

Memorandum on: Housing Element and HNA

Comments on the preliminary draft Housing Element (Element) and fourth draft Housing Needs Assessment (HNA)

From Lynnette Wood, Kenneth G. Gibbs, as private citizens. PO Box 183, Deer Harbor, WA 98243

Date: 14 January 2020

While these comments apply to the Housing Element of the Comprehensive Plan and the Housing Needs Assessment, it seems appropriate to note a citation from the Economic Development Requirement of RCW [36.70A.070\(7\)](#): “An economic development element establishing local goals, policies, objectives, and provisions for economic growth and vitality and a high quality of life.” The recent rapid growth of vacation rentals in San Juan County is having negative impacts on quality of life far beyond its impact on housing. It is important to keep this in mind when considering limiting the number of vacation rental permits, that is, it is not just about housing.

Topic: Rate of Growth of Vacation Rentals

Section B, Element 5

Page 11, Lines 13-14 The average rate of growth for vacation rental permits was approximately 51 per year over the last 20 years.

Appendix 5

Page 33, Lines 8-9 The average rate of growth for vacation rental permits was approximately fifty-one per year over the last twenty years.

Comment 1: Between 2000 and mid-year 2019 on average approximately 50 new vacation rental permits were issued per year. However, since 2015 the rate at which permits have been granted has increased by 30% or more. Hence, the long-term average provided in the report significantly misrepresents today’s reality.

Comment 2: Focusing only on the number of permits issued per year sidesteps completely the cumulative impact of permit issuance sustained over decades and the resulting negative impacts of unconstrained VR growth on infrastructure, the environment, and the quality of life, and especially on the loss of a sense of community.

Proposed Alternative Language:

Section B, Element 5

Page 11, Lines 13-14 During the last few years, vacation rental permits issuance has been 30% or more higher than the previous two decade historical average of 51 permits per year. The public has become increasingly concerned over the cumulative impact of permit issuance, which has resulted in negative impacts on infrastructure, the environment, and quality of life, and on a loss of sense of community.

Appendix 5

Page 33, Lines 8-9 While vacation rental units had, for a period, maintained a steady and modest rate of growth, in recent years the rate of issuance has increased by 30% or more above the historical average. There is rising public concern over the cumulative impact of permit issuance sustained over decades which has resulted in negative impacts on infrastructure, the environment, and quality of life, and on a loss of a sense of community.

Topic: VRs as Total Percentage of Housing Stock

Section B, Element 5

Page 11, Lines 14-15 ...vacation rental permitted dwellings only made up seven percent of the total housing stock in 2015 (see Figure 5-15 in the HNA, Appendix A.5) ...

Appendix 5

Page 5, Line 38-39 The number of vacation rentals... made up 7 percent of the total housing stock in 2015.

Page 32, Line 30 through Page 33, Line 1

VR permitted dwellings only made up 7 percent of the total housing stock in 2015

Page 34, Line 6 Seven percent of County housing stock is composed of vacation rental (VR) units...

Page 37, Lines 17-18 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.

Comment 1: The seven percent figure quoted in the report is misleading; the numerator is based on 2015 VR data¹ but by that year the rate at which VR permits were being issued had already started to increase substantially over the historical average. The denominator (total housing stock) is based on U.S. Census estimates² which are higher than in the County's own data.³ Furthermore, that number for the total housing stock is for the entire county, ignoring the fact that VRs are prohibited in many areas, including parts of Friday Harbor, on Shaw and Waldron, and in some HOAs.

Comment 2: Moreover, averaging over the entire County does not reflect the fact that almost all of the VRs are concentrated on just three islands: Orcas, San Juan Island, and Lopez. If one computes VR densities on these three islands, the ratios are closer to 1 in 6.5 (or 15%, Orcas), 1 in 10 (San Juan Island, including Friday Harbor) and 1 in 11 (9%, Lopez). Furthermore, even within an island, the density of VRs are not evenly distributed, and tends to be concentrated in certain areas.

