



SAN JUAN COUNTY
DEPARTMENT OF COMMUNITY DEVELOPMENT

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MEMO

TO: County Council
Planning Commission

CC: Erika Shook, AICP, Director, DCD
Mike Thomas, County Manager

FROM: Ryan Page, Affordable Housing Coordinator, Health and Community Services
Linda Kuller, Planning Manager, DCD *lk*

SUBJECT: 2036 Comprehensive Plan Update: Housing Element
Briefing: Second Draft Housing Needs Assessment for review

DATE: October 11, 2017

BRIEFINGS: County Council: October 16, 2017
Planning Commission: October 20, 2017

ATTACHMENTS: Second Draft: Housing Needs Assessment dated October 11, 2017
Power Point presentation

Issue: Briefing on the second draft Housing Needs Assessment (HNA), Appendix 5 of the Comprehensive Plan.

Background: To encourage early and continuous public participation a preliminary draft of the HNA was released in August. Many helpful comments and suggestions are incorporated into the attached second draft. The draft was substantially updated. A list of changes is attached to this memo.

Housing is a critical element of the County's social well-being, quality of life and economic vitality all of which are interconnected. The next draft of the San Juan County HNA following this briefing will provide the foundation upon which the Comprehensive Plan Housing Element goals, policies and strategic actions will be updated. It will also influence the update of goals and policies in other elements of the Comprehensive Plan.

Briefing Purpose: To receive further comments on the updated draft.

Public Comments: We welcome public comments on the second draft. **How to Comment:**

1. Mark-up a copy of the section needing revisions or additions, or
2. Send specific written comments to DCD such as: Page X, Line X should read XXXXX.

Send Comments: To compplancomments@sanjuanco.com, or
Drop them off at DCD, 935 Rhone Street, FH, or
Mail them to:
SJC Dept. of Community Development,
Attn. Linda Kuller, Housing Needs Assessment
PO Box 947, Friday Harbor, WA 98250

List of Primary Changes from the Preliminary August Draft of the Housing Needs Assessment

- Updated Executive Summary and Introduction
- Added "Key Issues" Summary to each Section
- Section headings were re-organized / streamlined
- Some tables & figures were re-arranged for flow
- Corrected math error in housing projection
- Added Tables:
 - 5-3, 2036 Housing Units Projection by Income Distribution
 - 5-10, San Juan County Housing Ownership Affordability, 2015
- Added Figures:
 - 5-3, Average Annual Wage, Adjusted for Inflation, 1987 - 2015
 - 5-7, San Juan County Covered Employment Classified by Industry, 2016
 - 5-8, Unemployment Rate, non-seasonally adjusted, 2016
 - 5-10, San Juan County Housing Permits, 1980-2016
 - 5-12, Median Home Prices Compared to Median Wages, 1997-2014
- Expanded info in Section 5.3.1 Population Trends and Projections on the # of housing units needed
- Re-wrote parts of Sections 5.3.2 Income and Economic Structure and 5.3.3 Employment
- Expanded parts of Section 5.4 Housing Inventory for clarity
- Added excerpt of Census definitions: Vacant Housing Units in Section 5.4.1 Vacant Units
- Expanded Section 5.4.2 Age and Condition of Housing Stock
- Edited parts of Section 5.4.3 Median Home Values
- Edited Figure 5-18, Renter Occupied Units as a Percentage of Total Housing Units to include State demographics
- Expanded Section 5.4.5 Rental Housing
- Expanded Section 5.5 Affordable Housing
- Added definition of HUD income limits to Section 5.5 Affordable Housing
- Added excerpt in Section 5.5 Affordable Housing from the 2013 Community Conversations
- Added excerpt in Section 5.5 Affordable Housing from Lopez Family Resource Center 2017 Affordable Housing Assessment
- Edited and expanded Section 5.5.4 San Juan County Affordable Housing Programs
- Added excerpt from 2016 SJC Strategic Action Plan in Section 5.5.4 San Juan County Affordable Housing Programs
- Added Conclusion as Section 5.7
- Added Matrix of State, Federal and Private Housing Programs as Table 5-17
- Added Appendix: Resolution adopting 2016 SJC Strategic Action Plan

COMPREHENSIVE PLAN

Appendix 5

HOUSING NEEDS ASSESSMENT

October 12, 2017 – SECOND DRAFT

1 APPENDIX 5

2 HOUSING NEEDS ASSESSMENT

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

40

1 **5.1 Executive Summary**

2
3 Housing is a critical element of the county’s social well-being, quality of life and economic vitality,
4 all of which are interconnected. The San Juan County Housing Needs Assessment provides the
5 foundation upon which the Comprehensive Plan goals, policies and strategic actions are
6 developed. It will also influence the goals and policies of other Comprehensive Plan elements
7 helping to ensure the vitality and character of established residential neighborhoods, encourage
8 the availability of affordable housing to all economic segments of the population, promote a
9 variety of residential densities and housing types, and encourage preservation of the existing
10 housing stock.

11
12 State Overview

13
14 Although Washington State’s economy is currently strong and growing, housing availability and
15 affordability is one of Washington State’s most challenging issues. Washington is the third most
16 expensive state in the nation. Home purchase prices are growing. The State’s rental vacancy rates
17 are below average. According to the American Community Survey, this rate was 3.3 percent in
18 2015 compared to 5.8 percent in 2010. According to the *State of Washington Housing Needs*
19 *Assessment, January 2015*, cost burden is a large and growing problem for middle and lower-
20 income families in Washington. Many are severely cost burdened. Increasingly, affordability has
21 become a driver of homelessness in the state.

22
23 San Juan County is not alone in facing major housing challenges given State trends. In addition,
24 San Juan County faces challenges and needs because it is an island community with island-specific
25 needs, has a predominate service sector economy, experiences seasonal economic swings, and has
26 large elderly, seasonal and recreational populations.

27
28 **KEY ISSUES AND TRENDS**

29
30 **Population Growth**

- 31
32
- 33 ■ The County’s population is steadily increasing and aging.
 - 34 ■ It is expected to increase by 3,109 people (19 percent) by 2036 based on the maintenance
35 of the County’s proportionate share of the State’s population, primarily driven by
36 migration.
 - 37 ■ Population is aging and shows a diminished presence of 20 to 40 year olds compared to the
38 State. The Office of Financial Management predicts that nearly 45 percent of the County’s
39 population will be 60 or older by the year 2030, a 3 percent increase from 2016.

40 **Housing Units Needed by 2036**

- 41
42
- 43 ■ It is estimated an additional 1,524 housing units will be needed to accommodate future
44 population growth based on the 2036 population projection
 - 45 ■ A total of 2,377 new housing units might be needed to meet the 2036 housing needs for
46 both permanent residents and seasonal residents.
 - 47 ■ Additional units outside of these projections will be needed to relieve financial pressure on
cost-burdened households currently living in the County.

1 **Income and Cost Burden**

- 2
- 3 ▪ San Juan County’s per capita income is the seconds highest in the State at \$60,489, but the
 - 4 average annual wage is well below the State average at \$33,890.
 - 5 ▪ The number of households making \$100,000 a year or more are increasing in the County
 - 6 while those making between \$50,000 and \$99,999 are on the decline.
 - 7 ▪ If the County maintains its current distribution of household income, 3,728 households
 - 8 living in the County would be expected to meet low income by HUD guidelines in 2036.
 - 9 ▪ Of the full time households in San Juan County, 40 percent have income considered either
 - 10 low, very low or extremely low according to HUD’s guidelines.
 - 11 ▪ According to the *2015 Washington State House Needs Assessment*, there are 3,100 cost-
 - 12 burdened households in San Juan County. The U.S. Department of Housing and Urban
 - 13 Development defines cost-burdened households as families paying over 30 percent of their
 - 14 monthly income for housing, and those paying over 50 percent of their monthly income are
 - 15 considered severely cost-burdened. From 2010 to 2015, the percentage of cost-burdened
 - 16 households in nearly every income bracket has increased.
 - 17 ▪ According to the September 2016 United Way ALICE Report, 11 percent of the County
 - 18 population lives below the Federal Poverty Level. Another 22 percent of households in San
 - 19 Juan County earn above the Federal Poverty Level, but not enough to afford a basic
 - 20 household budget of housing, childcare, food, transportation, and health care.

