islands involving over 500 participants regarding the quality of life, size, shape, and service level priorities of County government moving forward. One theme that arose frequently during these conversations was the topic of affordable housing and its importance to not only low-income households. The report also highlighted the need for better affordable housing options for middle-income households as well. It goes on to say:

“Without a more diverse economy that includes high-tech jobs, diversified agriculture, more affordable housing (for seasonal and permanent local jobs), and regulations that support cottage industries, the Islands will likely see a continued slow decline in the economy and the number of available jobs (particularly family-wage rather than minimum-wage jobs).”

Table 5-10 paints the picture of housing affordability in San Juan County. This table projects an affordable home price for a household based on their annual income, assuming only a five percent down payment and an interest rate of 4.5 percent. Although 46 percent of the County population has an annual income of \$50,000 or less, only 17.81 percent of the houses in the County are

²⁶ Moderate, Middle and Low Upper data was calculated by multiplying the Median Income by the Income Limit percentage to derive the 4 person limit, and then multiplying that number by 70 percent for 1 person, 80 percent for 2 persons, 90 percent for 3 person, 108 percent for 5 persons and 116 percent for 6 persons and then rounded to the nearest \$50.

²⁷ <http://www.sanjuanco.com/DocumentCenter/Home/View/12897>

valued at a price that would be considered affordable for this income bracket. This table also shows the gulf between what the County considers affordable housing for nearly 50 percent of the population and County home price values. This table only represents theoretical home prices based on Census data. Prices for houses actually available for sale are likely to be even higher.

Table 5-10. San Juan County Housing Ownership Affordability, 2015²⁸.

Income	Affordable Housing Expense (P & I) ²⁹	Mortgage Amount	Down Payment of 5 Percent	Maximum Home Purchase Price	Percent of Households at Annual Income Level Range	Percent of Owner-Occupied Houses Valued near Maximum Home Price Level
\$25,000	\$520	\$103,075	\$5,425	\$108,500	20.4% (\$24,999 or less)	5.03% (\$124,999 or less)
\$50,000	\$1,040	\$205,200	\$10,800	\$216,000	25.5% (\$25,000 to \$49,000)	12.78% (\$125,000 to \$249,000)
\$75,000	\$1,560	\$307,800	\$16,200	\$324,000	18.4% (\$50,000 to \$74,999)	23.5% (\$250,000 to \$399,999)
\$150,000	\$3,125	\$617,500	\$32,500	\$650,000	24.5% (\$75,000 to \$149,000)	58.69% (\$400,000 and up)

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

The median resale price of a house in San Juan County in the first quarter of 2017 was \$453,100 and the 2017 Area Median Income (AMI) for a family of four according to HUD was \$67,600. The maximum mortgage including taxes and homeowners insurance that would be affordable to a median income family of four with no other debts and no down payment would be \$285,060. That means there is a gap of nearly \$170,000 between what the average house in San Juan County sells for and what the average San Juan County family can afford.

Affordable housing in San Juan County directly affects the economic and social makeup of the community. Those who wish to make their lives on these islands do not have the economic freedom of movement available in other communities because it is so cumbersome to commute to and from the mainland to work. This housing gap for those in low-income brackets can in turn lead to a shortage of workers for island businesses, directly affecting the overall economic health of the community.

The Lopez Family Resource Center in their 2017 Affordable Housing Assessment states the case for the importance of affordable housing in San Juan County:

“Having sufficient affordable housing is vital to retain residents and provide them with the opportunity to thrive and reach their full potential. Affordable housing allows households to set aside money to save for emergencies, improve their health, further their education, expand employment, have high quality childcare and/or invest in their future, all of which builds more financial security.

Stable Housing Means Stable Children- Research indicates that children who experience a high degree of turbulence are more likely to have high levels of emotional and behavioral problems. Lack of regular, stable housing, and the resulting transitions, can negatively affect children’s development, including their physical, social-emotional, and cognitive development.

²⁸ *Uses 25 percent of gross income threshold, 30-year fixed rate mortgage, 4.5 percent interest assumption

²⁹ Principle & Interest

Stable Housing Means a Healthier Community- Improving housing conditions has shown to reduce health care spending, improve public health, and increases productivity. All of which create a healthier Lopez community.