Proposed Alternative Language:

Section B, Element 5

Page 11, Lines 14-15 [Replace with language suggested in below section entitled "Future Trends"]

Appendix 5

Page 5, Line 38-39: VR permitted dwellings as percent of total housing stock varies significantly by island and by neighborhood. By island, the percentages are currently about 15% on Orcas, 10% on San Juan (including Friday Harbor), and 9% on Lopez. But even these "island wide" averages obscure the fact that VRs are often concentrated in certain areas or neighborhoods. For example, VRs already represent about 20% of the housing stock in the Deer Harbor Hamlet.

Page 32, Line 30 through Page 33, Line 1

VR permitted dwellings as a percentage of the total housing stock varies significantly by island and by neighborhood, with average densities on the three

¹ Source cited for Figure 5-17: SJC DCD VR Permit Data Assembled 2016

² Source cited for Figure 5-17: U.S. Census Bureau, 2015 American Community Survey 5-Year Estimates

³ <https://data2017-01-09t190539232z-sjcgis.opendata.arcgis.com/datasets/parcels-and-condominiums>

most impacted islands of Lopez, San Juan Island and Orcas ranging from 9 to 15% but reaching 20% or more in some neighborhoods.

Page 34, Line 6 Same as above.

Page 37, Lines 17-18 The number of vacation rentals in the County has steadily increased since the year 2000, and the rate of increase has risen substantially in the last few years (up 30% or more over the historical average). If this trend continues, then the number of vacation rentals could double in as few as three and as many as eight years.

Topic: Future Trends

Appendix 5

Page 5, Lines 45-47 Current trends predict 1,500-2,000 permitted vacation rentals in San Juan County by 2036. The vacation rental share of total housing can be expected to be between eight and eleven percent given permit trends.

Page 33, Line 4 Figure 5-16.

Page 33, Lines 9-14 If that trend continues, by the year 2036 600 to 1,000 new vacation rental units might be added to the current stock of approximately 1,000 permitted vacation rentals. Given that trend, by the year 2036 between 1,500 and 2,000 homes could be vacation rentals. The County forecasts that there will be 18,059 homes here by 2036. If both forecasts hold true, between eight and eleven percent of the housing stock might be used for vacation rentals in the year 2036.

Page 37, Lines 22-24 By 2036 the County can expect between 1,500 and 2,000 permitted vacation rentals. The vacation rental share of total housing can be expected to be between eight and eleven percent by 2036 given permit trends.

Comment 1: Using the historical average for the rate of increase of VRs, and an under-estimate of the number of vacation rentals as a percent of the total housing stock, results in a significant under-estimate of what the future holds given current trends.

Comment 2: In order for the rate of growth used in the report to be meaningful, the underlying economic environment would have had to have remained somewhat constant. It certainly has not! The 20 year period over which this average was established includes years prior to the launch of Airbnb and similar on-line platforms. Airbnb was launched in 2008 and only started to take off in 2010 after the recession. Worldwide, the growth of Airbnb since 2010 has been described as “insane.”⁴ In the summer of 2010, about 47,000 people stayed with an Airbnb host.⁵ By the summer of 2015, almost 17 million people had stayed with an Airbnb host. By October 2019, two million people were staying with an Airbnb host each night.⁶

Comment 3: Using a two decade average for the rate at which VR permits have been issued, rather than the actual time-dependent rate of growth, presumes that the rate of growth is linear. It is certainly not and the result is that future projections (in the report and as shown in Figure 5-16) are likely to be

⁴ <https://www.businessinsider.com/airbnbs-summer-reach-has-grown-by-353-times-in-5-years-2015-9>

⁵ <https://www.businessinsider.com/airbnbs-summer-reach-has-grown-by-353-times-in-5-years-2015-9>

⁶ <https://en.wikipedia.org/wiki/Airbnb>

seriously in error. Indeed, the next sentence on Page 33, Line 9 starts out, “If this trend continues...” But we already know that the trend is not linear, the rate of growth has increased substantially over the last few years, and therefore the historical trend is not continuing. The current trend is not linear and therefore basing future predictions on the historical average is not valid.