21

22 **Employment**

- 23
- 24 ▪ Employment participation in the County is declining as the median age increases.
 - 25 ▪ The labor force of the County is shrinking and employment in San Juan County is heavily
 - 26 seasonal. Unemployment rates typically fluctuate up to 3 percent between their low point
 - 27 in January and the high in August.
 - 28 ▪ One third of workers are employed in low wage jobs in the accommodation, food services,
 - 29 or retail trade fields.
 - 30 ▪ The combination of low wage employment, the lack of affordable/available housing and
 - 31 high cost of living weighs against the in-migration of younger people with limited personal
 - 32 capital and favors affluent older people with greater personal capital.

33

34 **Housing Inventory and Occupancy**

- 35
- 36 ▪ Development of new housing units has declined since the 1990’s, and development has
 - 37 continued to slow since the recession of 2009.
 - 38 ▪ San Juan County shows a lack of diversity of housing types with few multi-family units. In
 - 39 2015, 84 percent of structures in the County were 1-unit detached structures, as opposed
 - 40 to 63 percent statewide. Only 3.4 percent of the structures in the County consist of five or
 - 41 more units, compared to 19.5 percent statewide.
 - 42 ▪ No new multi-family unit permits were issued from 2009-2015.
 - 43 ▪ There is no apparent shortage of housing units in the County. However, despite there
 - 44 being 1 housing unit for every 1.2 residents, there was a 2015 shortage of available housing
 - 45 due to 43.4 percent of housing units being vacant units, compared to 9.3 percent of
 - 46 housing units in Washington State which are considered vacant.

- 1 ▪ Only 16 percent of the County’s total housing inventory is renter occupied compared to 34
- 2 percent statewide.
- 3 ▪ The majority of vacant housing units in the County are categorized “For seasonal,
- 4 recreational or occasional use.”
- 5 ▪ From 2000-2010, 56 percent of all new housing units were built for or converted to housing
- 6 being used for seasonal, recreational or occasional use.
- 7 ▪ From 2000-2010, roughly 21 housing units per year were converted from owner-occupied
- 8 to vacant units.
- 9

10 **Homelessness**

- 11
- 12 ▪ The 2017 Point in Time Count recorded the highest number of individuals considered
- 13 homeless or at risk of homelessness residing in the County since the inception of the count.
- 14 ▪ The highest percentage of respondents during the 2017 count were those living in
- 15 substandard structures including recreational vehicles, trailers or tents.
- 16

17 **Housing Stock Age and Condition**

- 18
- 19 ▪ Many of the County’s housing units (45 percent) were built after 1990.
- 20 ▪ Only 19 percent were built before 1970.
- 21 ▪ The number of occupied housing units lacking complete plumbing facilities and/or
- 22 complete kitchen facilities have increased.
- 23 ▪ San Juan County has seen an increase in occupied housing units lacking complete plumbing
- 24 facilities and/or complete kitchen facilities. Information on substandard housing in the
- 25 County is incomplete but local Family Resource Centers have experienced an increase in
- 26 people seeking services who are living in substandard housing.
- 27

28 **Vacation Rentals**

- 29
- 30 ▪ The number of vacation rentals in the County has steadily increased since the year 2000,
- 31 making up 7 percent of the total housing stock in 2015.
- 32 ▪ From 2005-2010, there were 5.5 new dwelling units created in the County for every
- 33 vacation rental permit issued per year.
- 34 ▪ From 2011-2016 there were only 2.18 new dwelling units per vacation rental permit.
- 35 ▪ The decline in new construction appears to be more of a factor than vacation rentals on
- 36 housing supply and availability.
- 37

38 **Rental Housing**

- 39
- 40 ▪ Renter-occupied housing units make up 16 percent of the houses in San Juan County,
- 41 roughly 50 percent less than the ratio in the rest of Washington.
- 42 ▪ One fourth of all rental units in the County cost \$1,250 or more a month.
- 43 ▪ For households in the County making \$50,000 or less, there exists only one affordable
- 44 rental unit for every 2.7 households.
- 45 ▪ Rental housing in the County can be volatile and it is affected by seasonal economic shifts
- 46 due to tourism and part-time residents.
- 47

1 **Median Home Values**

- 2
- 3 ▪ The median home price in San Juan County has risen every year since 2012 and is currently
 - 4 30 percent higher than the rest of Washington State.
 - 5 ▪ The median resale price of homes in the County in the first quarter of 2017 was \$453,100,
 - 6 30 percent higher than the rest of Washington State.
 - 7 ▪ Home prices in San Juan County have risen every year since 2012 and appear to be
 - 8 uncorrelated to median wages. This implies that economic forces outside of the local
 - 9 County economy drive housing demand in the County.
 - 10 ▪ Only 22 percent of owner-occupied houses in San Juan County are valued between
 - 11 \$100,000 to \$300,000, compared to 50 percent in the rest of Washington State.
 - 12 • There is a gap of nearly \$170,000 between what the average house in San Juan County sells
 - 13 for and what the average San Juan County family can afford.

14

15 **Affordable Housing**

- 16
- 17 ▪ The County's 2017 Area Median Income as defined by HUD is \$67,600.
 - 18 ▪ There is a gap of nearly \$170,000 between what the County considers an affordable house
 - 19 for those making the Area Median Income and the median resale price of a home in the
 - 20 County.
 - 21 ▪ Only eighteen percent of houses in the County are valued at a price that is considered
 - 22 affordable to the 46 percent of households making \$50,000 or less.
 - 23 ▪ Approximately 3,728 households that are considered low income or below by HUD
 - 24 standards are projected to be living in San Juan County in the year 2036.

25

26 **Housing Affordability Index**

- 27
- 28 ▪ According to the Washington Center for Real Estate Research Housing Affordability Index,
 - 29 housing in San Juan County is the least affordable in the State.
 - 30 ▪ San Juan County's Housing Affordability Index was 44.5 points lower than the rest of the
 - 31 State in 2017.
 - 32 ▪ Housing affordability has steadily declined in the County since 2012.
 - 33 ▪ First time homebuyers are particularly disadvantaged in the housing market due to the
 - 34 personal capital needed in order to afford a down payment for an average price home.
 - 35 ▪ Despite being considerably less affordable than the rest of Washington State, fluctuations
 - 36 in the affordability index of San Juan County since 2008 show a correlation with the State's
 - 37 housing market as a whole.

38

39 **Housing Costs**

- 40
- 41 ▪ There were 3,100 cost-burdened households in San Juan County in 2015, and 3,713 are
 - 42 projected to live in the County by 2036.
 - 43 ▪ From 2000 to 2010, the percentage of cost-burdened households increased in nearly every
 - 44 income bracket in San Juan County.
 - 45 ▪ The lack of affordable housing options affects nearly every income bracket.
 - 46 ▪ It is becoming more common for middle and moderate-income households to become
 - 47 cost-burdened by housing.

1 **Needs and Projections**

2
3 Availability and affordability are the County’s most pressing housing issues. The lack of affordable
4 housing units in San Juan County combined with a significant percentage of housing stock made up
5 of occasional or recreational use second homes makes estimating the future housing needs of San
6 Juan County difficult.

7
8 Based solely on the approved projected population increase of 3,109 people by 2036, it is
9 estimated that 1,524 additional housing units will be needed to accommodate this growth. Of
10 these units, 809 are projected to be constructed in Urban Growth Areas. Approximately 1,097 of
11 these units will need to be for owner-occupied housing and 428 for renter-occupied.

12
13 Additionally of those 1,524 units, it is projected that by 2036 the County will need:

- 14
- 15 ▪ 333 units for those making 50 percent of the Area Median Income (AMI) or less,
- 16 ▪ 424 units for those making between 50 to 100 percent of the AMI, and
- 17 ▪ 767 units for those making above 100 percent of the AMI.
- 18

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

23
24 Assuming that the 56 percent of all new housing units will be built for seasonal, recreational or
25 occasional use, an additional 853 housing units (1,524 X 56 percent) would be needed to satisfy
26 demand for seasonal or recreational use. This means that a total of 2,377 new housing units might
27 be needed to meet the 2036 housing needs for both permanent residents and seasonal residents.

28
29 There are projected to be 3,728 low income or below households living in San Juan County by
30 2036, and 1,809 households who are considered severely cost-burdened.

31
32 Home prices fluctuate over time; however, it is clear that the price of homes in San Juan County is
33 likely to remain beyond the reach of many economic sectors for the near future. This fact, in the
34 absence of an effort to combat its negative impacts, is likely to have significant consequences on
35 the demographic profile of the community and the County’s social fabric. It could hasten the
36 growth of the already disproportionate demographic that are elderly and decrease the proportion
37 of youth and young parents.