Stable Housing Means Economic Development- Sufficient affordable housing also has a multiplier effect for local economies making it easier for employers to attract talent, create jobs and boost spending by its residents.

Stable Housing Sustains a Year Round Community- Lopez has experienced many positive benefits from investing in local solutions for affordable housing. We see a more stable school population, small businesses developing, an increase in EMT's and firefighters and other volunteers, less stress among household members - all because people have stable, affordable housing.”

Table 5-11 shows the distribution of households in San Juan County by income within HUD’s Area Median Income. By far the most common subset is households making more than 100 percent of the area median family income who own their home, followed by owners making between 50 to 80 percent of AMI and renters making above 100 percent AMI. Of the households in San Juan County, nearly 40 percent have income that is considered either low, very low or extremely low according to HUD’s guidelines. Those making less than 30 percent of the AMI are the second most common subset of renter households (see Figure 5-20).

Table 5-11 also projects how many households will be in each subset by 2036. If the County maintains its current distribution of household income, we would expect to see 2,083 households living in the County below 50 percent of the AMI by 2036, and 3,728 households categorized as either low income or below.

Table 5-11. Households by Area Median Income Distribution, 2010-2014.

	Owner	Renter	Total	2010-2014 %	2036 Projected
Household Income <= 30% HAMFI	330	495	825	10.83%	1,031
Household Income >30% to <=50% HAMFI	475	365	840	11.03%	1,050
Household Income >50% to <=80% HAMFI	855	460	1,315	17.27%	1,644
Household Income >80% to <=100% HAMFI	595	210	805	10.57%	1,006
Household Income >100% HAMFI	3,225	605	3,830	50.30%	4,789
Total	5,480	2,135	7,615		9,521

Source: HUD Comprehensive Housing Affordability Strategy Data 2010-2014

Figure 5-20. Percentage of Renter Households by HAMFI, 2010-2014

Source: HUD Comprehensive Housing Affordability Strategy Data 2010-2014

KEY ISSUES:

- The Area Median Income as defined by HUD in San Juan County in 2017 is \$67,600.
- There is a nearly \$170,000 gap between what the County considers an affordable house for those making the Area Median Income and the median resale price of a home.
- Eighteen percent of houses in the County are valued at a price that would be considered affordable to the 46 percent of households making \$50,000 or less.
- Approximately 3,728 households that are considered low income or below by HUD standards are projected to be living in San Juan County in the year 2036.

5.5.1 Housing Affordability Index

Island County's 2016 Comprehensive Plan Update describes the Washington Center for Real Estate Research (WCRER) Housing Affordability Index (HAI) as:

“Measures the ability of a middle-income family to carry the mortgage payments on a median price home. It is calculated using a ratio of income to the minimum outlay necessary to qualify for a mortgage on a median priced home. An index of 100 means there is a balance between the family's ability to pay and the cost. Higher indexes indicate housing is more affordable and lower indexes indicate housing is less affordable.”

The HAI for San Juan County in the first quarter of 2017 was 79.8, a full 44.5 points lower than Washington State's 124.3 HAI (see Table 5-12).

This indicates that housing in San Juan County is unaffordable. In fact, housing in San Juan County is the least affordable in the State³⁰. San Juan's HAI has decreased by almost 23 percent in the last year.

³⁰ Source: Washington Center for Real Estate Research, Housing Market Snapshot State of Washington and Counties First Quarter 2017

Finding an affordable house can be particularly difficult for first time homebuyers as first time homebuyers tend to have less capital to invest in a property and thus must pay higher interest rates and a higher monthly payment. The HAI for first time homebuyers in San Juan County in the first quarter of 2017 was 37.5, meaning it was extremely difficult to find an affordable house during this period.

While it is expected that houses will be less affordable for someone buying their first home, the HAI for a first time home buyer in San Juan County was 53 percent lower than for all home buyers in the County. Compare this to the statewide first time HAI that was 42 percent lower than the HAI for all homebuyers in the State. Market conditions in the County make access to the housing market for most people looking to buy their first home unfeasible. Inability for first time homebuyers to participate in the market contributes to the County’s increasingly skewed age demographics.