Proposed Alternative Language:

Section B, Element 5

Page 11, Lines 14-15 During the last few years, the rate at which vacation rental permits have been issued has been 30% or more higher than the historical average. If the increase in VR permits stabilizes at 30% over the historical average, then the number of vacation rentals will double in about 8 years time; if it continues to increase 30% per year, then the number of VRs will double in about 3 years.

Appendix 5

Page 5, Lines 45-47 Depending upon whether or not the increased rate of issuance of VR permits stabilizes or continues upward, the number of vacation rentals could double in number in anywhere from three to eight years. If the increase in VR permits issued each year stabilizes at 30% over the historical average, then the number of vacation rentals will double in about 8 years time; if it continues to increase 30% per year, then the number of VRs will double in about 3 years time.

Page 33, Line 4 Figure 5-16. Start the regression at 2010, not 2000. Use a polynomial fit, not a linear fit, to reflect the recent increase in the rate of issuance.

Page 33, Lines 9-14 If current trends continue, the number of vacation rentals could could more than triple by 2036. The County forecasts that there will be 18,059 homes here by 2036. If both forecasts hold true, then 17% of the housing stock might be used for vacation rentals county-wide. Furthermore, if the current densities prevail, then by island, the percentage of the housing stock in vacation rentals could reach 45% on Orcas, 30% on San Juan (including Friday Harbor), and 27% on Lopez.

Page 37, Lines 22-24 By 2036 the County could potentially see at least a tripling of the number of vacation rentals, based on current trends.

Topic: VRs as Compared to New Dwelling Units

Appendix 5

Page 5, Lines 40-43 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 have more influence on housing supply and availability than vacation rentals.

Page 34, Lines 8-11 Vacation rental units have maintained a steady and modest growth over the past 10 years. At the same time, the number of new dwelling unit permits has seen a steady decline (Figure 5-18). 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.

Page 34, Lines 20-22 The trend of declining housing building permits appears to be a greater issue than the trend of increasing vacation rentals.

Comment 1: The report contains no data on which to substantiate the claim that “the decline in new construction appears to have more influence on housing supply and availability than vacation rentals” or that “declining housing building permits appears to be a greater issue than the trend of increasing vacation rentals.” These statements are at best suppositions and as such are inappropriate for use in an assessment of housing needs.

Comment 2: It is no longer true that “there has not been a large jump in the total number of VR units over time” since there has been a large increase in VR issuance since this sentence was first crafted. (This sentence appeared in the August 9, 2017 Preliminary Draft, and hasn’t been updated since.) The statement that VR units are becoming a larger and larger proportion of housing stock is true, and does not attempt to make any claims about what influences are in play. It is simply a statement of fact.

Proposed Alternative Language.

Appendix 5

- Page 5, Lines 40-43 Delete the sentence, “The decline in new construction appears to have more influence on housing supply and availability than vacation rentals.”
- Page 34, Lines 8-11 Vacation rental units have maintained a steady and modest growth until recently, when the rate at which permits have been issued increased by 30% over the historical average. At the same time, the number of new dwelling unit permits has seen a steady decline (Figure 5-18). This means that VR units are becoming a larger and larger proportion of housing stock.
- Page 34, Lines 20-22 Delete the sentence, “The trend of declining housing building permits appears to be a greater issue than the trend of increasing vacation rentals.”

Topic: VRs and Affordable Housing

Appendix 5

- Page 35, Lines 13-14 A public concern is that housing units that could otherwise house San Juan County residents are being converted to vacation rentals, depleting affordable year-round housing options.
- Page 35, Lines 16-18 Figures 5-20 and 5-21 show the assessed value of all parcels with buildings and the assessed value of all parcels with vacation rental permits. Figure 5-21 shows all vacation rental permits as of August 2019.
- Page 35, Line 21 Most parcels with vacation rental permits are valued above the affordable home price.
- Page 36, Lines 6-8 More than two-thirds of the properties permitted for vacation rental are valued above the affordable home price. Considering that vacation rentals are currently permitted for 7 percent of the existing housing stock, vacation rentals are not necessarily depleting the stock of housing affordable for San Juan County residents.
- Page 36, Lines 14-16 While some lower priced properties are permitted as vacation rentals, other market factors may have a greater effect on the shortage of affordable housing.
- Page 38, Lines 13-14, ... even the loss of one rental housing unit can lead to an entire family relocating off island.