38
39 It cannot be presumed that the proportions of the different income groups will remain constant
40 over the planning horizon. If affordable housing for the very low, low, moderate and middle-
41 income sectors is not available then many people in those sectors simply will not remain in, or
42 relocate to the County.

43
44 The absence of affordable housing will ensure a corresponding lack of diverse income sectors by
45 2036. If housing that is affordable to all the different income groups is not developed over the
46 planning horizon it is reasonable to assume that both total numbers and relative percentages of
47 very low income to middle-income earners will decline dramatically relative to the upper income
48 groups.

1 **5.2 Introduction**

2
3 RCW 36.70A.070 (2) details the mandatory requirements of the Comprehensive Plan Housing
4 Element. The Housing Needs Assessment is one piece of the Housing Element. This statute states
5 that, in order to be compliant, the Housing Element:
6

- 7 (a) Includes an inventory and analysis of existing and projected housing needs that
8 identifies the number of housing units necessary to manage projected growth;
- 9 (b) includes a statement of goals, policies, objectives, and mandatory provisions for
10 the preservation, improvement, and development of housing, including single-family
11 residences;
- 12 (c) identifies sufficient land for housing, including, but not limited to, government
13 assisted housing, housing for low-income families, manufactured housing,
14 multifamily housing and group homes and foster care facilities; and
- 15 (d) makes adequate provisions for existing and projected needs of all economic
16 segments of the community.
17

18 In addition to the requirements of the GMA above, the implementing regulations at WAC 365-195-
19 310 specify requirements for a compliant comprehensive plan element, as follows:
20

- 21 1. Requirements. This element shall contain at least the following features:
 - 22 a. An inventory and analysis of existing and projected housing needs.
 - 23 b. A statement of the goals, policies, and objectives for the preservation,
24 improvement, and development of housing.
 - 25 c. Identification of sufficient land for housing, including, but not limited to,
26 government-assisted housing, housing for low-income families, manufactured
27 housing, multifamily housing, and group homes and care facilities.
28

29 The purpose of this Housing Needs Assessment (HNA) is to evaluate the current stock of housing in
30 the County. The HNA will evaluate the County’s ability to meet future housing needs and to
31 maintain the vitality and character of established residential neighborhoods. Another function of
32 the HNA is encouraging the availability of affordable housing to all economic segments of the
33 population. Housing costs are generally the single largest household expenditure for Washington
34 residents.
35

36 The unique geography and economy of San Juan County can make solving housing problems more
37 complicated than other areas of our State. San Juan County lacks the infrastructure of urban areas
38 and has the additional difficulty of the Salish Sea dividing the County into smaller community units,
39 which can prevent economies of scale.
40

41 The housing market in San Juan County is also driven by regional economic factors that can be
42 difficult to address at the local level. This Housing Needs Assessment attempts to analyze the
43 supply and demand factors affecting local housing, and engage with the following questions:
44

- 45 1. Is the current housing stock appropriate and affordable for current residents?
- 46 2. Is housing accessible for future residents housing needs?
47

1 This document uses a wide array of data sources in an effort to understand fully the many factors
2 affecting housing in San Juan County. Some data is available going back 40 or 50 years, while
3 other data sources are relatively new with limited historical data available.
4

5 The primary data sources used in the Housing Needs Assessment are from the:
6

- 7 ▪ U.S. Census Bureau, including both the Decennial Census and the U.S. Census Bureau's
8 American Community Survey (ACS),
- 9 ▪ Washington Regional Economic Analysis Project (WA-REAP),
- 10 ▪ Office of Financial Management (OFM),
- 11 ▪ U.S. Department of Housing and Urban Development (HUD),
- 12 ▪ Runstad Center for Real Estate Studies, and
- 13 ▪ 2015 Washington State Housing Needs Assessment.

14
15 The ACS is a nationwide confidential survey conducted annually by the Census Bureau starting in
16 2005. Beginning in 2010, the ACS began to produce 5-year estimates for geographic areas with
17 populations under 20,000. ACS data is not directly comparable to the Decennial Census as the ACS
18 is an aggregate of data over a 5-year period.
19

20 **5.3 Demographics**

21 **5.3.1 Population Trends and Projections**

22
23 The population of the County in 2016 was approximately 16,314 people and is estimated to reach
24 19,423 by 2036. This represents an increase of about 19 percent or 3,109 people, or 1,524
25 households, based on 2.04 persons per household.¹
26
27

28 Population change is primarily driven by two factors:
29

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

32
33 The difference between births and deaths is considered the natural component of population
34 change. The difference between in-migration and out-migration is considered the migration
35 component of population change.
36

37 Both the natural and migration components of population change are tied to the community's
38 demographic profile. Internal factors or population characteristics, such as the gender and age
39 distribution of the community directly affect the rates of natural increase. External or social factors
40 such as employment, housing, community facilities and education opportunities contribute to
41 migration rates.
42

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

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

1 County has averaged a 0.23 percent proportionate share of the Washington State Population since
2 1970.

3
4 Migration rather than natural increase is the source of the County's population growth. The
5 unpredictability of migration fosters variable average annual growth rates. The County's
6 population as a share of the State's population has remained consistent since the 1980's despite
7 significant swings in migratory patterns. Additionally, each island's share of the County's
8 population has been stable since the 1990 census.

9
10 With an average household size of 2.04, a population increase of 3,109 people will require the
11 development of approximately 1,524 housing units Countywide or roughly 76 new units annually.
12 The projected Housing Units needed in the Orcas and Lopez Urban Growth Areas (UGAs) is based
13 on the premise that 50 percent of future development will occur within the respective UGA's.

14
15 **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 |

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

18
19 The Office of Financial Management (OFM) identifies the 5-year cohorts used in the medium
20 projection in Table 5-2. This data shows that 58 percent of the County population is over the age
21 50. Conversely, OFM data shows that approximately 34 percent of the State's population is over
22 the age of 50. Table 5-2 also shows the County has a diminished presence of people between the
23 ages of 20 and 40. In Washington, 20 to 40 year olds make up approximately 28 percent of the
24 population. In San Juan County, they make up 16 percent².

25
26 Demographic data compiled from federal data sources including the Bureau of Economic Analysis,
27 Bureau of the Census, American Community Survey office, U.S. Department of Commerce, Bureau
28 of Labor Statistics and U.S. Department of Labor by the Economic Profile System reveal the
29 following attributes of the County's population:
30

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

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

13
14 **Table 5-2. OFM Population Projection by 4 Year Age Cohort.**

| | 2016 | 2025 | 2030 | 2035 |
|-------|--------------|--------------|--------------|--------------|
| | 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

15
16
17 Figure 5-1 presents the projected arc of the age of the County’s population over time according to

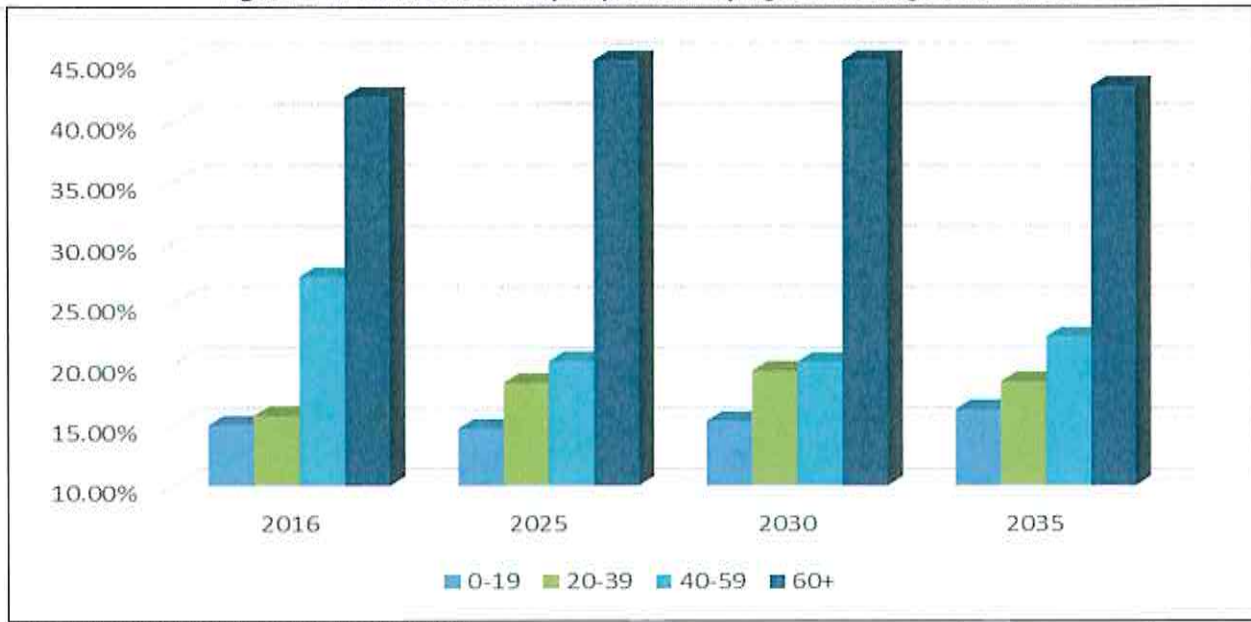
18 the OFM intermediate projections. The OFM projects the 60+ population demographic to plateau

19 around 2025 and then slowly to begin to recede.