Table 5-12. Median Resale Price and Housing Affordability Index (HAI), 1st Quarter 2017³¹.

Area	Median Resale Price Q1 2017 (\$)	HAI	First- time Home Buyer HAI
San Juan County	\$453,100	79.8	37.5
Washington State	\$324,300	124.3	71.4

Source: Washington Center for Real Estate Research, Housing Market Snapshot State of Washington and Counties First Quarter 2017

Figure 5-21 shows how the HAI in San Juan County and Washington State have changed over time. Despite the gap in affordability, this graph shows a strong correlation between the HAI in the County and statewide. It would seem that as affordability rises or falls in Washington as a whole, so goes San Juan County (albeit roughly 65 points lower on average).

Following the Great Recession in 2009, housing affordability rose both in San Juan County and across the State until it peaked in 2012. Over the past 5 years, housing affordability has steadily declined and if this trend continues, the HAI will soon reach pre-recession numbers.

Figure 5-21. Housing Affordability Index, 2008-2017³²

Source: Washington Center for Real Estate Research, Housing Market Snapshot State of Washington and Counties 2008-2017

³¹ Affordability index measures the ability of a typical family to make payments on median price resale home. It assumes 20 percent down payment and 30-year amortizing mortgage. First-time buyer affordability index assumes a less expensive home, lower down payment, and lower income.

³² Quarter 2 for 2016 was used rather than Quarter 1 as there was a statistical anomaly that quarter which showed a large jump not seen in Q4 of 2015 or Q2 of 2016.

KEY ISSUES:

- San Juan County's Housing Affordability Index was 44.5 points lower than the rest of the State in 2017. By this measure, the County is considered the least affordable in the state.
- First time homebuyers are particularly disadvantaged in the County's housing market due to the considerable personal capital needed in order to afford the necessary down payment for an average price home.
- Despite being considerably less affordable than the rest of Washington State, fluctuations in the affordability index of San Juan County since 2008 show a correlation with the State's housing market as a whole.

5.5.2 Housing Costs

The HAI measures the theoretical affordability of a family to purchase a new house, but does not address the affordability of the population's current residents. Table 5-13 speaks to the lack of affordable housing in San Juan County. Again, affordable housing meaning 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 for renters. Those paying greater than 30 percent of their monthly income on housing costs are considered "cost-burdened."

There were 3,100 cost-burdened households in San Juan County in 2015 (39 percent of households) according to the *2015 Washington State House Needs Assessment* created by the Washington Affordable Housing Advisory Board. If that ratio continues, it means an additional 613 cost-burdened households in San Juan County by 2036 for a total of 3,713 households.

Table 5-13 shows the percentages of population income brackets paying more than 30 percent, 20 to 29 percent, and less than 20 percent in 2010 and 2015 for both renter and owner-occupied housing units. Over those 5 years, the percentage of cost-burdened households has increased in nearly every income bracket. There is no indication that this trend will cease or slowdown in the future and it is likely that more and more residents in the future will be paying a greater share of their monthly income to housing costs. Households considered cost burdened are likely to have difficulty paying for other essentials such as insurance, food, heating, car payments, etc.

Table 5-13. Monthly Housing Costs of Occupied Housing Units as a Percentage of Household Income.

2010 Household Income	No Cash Rent or Zero/Negative Income	< \$20,000	\$20,000 to \$34,999	\$35,000 to \$49,999	\$50,000 to \$74,999	\$75,000 or more
Owner-occupied housing units	1.1%	12.5%	12.0%	15.7%	21.9%	36.7%
Less than 20 percent		11%	30%	39%	44%	57%
20 to 29 percent		10%	16%	22%	20%	22%
30 percent or more		79%	55%	39%	37%	21%
Renter-occupied housing units	8.0%	22.3%	24.6%	15.7%	20.6%	8.8%
Less than 20 percent		3%	10%	17%	46%	77%
20 to 29 percent		15%	23%	46%	47%	23%
30 percent or more		82%	67%	38%	7%	0%