Comment 1: Figure 5-20 purports to show the assessed values for all parcels with “buildings,” which would include parcels with sheds, barns, hangers, single-family residences and even commercial establishments. It has no relevance when examining the distribution of the assessed value for vacation rentals as indicated in Figure 5-21.

Comment 2: The statement that, “More than two-thirds of the properties permitted for vacation rental are valued above the affordable home price” is a glass half-empty argument: If two-thirds of the properties permitted for vacation rental are valued above the affordable home price, then conversely one third are valued at or below the affordable home price.

Comment 3: The 7 percent figure is out-of-date and incorrect, as noted in the section entitled “VRs as Total Percentage of Housing Stock.”

Comment 4: The sentence, “While some lower priced properties are permitted as vacation rentals, other market factors may have a greater effect on the shortage of affordable housing” is speculative.

Comment 5: The impact of VRs is to further stress an already highly stressed market. Page 38, Lines 13-14, emphasizes this point: “...even the loss of one rental housing unit can lead to an entire family relocating off island.”

Comment 6: While the public is certainly concerned about the impact of VRs on affordable housing, the public is also very concerned about the negative impacts of unconstrained VR growth on infrastructure, the environment, and quality of life, and especially on the loss of a sense of community.

Proposed Alternative Language.

Appendix 5

- Page 35, Lines 13-14 A public concern is that housing units that could otherwise house San Juan County residents are being converted to vacation rentals, depleting affordable year-round housing options. It should be noted that the public is also very concerned about the negative impacts of unconstrained VR growth on infrastructure, the environment, and the quality of life, and especially on the loss of a sense of community.
- Page 35, Lines 16-18 Delete Figure 5-20 and just say, “Figure 5-21 shows the distribution of assessed value for all parcels with vacation rental permits.”
- Page 35, Line 21 Delete the sentence, “Most parcels with vacation rental permits are valued above the affordable home price.”
- Page 36, Lines 6-8 About one third of the properties permitted for vacation rental are valued at or below the affordable home price. Considering that vacation rentals already take up a significant fraction of the housing stock, especially on Orcas and San Juan Islands, this is clearly adding stress to an already highly restricted housing pool.
- Page 36, Lines 14-16 Delete the sentence, “While some lower priced properties are permitted as vacation rentals, other market factors may have a greater effect on the shortage of affordable housing.” This is speculation on the part of the author.
- Page 38, Lines 13-14 [Retain this sentence, as it demonstrates well the effect of low long-term housing availability and access in the County.]

Topic: Standards of VR Operations

Appendix 5

Page 34, Lines 5-6 According to Land Use Element Policy 2.2.A.12, vacation rentals should be subject to standards similar to those for hospitality commercial establishments but should be classified as a residential use for purposes of land use regulation.

Comment: This would be a positive change from the current regulations, as noted below.

Findings from Other Portions on the Comprehensive Plan

Other portions of the Comprehensive Plan support limiting vacation rentals:

The Land Use Subcomponent (Page 4, Item 2.2.A.12) explicitly states that vacation rentals should be “subject to standards similar to those for hospitality commercial establishments” recognizing the commercial aspect of these enterprises.

The Economic Development Element (Page 7, Lines 4-5) specify investing “in the balanced long-term health of the primary economic sectors--construction and tourism--as consistent with preservation of natural capital and rural character of the locale involved.” Continuing to allow uncontrolled growth of vacation rentals, which essentially commercializes what had been residential neighborhoods, is not consistent with the preservation of rural character.