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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>

1

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

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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

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

3

4 **5.3.2 Income and Economic Structure**

5

6 The purpose of this Section is to describe the current economic landscape of San Juan County and

7 promote a better understanding of the economic factors that influence the County housing

8 market.

9

10 Figure 5-2. depicts the Real Per Capita Personal Income for San Juan County compared to counties

11 around the State. San Juan County's Real Per Capita Personal Income in 2015 was \$60,489, the

12 second highest in Washington State after King County. The statewide average for 2015 was

13 \$47,381.

14

15 The County's Real Per Capita Personal Income may be misleading due to the high proportion of

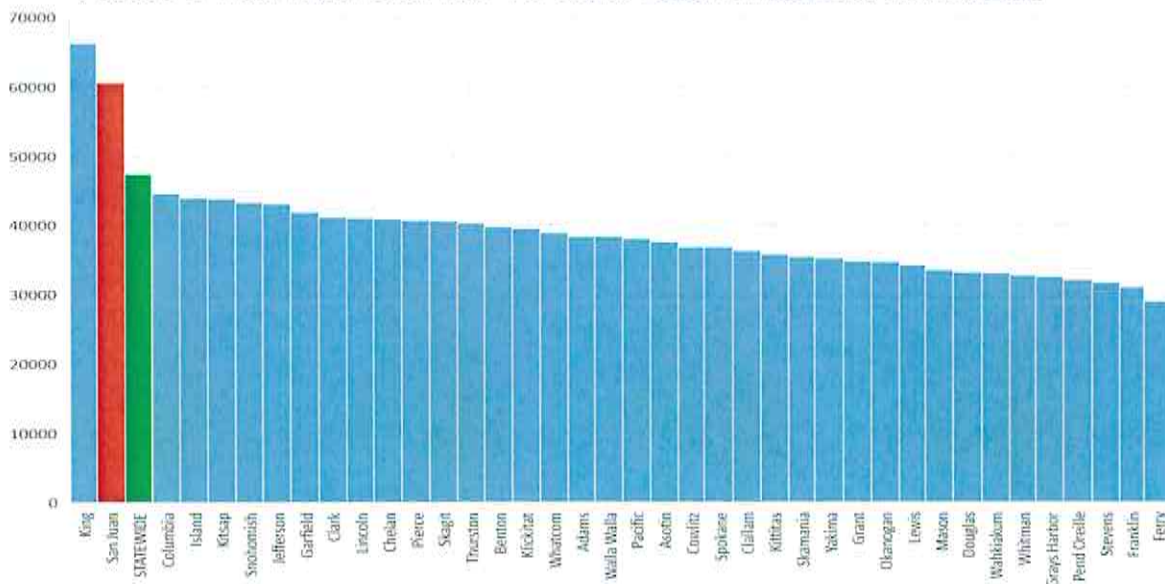
16 retirees in the community. The average annual wage in San Juan County for 2016 was \$33,890⁶,

17 which Figure 5-3 shows is well below the State average.

18

19

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



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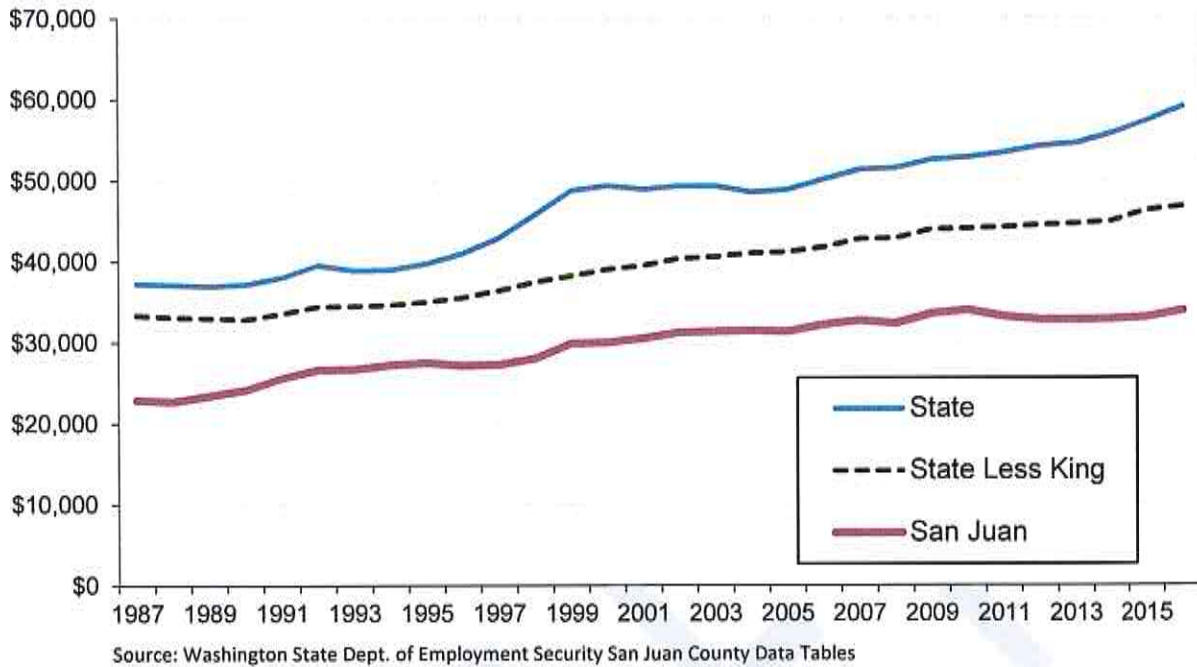
Source: Calculations by the Washington Regional Economic Analysis Project (WA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis

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



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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

1

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

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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

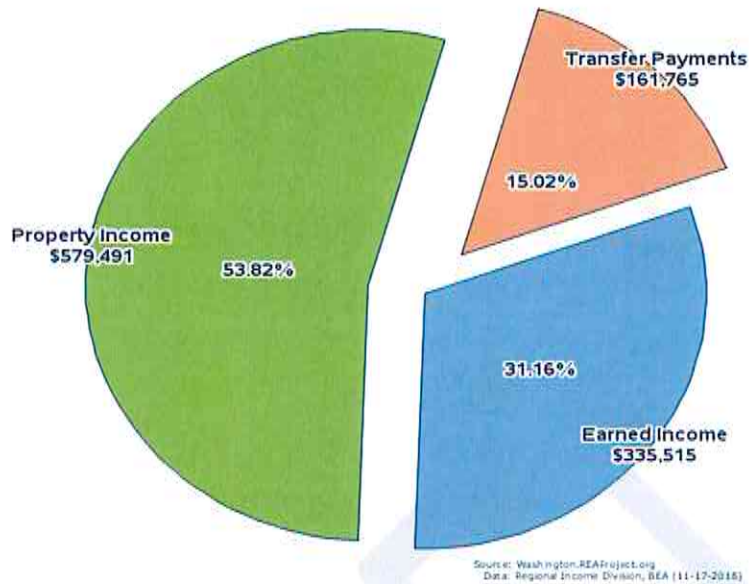
¹⁰ In 2010 Inflation Adjusted Dollars.