2015 Household Income	No Cash Rent or Zero/Negative Income	< \$20,000	\$20,000 to \$34,999	\$35,000 to \$49,999	\$50,000 to \$74,999	\$75,000 or more
Owner-occupied housing units	0.8%	8.6%	14.4%	13.2%	19.3%	43.7%
Less than 20 percent		10%	29%	36%	41%	67%
20 to 29 percent		12%	17%	19%	22%	22%
30 percent or more		78%	53%	45%	37%	11%
Renter-occupied housing units	13.8%	23.6%	18.4%	16%	14.4%	13.7%
Less than 20 percent		1%	6%	13%	38%	83%
20 to 29 percent		14%	22%	44%	49%	15%
30 percent or more		86%	72%	43%	13%	2%

Source: U.S. Census Bureau, 2006-2010 American Community Survey 5-Year Estimates

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

The lack of affordable housing options in San Juan County affects nearly every income demographic. In 2015, 37 percent of households in the \$50,000 to \$74,999 income bracket who own their homes (roughly 75-110 percent of AMI) were cost-burdened. Households with extremely low income, less than \$20,000, are cost-burdened at a rate of 78 percent.

Figure 5-22 displays how the number of cost-burdened owner and renter households have changed between 2010 and 2015. Every population demographic of household income has seen an increase in the number of households with monthly housing expenses considered unaffordable except those making \$75,000 or more. The largest increases came from those making between \$35,000 and \$74,999. This indicates that low-income households have been struggling with housing costs for some time, and it is becoming much more common for middle and moderate-income households to experience cost-burdened housing.

Figure 5-22. Occupied Housing Units paying >30 Percent of Household Income to Monthly Housing Costs



Source: U.S. Census Bureau, 2006-2010 American Community Survey 5-Year Estimates
 Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

KEY ISSUES:

- There were 3,100 cost-burdened households in San Juan County in 2015, and 3,713 are projected to live in the County by 2036.
- From 2000 to 2010, the percentage of cost-burdened households increased in nearly every income bracket in San Juan County.
- The lack of affordable housing options affects nearly every income bracket.
- It is becoming more common for middle and moderate-income households to become cost-burdened by housing.

5.5.3 Homelessness

The Washington Homeless Housing and Assistance Act requires that each County in Washington State conduct an annual point-in-time (PIT) count of sheltered and unsheltered homeless persons. This census is conducted in accordance with the requirements of the U.S. Department of Housing and Urban Development (HUD). The 2017 (PIT) took place on January 26, 2017.

Table 5-14. San Juan County Point in Time Homeless Count, 2014-2017.

	2014	2015	2016	2017
Individuals Considered Homeless	44	74	58	96
Individuals Considered at Risk of Homelessness	21	60	46	58
Total	65	134	104	154

Source: SJC Health & Community Service PIT Data Assembled June 2017

The year-to-year count in San Juan County tends to be volatile depending on volunteer participation and weather. In 2017, the highest PIT count ever was recorded for San Juan County. Individuals are considered homeless if they are living outdoors, either in a vehicle, or in a substandard structure lacking one of the following: drinking water, a restroom, heat, ability to cook hot food, or the ability to bathe. Those living temporarily with family or friends are considered at risk of homelessness.

The highest percentage of respondents during the 2017 count were those living in substandard structures³³, suggesting that even those who may live in housing that is statistically considered “affordable” can still be living in an unsafe or sub-par shelter. San Juan County Health & Community Services expects that the number of individuals in the County considered homeless will continue to rise as the County improves its PIT volunteer recruitment and methodology, leading to increased identification of those in the County living in substandard housing.

KEY ISSUES:

- The 2017 Point in Time Count recorded the highest number of individuals considered homeless or at risk of homelessness residing in the County since the inception of the count.
- The highest percentage of respondents during the 2017 count were those living in substandard structures.

5.5.4 San Juan County Affordable Housing Programs

San Juan County Health & Community Services Department administers affordable housing programs in the County. These programs are funded primarily through document recording fees (see RCW 36.22.179), as well as State and federal grants. Currently there is no specific local funding source for affordable housing in the County and San Juan County is one of two counties in Washington without a Housing Authority. Some of the programs administered by the County are:

1. **Senior & Disabled Rental Subsidy Program**
Begun in 2009, this program provides rental assistance to extremely low-income seniors and people with disabilities below 30 percent of the area median income. Funded by RCW 36.22.179 document recording fees, the program has averaged \$60,487 awarded per year.
2. **Emergency Rental Assistance Program**
Also begun in 2009, this program helps low-income people who are in immediate need of rental assistance to avoid eviction or to facilitate a move to new housing. The program is administered by the Family Resource Centers on Lopez, Orcas and San Juan Islands. Funding for this program has come from a variety of sources including the United Way, FEMA, the Opportunity Council, private donations and RCW 36.22.179 document recording fees. This program has averaged \$14,856 in funding awards per year.
3. **Very Low-Income Housing Fund Awards**
Begun in 2005, this program provides funding to local nonprofits and developers, as either grants or loans, for construction, operation or maintenance of projects that serve families or individuals earning less than 50 percent of the area median income. Funded by RCW

³³ Source: SJC Health & Community Service PIT Data Assembled June 2017

36.22.178 document recording fees, this program has averaged \$38,760 in grant awards per year.

4. **Equity Loan Program for First Time Homebuyers**

Funds for establishing this revolving loan fund were from two grants to San Juan County from the Housing Trust Fund in 1997 and 2001. The program provides soft second mortgages to fill the gap between what low income San Juan County residents can afford and what modest housing actually costs in the County. Since the fund's inception, the County has been able to provide down payment assistance to 59 families in the County making 80 percent of the area median income or less.

In March 2016, the County Council authorized the creation of a workgroup to develop an Affordable Housing Strategic Action Plan (Appendix 1). The goal was to develop four to six prioritized actions to address housing issues. This workgroup consisted of County and Town of Friday Harbor staff, local business owners, school board members, and non-profit directors. Through their discussions, the workgroup identified six specific housing needs:

1. Long-term Rentals; Serving individuals making between \$15 - \$20/hour; Rent Range \$680 - \$940/month.
2. Long-term Rentals (studios & one-bedroom units); Serving individuals with limited or fixed incomes; Rent Range \$0 - \$680/month.
3. Long-term Rentals; Serving Individuals making over \$20/hour; Rent Range \$940 - \$2,000
4. Short-term, Reduced Amenity Housing (e.g. dorms, studios, shared occupancy); Serving Seasonal Temporary Worker; Rent Range \$400 - \$500/month.
5. Homeownership; Price Range \$80,000 - \$275,000.
6. Housing with Supportive Services (e.g. Transitional or Group Housing).

To address these needs, the workgroup identified 16 distinct actions aimed at increasing or maintaining the availability and affordability of housing stock in San Juan County and prioritized these five specific actions:

1. Identify and recommend a local affordable housing funding measure.
2. Develop a capital account to be used to purchase existing units when available.
3. Expand home repair and weatherization programs.
4. Develop a public/private partnership program to build affordable housing units and explore using publicly owned land to construct units.
5. Regulate vacation rentals (e.g. yearly permit with fees, inspections, ensure lodging tax is collected, add an impact fee to be used for affordable housing).

5.5.5 Housing Groups and Non-Profits

There are a number of different groups and nonprofits working in the County to provide affordable housing. The Lopez Community Land Trust, OPAL Community Land Trust, the San Juan Community Home Trust, and Homes for Islanders are all housing nonprofit groups in the County

who combined have created approximately 293 housing units,³⁴ representing about four percent of the full time occupied housing stock. An additional 233 units are planned or in development.

The homes built by the three Community Land/Home Trusts aim to be permanently affordable, with resale restrictions in place to ensure that these homes remain affordable to the same income group over time and construction subsidies that benefit multiple families rather than solely the first owner.

Additionally, the Opportunity Council is a private, nonprofit community action agency operating out of Bellingham that serves San Juan County in a variety of different ways including Tenant Based Rental Assistance and weatherization programs. The Family Resource Centers on each island play a pivotal role in connecting low-income County residents with housing and many other poverty alleviation programs.