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

1 Figure 5-4. Major Components of Total Personal Income, San Juan County, 2015 (Thousands of Dollars)
2



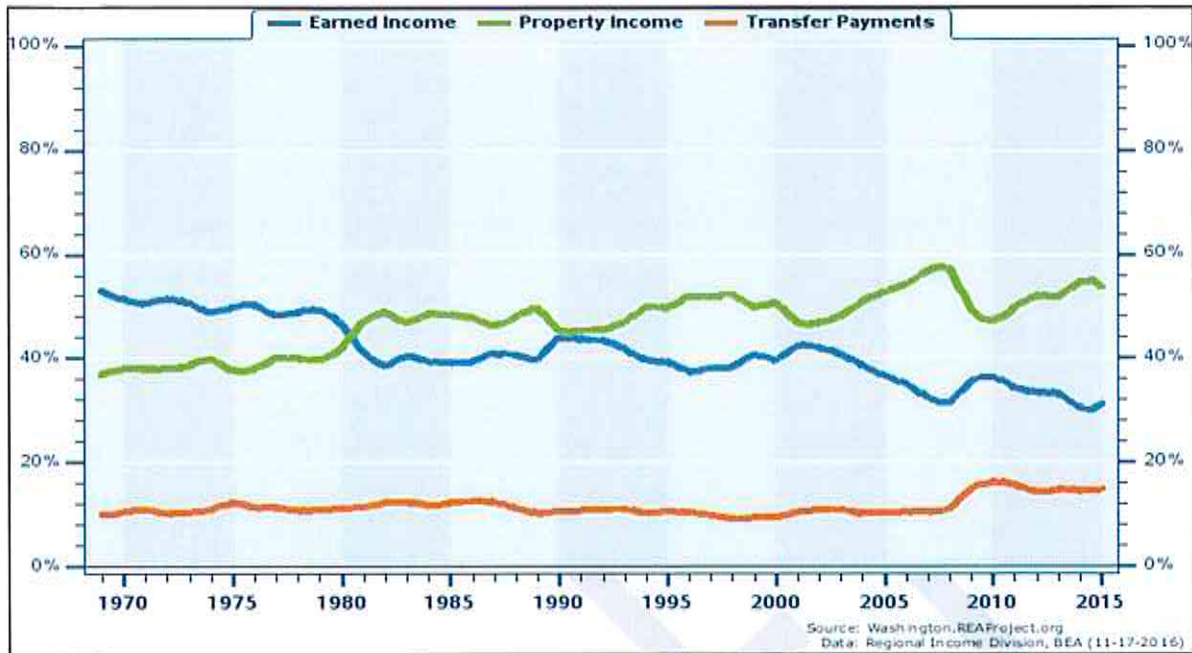
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7 Property Income as a percentage of total personal income in San Juan County is overrepresented in
8 comparison to the rest of Washington State and the country. This is consistent with San Juan County's
9 booming real estate and vacation rental market.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

12
13 Earned Income made up only 31.2 percent of personal income in 2015, which amounted to a substantially
14 smaller share than the corresponding 63.9 percent for Earned Income nationwide and is nearly 10 percent
15 less than the County with the second lowest share of Earn Income in Washington (Jefferson County at 40.83
16 percent).

17
18 Figure 5-5 traces the changing share and relative importance of each income type over time since 1969.
19 Earned Income as a share of San Juan County's personal income declined from 53.1 percent in 1969 to 31.2
20 percent in 2015, a shift in relative share declining 22.0 percent. Offsetting this decline was a 16.9 percent
21 increase in Property Income's share from 36.9 percent in 1969 to 53.8 percent in 2015; and a 5.0 percent
22 advance in Transfer Payments share, from 10.0 percent to 15.0 percent over the same period. Large
23 increases in Property Income and Transfer Payments share are often associated with counties that
24 experienced an influx of relatively affluent retirees.¹⁴

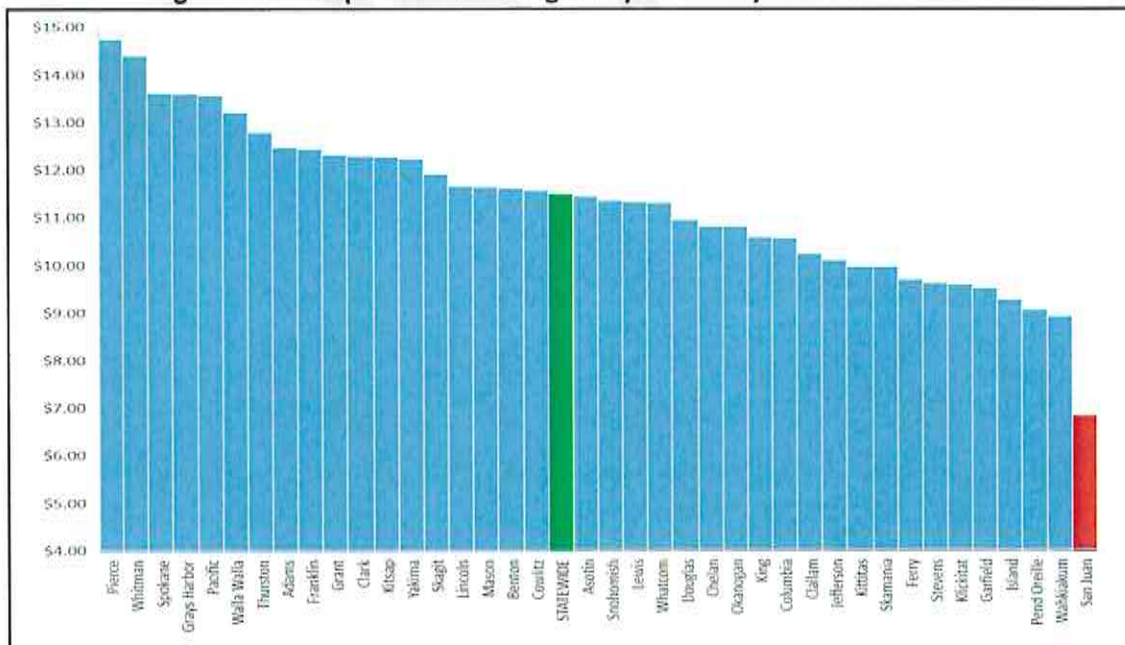
¹⁴ Source: Washington.REAproject.org

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



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4
5 The County has the lowest real estate tax levy rate in the State despite having the second highest
6 per capita personal income of any County in the State and property income making up nearly 54
7 percent of all total income in the County. As shown in Figure 5-6, the average levy rate in San Juan
8 County is \$6.82 per \$1,000 of assessed value. This is \$4.65 lower than the statewide average,
9 \$7.91 lower than the highest rate in the State (Pierce County) and \$2.08 less than the next lowest
10 County (Wahkiakum).
11
12

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.

1 **KEY ISSUES:**

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

10 **5.3.3 Employment**

11
12 In addition to migration and natural increase, housing and employment opportunities are key
13 variables influencing population change. Traditionally employment stimulates the demand for
14 housing, however, over the past forty years San Juan County has followed a different path by
15 becoming an affluent retirement community with low wage employment options.

16
17 For the majority of the 20th century, the County was home to a relatively small and stable
18 population with an economy that centered on fishing, farming and logging. In the mid 1960’s San
19 Juan County begin to transition away from these core industries to a tourism based economy due
20 to a lack of secondary processing on the islands and increased competition from mainland
21 industries. As the County’s median age and retirement population has trended upward
22 employment participation has predictably declined. Table 5-5 presents rates of labor force
23 participation of two five-year periods. Labor force participation has declined by over 3 percent
24 during this period while the number of unemployed individuals and families with two working
25 parents has increased.

27 **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.

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

6
 7 The 2009 Recession should be noticed as having had an effect on the statistics in Table 5-5 and
 8 5-6, as the 2011-2015 ACS covers a time during which the County was in the immediate process of
 9 recovering from that financial crisis. It is difficult to measure the full scope of the Recession's
 10 effect on the County's economy and employment data.