5.5.6 Affordable Apartments

In 2017, there are 130 “affordable apartments” representing about two percent of the full time occupied housing stock in San Juan County. These apartments were largely constructed using United States Department of Agriculture (USDA) low interest loans and subsidized with Low Income Housing Tax Credits. However, the number of apartments in the County with income restrictions is declining and there have been no new Low Income Housing Tax Credit financed projects in the County in nearly 25 years nor is USDA currently financing any new developments.

In the past, new multi-unit developments were constructed in the County using USDA loans with affordable unit restrictions to finance projects. The program works with private-sector lenders to provide financing to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas and towns.

Once the USDA loan is repaid, these developments can then raise the rent of all of their units to market rate, effectively eliminating their units from the affordable housing stock. As well, if a development is foreclosed and sold at auction, the USDA affordability requirements are extinguished. Two such complexes in the County have already returned to market rate, with more scheduled to lose their affordability requirements over the planning horizon (see notes on Table 5-15).

At the same time, there have been no new USDA developments to take the place of those returning to market rate rents. In part, this is due to changes in the federal tax credit program and the economy of scale required to make affordable apartment complexes feasible.

5.6 Land Availability

Land availability information not available at the time of this draft. It will be assessed in the land capacity analysis.

³⁴ See Table 5-15. San Juan County Low-Income Housing Inventory, 2017

5.6.1 Housing Targets and Capacity

This Section will be completed after the land capacity analysis is done.

5.7 Conclusions

The housing issues that plague San Juan County can largely be attributed to traditional economic factors of supply and demand, the simple fact that the average wage in the County is too low for average residents to compete in a housing market with such high demand and low supply. Since the County has little ability to influence average wages in the County or housing demand, the Housing Element informed by this Housing Needs Assessment must then propose goals, policies and action strategies to influence the supply of housing in the County, specifically affordable housing.

Policies in the Housing Element should encourage the creation and preservation of affordable housing for both low and middle-income families that is permanently affordable, and incentivize the creation and preservation of year round rental housing and multi-family unit housing. These policies should promote a diversity of housing opportunities in the County, work to decrease occurrences of substandard housing, and continue to support local non-profit housing providers while also appropriately planning for the additional housing need created by future population growth. Enacting such policies will promote a more vibrant and balanced economy, with stability for local workers, families, and businesses.

5.8 San Juan County Low-Income Housing Inventory

Table 5-15. San Juan County Low-Income¹ Housing Inventory, 2017.

ISLAND	AGENCY OR OWNER	DEVELOPMENT	SINGLE FAMILY HOMES	MULTI-FAMILY HOMES	LOW INCOME RENTAL	LOW INCOME RENTAL WITH W/O SUBSIDY	LOW INCOME RENTAL WITH SUBSIDY	SINGLE FAMILY HOMES UNDER DEVELOPMENT	MULTI-FAMILY HOMES UNDER DEVELOPMENT	LOW INCOME RENTAL ANNEX	SINGLE FAMILY HOMES PROPOSED	MULTI-FAMILY HOMES ANNEX	LOW INCOME RENTAL/OWNERSHIP	MULTI-FAMILY HOMES PROPOSED	
SAN JUAN	San Juan Community Home Trust ²	Salal	15					15						0	
		Sun Rise	22					4	26				94	94	
	Homes For Islanders ³	Leeward Cove	8						8						0
		Rocky Bay	8						8						0
		Park Plaza	9						9						0
		County Village Estates	31						31						0
		Harbor Grove	12						12						0
		Heritage Court						9	9						0
		Maypole Meadows						20	20						0
	Foxcroft							0	16					16	
	Ad-West Property Mgt	Friday Harbor Village ⁴													
		Harborview ⁵			14	6			20						0
		Island Meadows ⁶													
		Islewood ⁷			9	9			18						0
	Diamond Mgt	Rosewood ⁸				18			18						0
Gerard Park ⁹				4	16			20						0	
	Surina Meadows ¹⁰			2	18			20						0	
ORCAS	OPAL Comm. Land Trust ²	OPAL Commons	18					18						0	
		Bonnie Brae	24					24						0	
		Oberon Wood	5					5						0	
		Oberon Meadow	4					4						0	
		Lahari Ridge	6					6						0	
		Wild Rose Meadow	32					32						0	
		Scattered Sites	14					14						0	
		OPAL Reddick			7				7						0
		Orcas Village							0	12					12
		North Beach							0			30	15	45	
	Lavender Hollow			5	17			22						0	
	Homes For Islanders ³	Woodland Estates	8						8						0
		North Beach Gardens	6						6						0
Ad-West Property Mgt	Orcas Longhouse ¹¹			16			16						0		
LOPEZ	Lopez Comm. Land Trust ²	Morgan Town	7					7						0	
		Coho	7					7						0	
		Innisfree	8					8						0	
		Common Ground	11					11						0	
		Common Field Apartments			2				2						0
		Tierra Verde	4					4						0	
		Salish Way	3					3						0	
	LCLT							0				33	33		
Diamond Mgt	Westview Apts ¹²			8	10		18						0		
TOTAL			262	67	94	33	456	28	0	30	142	200			

Table 5-16. Other Affordable Options - No Income Restrictions.

ISLAND	AGENCY OR OWNER	DEVELOPMENT	SINGLE FAMILY HOMES	MANUF. HOMES	MOBILE HOMES	RV HOOK UPS	LOW INCOME RENTAL APTS W/O SUBSIDY	LOW INCOME RENTAL APTS W SUBSIDY	SINGLE FAMILY HOMES UNDER DEVELOPMENT	TOTAL EXISTING OR UNDER DEVELOPMENT
SAN JUAN	The Oaks	The Oaks		78						78
	Harbor Ridge	Harbor Ridge Mobile Home Park			63	12				75
TOTAL			0	78	63	12	0	0	0	153

Notes for Table 5-15:

1. Qualifying residents must have incomes at or below 80 percent of Area Median Income (AMI).

80 percent of AMI - 2017:

1-Person Household	\$37,900
2-Person Household	\$43,300
3-Person Household	\$48,700
4-Person Household	\$54,100
5-Person Household	\$58,450
6-Person Household	\$62,800

2. Community Land Trust - Permanently Affordable nonprofit w/ resale restrictions for home ownership.
3. Homes For Islanders - Sweat Equity nonprofit, with or without resale restrictions for homeownership.
4. Friday Harbor Village - Property sold at public auction in 2015, extinguishing affordability requirements. Units go to market rate when vacated or in 2018, whichever is sooner.
5. Harborview - Affordability requirements set to expire in 2034. Eligible to expire in 2004 if USDA loan paid off.
6. Island Meadows - USDA loan repaid in 2012. Six long-term tenants paying income-based rent through USDA voucher program; as they vacate, units will go to market rate.
7. Islewood - Affordability requirements set to expire in 2039.
8. Rosewood - Affordability requirements set to expire in 2030.
9. Gerard Park - Senior & Disabled only. Affordability requirements set to expire 2044.
10. Surina Meadows - Affordability Requirements set to expire 2042.
11. Orcas Longhouse - nonprofit Senior & Disabled apartments. Affordability Requirements set to expire 2035.
12. Westview Apartments - Affordability Requirements set to expire 2040.

5.9 Matrix of State, Federal, and Private Housing Programs

Table 5-17. Matrix of State, Federal, and Private Housing Programs.

State Housing Programs	Populations Served								
	Service Workers	Empty Nesters	First Time Home Buyers	Elderly	Special Populations	Low Income	Homeless	Lenders	Owners/ Operators
Low Income Housing Tax Credits				X	X	X	X	X	X
Washington Housing Trust Fund				X	X	X	X	X	X
Housing Enhancement Grant Program				X	X	X	X	X	X
Washington State Operating & Maintenance				X	X	X	X		X
Housing Rehabilitation Grant Program	X	X		X		X			X
Home Repair and Rehabilitation HOME						X			X
Tenant Based Rental Assistance HOME					X	X			X
Washington State HomeChoice Program					X			X	
Washington Home Advantage Program									
House Key Rural Program			X					X	
Nonprofit Facilities Bond Program									X
Nonprofit Housing Bond Program									X
WA State Operating Assistance for Multi Family						X			X
Multifamily Housing						X			X