11
 12 One type of job that is not represented in this table but, anecdotally, has become more
 13 commonplace in the County is those whose occupations allow working remotely. Increased
 14 telecommunication capacity in the County and the ubiquity of remote workstation tools such as
 15 Skype for business have made the islands more attractive to high wage earners who can
 16 "telecommute" to jobs that can be far removed from the physical location of the County.
 17

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% |

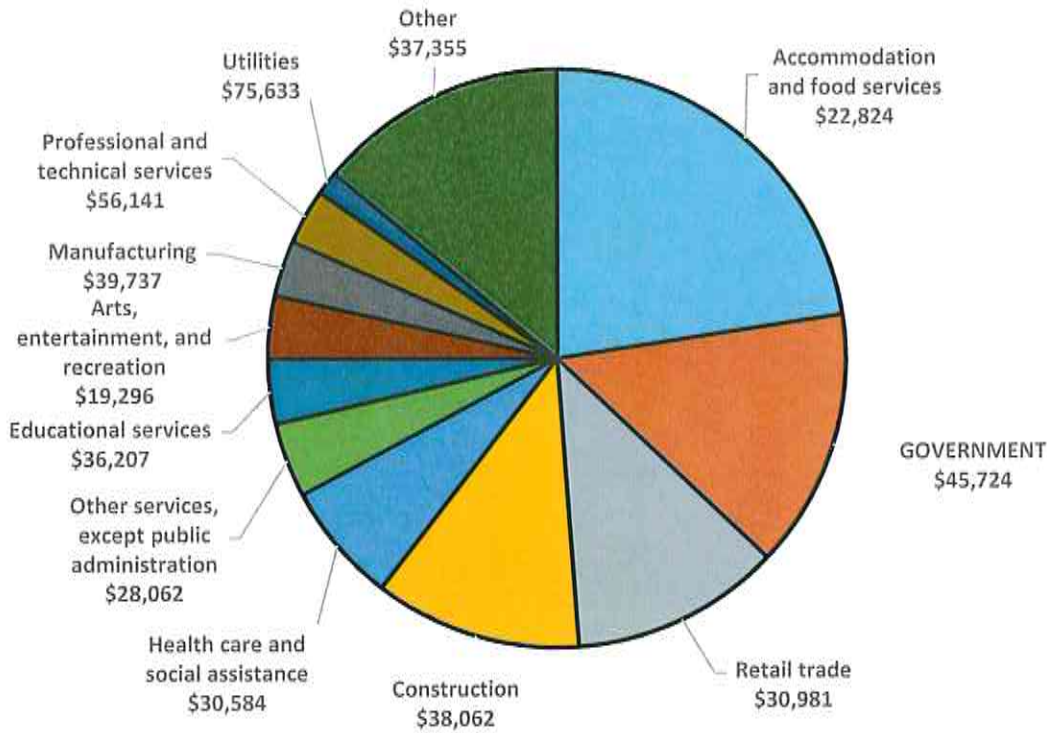
18 Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates
 19

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

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

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



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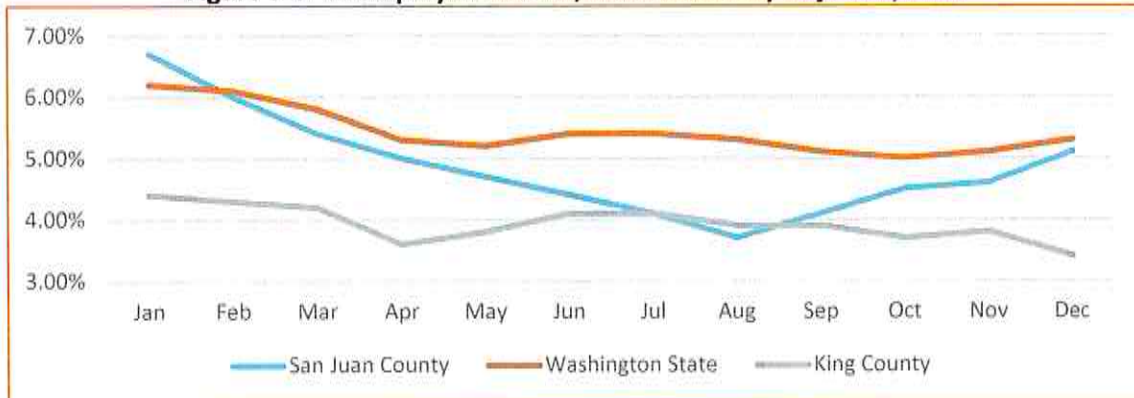
Source: Employment Security Department, Quarterly Census of Employment & Wages

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

13
 14

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



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 17

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>

1 **KEY ISSUES:**

- 2
- 3 ▪ Employment participation in the County is declining as the median age increases.
 - 4 ▪ Tourism heavily affects employment in San Juan County leading to large seasonal swings in
 - 5 unemployment.
 - 6 ▪ One third of workers are employed in low wage jobs in the accommodation, food services,
 - 7 or retail trade fields.
- 8

9 **5.4 Housing Inventory**

10

11 To estimate future housing needs properly, the makeup of the current housing stock must be

12 understood. According to the 2015 American Community Survey (ACS) 5-Year estimate, there

13 were 13,619 total housing units in San Juan County or 1 housing unit for every 1.2 residents.

14 Standard economic theory would suggest that the abundance of housing units would put a

15 downward pressure on prices. However, in San Juan County the housing price trajectory over the

16 last decade has been almost exactly the opposite. A large population of second and vacation

17 homes in the County mostly explains this phenomenon.

18

19 The numbers in Table 5-7 are derived from both the decennial censuses of 2000 and 2010 as well

20 as the 2015 ACS 5-Year Estimate. These data sets cannot be directly compared because the ACS is

21 an average over a 5-year period rather than a single point in time. The two sets together are

22 useful for insight into current demographic trends.

23

24 San Juan County housing unit inventory increased 37 percent from the 2000 Census to the 2010

25 Census. Since the 2010 Census, development in the County has slowed, and the ACS 5-year

26 estimate for 2015 shows a meager increase of 306 Housing Units since the 2010 Census.

27

28 Table 5-7 illustrates a disproportionate number of vacant housing units in San Juan County.

29 According to the 2015 ACS 5-year estimates, vacant housing units made up 9.3 percent of all total

30 housing units in Washington State. San Juan County had 43.4 percent vacant units in the same

31 period.

1

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

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

9

10 Figure 5-9 compares the number of new residents in the County to the number of new housing
11 units built since 1980. In the 1980s, there was one new housing unit built in the County for every
12 2.88 new residents. During the 1990s that figure dropped to 1.1. From 2000-2010, the ratio of
13 new housing units created to the number of new island residents was over 2 to 1. This has left the
14 County in a situation where despite having 13,619 housing units in 2016 for a population 16,314,
15 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.

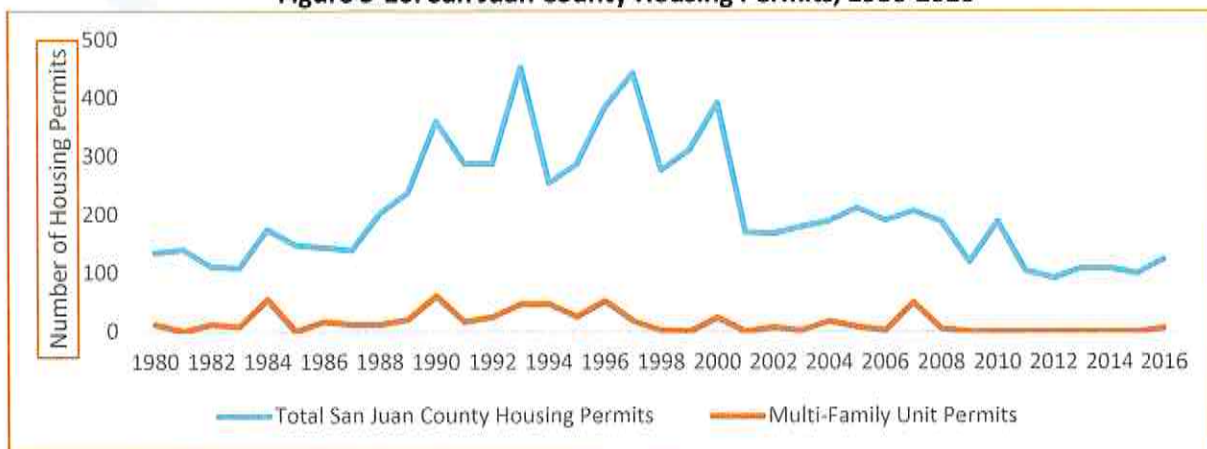
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Figure 5-10 shows the number of housing building permits issued in the County from 1980-2016. After a construction boom during the 1990's, construction of new houses slowed over the past decade, and construction of new multi-family housing projects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

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

1 **KEY ISSUES:**

- 2
- 3 • Development of new housing units has declined since the 1990's, and development
 - 4 continues to slow since the recession of 2009.
 - 5 • San Juan County shows a lack of diversity of housing types with sparse numbers of multi-
 - 6 family units.
 - 7 • There is no shortage of housing units in the County. There are 1.2 residents for every
 - 8 housing unit. However, the majority of these units are unavailable because the County has
 - 9 a disproportionately large population of vacant housing units due to its status as a vacation
 - 10 destination.
 - 11 • From 2000-2010, 56 percent of all new housing units were being used for seasonal,
 - 12 recreational or occasional use.
- 13

14 **5.4.1 Vacant Units**

15

16 For the purposes of this Housing Needs Assessment, the term "vacant" means the definition for

17 "Vacant Housing Units" as defined by the U.S. Census Bureau²¹:

18

19 "A housing unit is classified as occupied if it is the usual place of residence of the

20 individual or group of individuals living in it on Census Day, or if the occupants are

21 only temporarily absent, such as away on vacation, in the hospital for a short stay, or

22 on a business trip, and will be returning....