Federal Housing Programs	Populations Served									
	Program	Service Workers	Empty Nesters	First Time Home Buyers	Elderly	Special Populations	Low Income	Homeless	Lenders	Owners/ Operators
Rural Housing Loans Section 502							X			
Rural Housing Site/Self Help Loans Sec 523/524							X			X
Rural Rental Housing Loans Sec. 515				X	X			X		
Rural Rental Housing Loans Sec. 521							X			
Very Low Income Repair Loans/Grants Sec 504							X			
Rural Housing Preservation Grants Sec. 533							X			X
Rural Rental Housing Guaranteed Loans Sec. 538						X	X		X	
Mortgage Insurance Homes Sec. 203(b)	X	X	X	X					X	
Rehabilitation Mortgage Insurance Sec. 203(k)	X	X	X	X					X	
Manufactured Home Purchase Insure. (Title 1)	X	X	X	X					X	
Mortgage Ins. For Condo Projects Sec. 234(d)	X	X	X	X					X	
Mortgage Insurance COOP Projects Sec. 213	X	X	X	X					X	
Mortgage Insurance for Purchase of Condo's Sec.234 ©	X	X	X	X					X	
Mortgage Insurance Rental Housing Sec. 207	X	X	X	X					X	
Mortgage Insurance Rental/COOP Housing Sec. 221 (d)(3)				X	X	X			X	
Mortgage Insurance Rentals for Elderly Sec. 231				X					X	

Supplemental Loan Ins. Multi family Rental Sec 241 (a)				X	X			X	
Mortgage Ins.for Purchase/Refi of Multi family Sec. 223(f)/207	X	X		X				X	
Mortgage Insure. Manufactured Home & Lot (Title 1)								X	
Mortgage Insure. Single Fam. COOP Sec. 203 (n)	X	X	X	X				X	
Mortgage Insure. Military Impacted Areas Sec 238 ©	X	X	X	X				X	
Mortgage Insure. For SRO's Sec. 221(d)					X	X			X
Supportive Housing for Elderly Sec. 202				X					X
Graduated Payment Mortgage Sec. 245 (9) (a)	X	X	X	X					
Operating Assistance for Multi family									X
Supportive Housing for Persons/Disabilities Sec. 811					X				X
Emergency Shelter Grants					X	X	X		X
Supportive Housing - Homeless					X	X	X		X
Shelter Plus Care					X	X	X		X
Home Investment Partnership Program HOME					X	X	X		X
Self Help Homeownership Opportunity Program	X	X	X			X			X
CDBG Section 108 Loan Guarantee	X	X	X	X	X	X			X
Teacher Next Door initiative					X				
Single Family Property Disposition	X	X	X	X	X	X			X
Dollar Home Sales	X	X	X	X	X	X	X		X
Assisted Living Conversion of Multi Family				X					X
Public and Indian Housing - Loan Guarantee	X		X	X		X			X
Specially Adapted Housing for Disabled Veterans					X				
Veterans Housing - Guaranteed and Insured Loans	X	X	X	X	X	X			
Veterans Housing Direct Loans for Disabled Vets					X				
Veterans Housing Manufactured Home Loans	X	X	X	X					
Transitional Living Program for Homeless Youth					X				
Private Housing Programs	Populations Served								
Program	Service Workers	Empty Nesters	First Time Home Buyers	Elderly	Special Populations	Low Income	Homeless	Lenders	Owners/ Operators
Impact Capital Predevelopment Loans						X			X
Community Investment Fund/ED Development Fund	X	X	X	X				X	
Home\$tart Program			X					X	
Multifamily Permanent Loans Special Needs				X	X				X
Tax Exempt Bonds for Housing Development	X	X	X	X					X
Community Land Trusts			X			X			
1st Time Buyers, Multi Family, Single Family	X	X	X	X				X	

APPENDIX

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