23

24 A housing unit is classified as vacant if no one is living in it on Census Day, unless its

25 occupant or occupants are only temporarily absent such as away on vacation, in the

26 hospital for a short stay, or on a business trip and will be returning. Housing units

27 temporarily occupied at the time of enumeration entirely by individuals who have a

28 usual residence elsewhere are classified as vacant....

29

30 Vacant units are subdivided according to their housing market classification as

31 follows:

32

33 **For Rent** - These are vacant units offered "for rent" and vacant units offered either

34 "for rent" or "for sale."

35

36 **Rented, Not Occupied** - These are vacant units rented but not yet occupied,

37 including units where money has been paid or agreed upon, but the renter has not

38 yet moved in.

39

40 **For Sale Only** - These are vacant units being offered "for sale only," including units in

41 cooperatives and condominium projects if the individual units are offered "for sale

42 only." If units are offered either "for rent" or "for sale," they are included in the "for

43 rent" classification.

44

45 **Sold, Not Occupied** - These are vacant units sold but not yet occupied, including

46 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

1 **For Seasonal, Recreational, or Occasional Use** - These are vacant units used or
2 intended for use only in certain seasons or for weekends or other occasional use
3 throughout the year. Seasonal units include those used for summer or winter sports
4 or recreation, such as beach cottages and hunting cabins. Seasonal units also may
5 include quarters for such workers as herders and loggers. Interval ownership units,
6 sometimes called shared-ownership or time-sharing condominiums, also are
7 included here.
8

9 **For Migrant Workers** - These include vacant units intended for occupancy by
10 migratory workers employed in farm work during the crop season. (Work in a
11 cannery, freezer plant, or food-processing plant is not farm work.)
12

13 **Other Vacant** - If a vacant unit does not fall into any of the categories specified
14 above, it is classified as "Other vacant." For example, this category includes units
15 held for occupancy by a caretaker or janitor and units held for personal reasons of
16 the owner."
17

18 The majority of vacant units in the County consists of units described as "For seasonal, recreational
19 or occasional use." Despite the gains made in overall housing units from 2000-2010, only 17
20 percent of new units were owner-occupied and 15 percent were renter-occupied in 2010. Over
21 that same period, 1,972 units were added to the County's stock of seasonal, recreational or
22 occasional use units. Seasonal, recreational or occasional use units represent 56 percent of the
23 total of all new units.
24

25 Renter-occupied housing remained relatively stagnant as a proportion of total units during this
26 period but still showed a modest decline. These trends indicate that the islands are an area with
27 an increasing number of housing units being bought or built by non-County or part-time residents
28 as second homes for vacationing or investment properties. This means that any forecast of future
29 housing needs in the County must anticipate over 50 percent of new units will not be built for
30 owner-occupied units meant for full time County residents.
31

32 Table 5-7 also shows the conversion rate of owner-occupied housing units to vacant housing units.
33 From 2000-2010 the rate of conversion was roughly six percent or about 21 housing units per year.
34 During that same period there were roughly 48 new vacation rental permits issued per year
35 according to SJC Department of Community Development (DCD) vacation-rental permit data
36 assembled in 2016 (Figure 5-16 in Section 5.4.6). This indicates that the majority of new vacation
37 rentals permitted from 2000-2010 did not come from the stock of owner-occupied housing.
38

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

1

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.

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KEY ISSUES:

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- 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.

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5.4.2 Age and Condition of Housing Stock

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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.

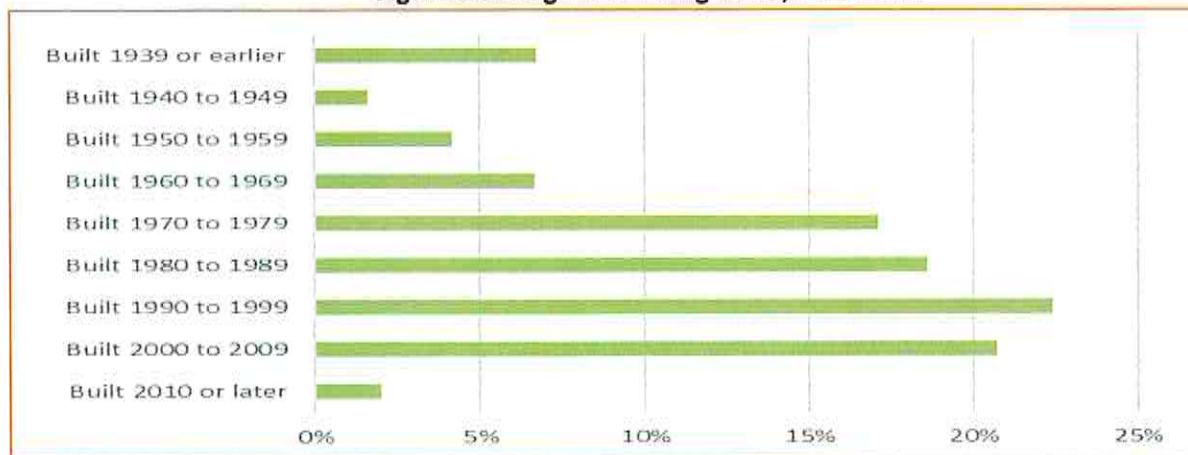
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Figure 5-11. Age of Housing Stock, 2011-2015



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

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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.

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1 According to the local family resource centers, there has been an increase in the number of
2 families living in substandard housing with poor conditions such as trailers or recreational vehicles,
3 and it is not uncommon for people to live some or all of the year in a tent. Also, the largest
4 percentage of respondents to the County's 2017 Point in Time Homeless Count were those living
5 in substandard structures (see Section 5.5.5).
6

7 **KEY ISSUES:**
8

- 9 • Many of the County's housing units (45 percent) were built after 1990. Only 19 percent
10 were built before 1970.
- 11 • The number of occupied housing units lacking complete plumbing facilities and/or
12 complete kitchen facilities have increased. Information on substandard housing in the
13 County is incomplete, but local family resource centers have stated there has been an
14 increase in those seeking services in the County who are living in substandard housing.
15

16 **5.4.3 Median Home Values**
17

18 According to the ACS 2015 5-year estimate, the median home value for San Juan County is
19 \$465,500. The median home price in San Juan County has risen every year since 2012, increasing
20 by 8 percent in 2014, 6 percent in 2015 and 6 percent again in 2016.²²
21

22 The Washington Center for Real Estate Research (WCRER) places the median resale price of homes
23 in the County in the first quarter of 2017 at \$453,100. The median resale price is nearly 30 percent
24 higher than the rest of Washington State. Because the County is a desirable tourist and second
25 home destination, homebuyers must compete for housing not only with other County residents
26 but also with people from all over the world.
27

28 Anecdotally, one contributing factor to high home values and difficulties in creating affordable
29 housing (see Section 5.4) is the reputed higher cost of construction on the islands. The cost of
30 transporting certain building materials from the mainland and a small labor pool of skilled local
31 labor means considerably higher construction costs and challenges than other areas of the State.
32

33 As seen in Figure 5-12, Median Wages in both San Juan County and Washington State have
34 remained relatively stagnant since 1997 while Median Home Prices rose dramatically from 1997 to
35 2007 before seeing a decline due to the Great Recession and have begun to climb again. This graph
36 illustrates that the Median Wage of the County and State do not appear to be factors that
37 influence home prices.

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

1

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

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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



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

18

19

20

1 **KEY ISSUES:**

- 2
- 3 ▪ Home prices in San Juan County have risen every year since 2012, and appear to be
- 4 uncorrelated to median wages. This implies that economic forces outside of the local
- 5 County economy drive housing demand in the County.
- 6 ▪ Only 22 percent of owner-occupied houses in San Juan County are valued between
- 7 \$100,000 and \$300,000, compared to 50 percent in the rest of Washington State.
- 8 ▪ The median resale price of homes in San Juan County in the first quarter of 2017 was
- 9 \$453,100, 30 percent higher than the rest of Washington State.

10

11 **5.4.4 Vacation Rentals**

12

13 The rise of online vacation rental (VR) services like Airbnb²³ and VBRO (Vacation Rentals by Owner)

14 has created new pressures on vacation destination community housing supplies, often in

15 unexpected ways. Figure 5-14 shows that the number of vacation rentals has been steadily

16 increasing in the County since the year 2000, long before the increased popularity of online VR

17 booking websites.

18

19 Despite the continued growth of VRs in the County, VR permitted dwellings only made up 7

20 percent of the total housing stock in 2015 (see Figure 5-15) and 15 percent of the total vacant

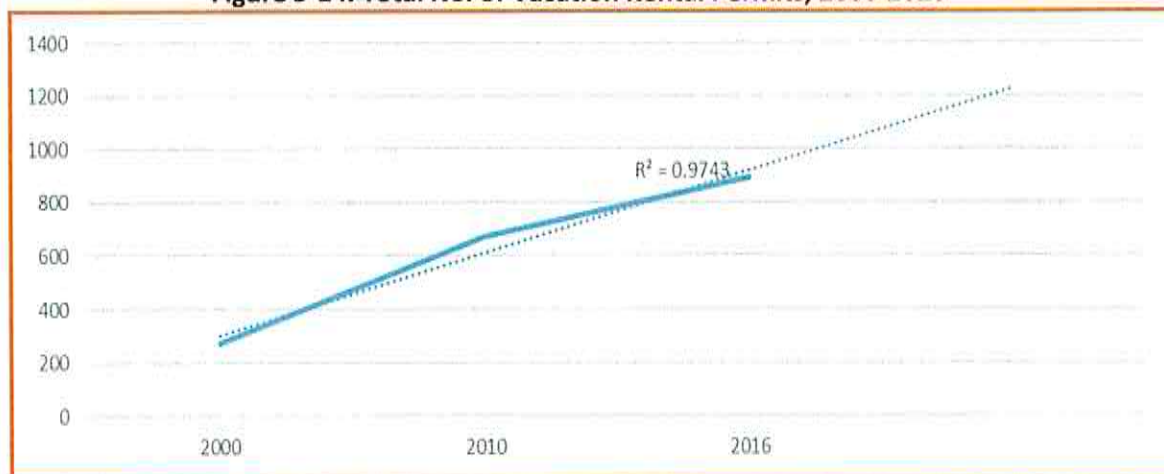
21 housing stock. This figure does not account for vacation rentals that are operated without a

22 permit.

23

24

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



26

27 Source: SJC DCD VR Permit Data Assembled 2016

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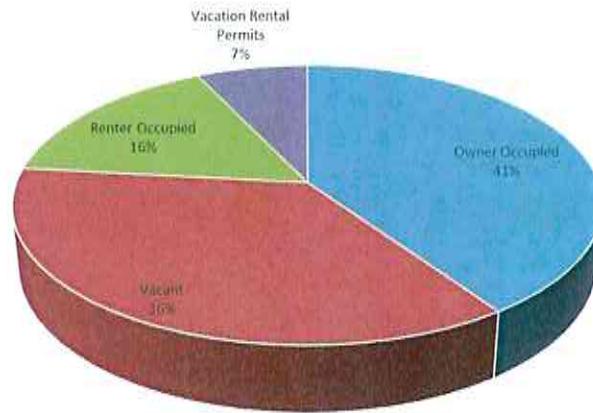
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²³ From Airbnb.com: "Founded in August of 2008 and based in San Francisco, California, Airbnb is a trusted community marketplace for people to list, discover, and book unique accommodations around the world."

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



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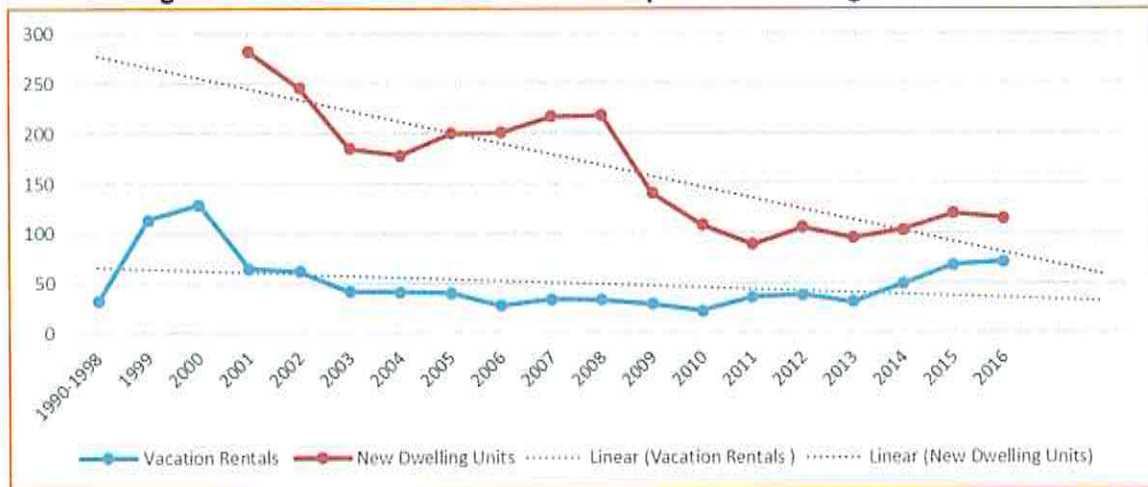
Source: U.S. Census Bureau, 2000 Census, 2010 Census, 2011-2015 American Community Survey 5-Year Estimates,
Source: SJC DCD VR Permit Data Assembled 2016

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

13
14 From 2005-2010, there were on average 5.5 new dwelling units created in the County for every VR
15 permit issued per year. From 2011-2016, there were only 2.18 new dwellings units per VR permit
16 per year.²⁴ Figure 5-17 depicts the different types of housing stock's changing proportions over
17 the past 15 years. The trend of declining housing building permits appears to be a greater issue
18 than the trend of increasing vacation rentals.

19
20

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

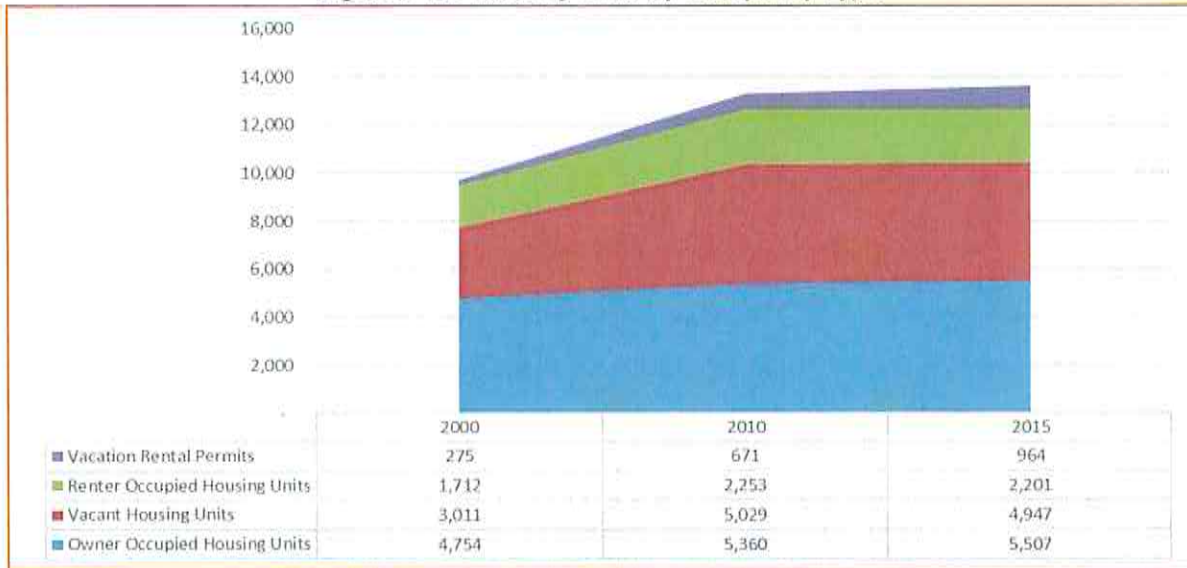


Source: SJC DCD VR Permit Data Assembled 2016

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²⁴ Source: SJC DCD VR Permit Data Assembled 2016

Figure 5-17. Housing Units by Occupancy Type



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

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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.

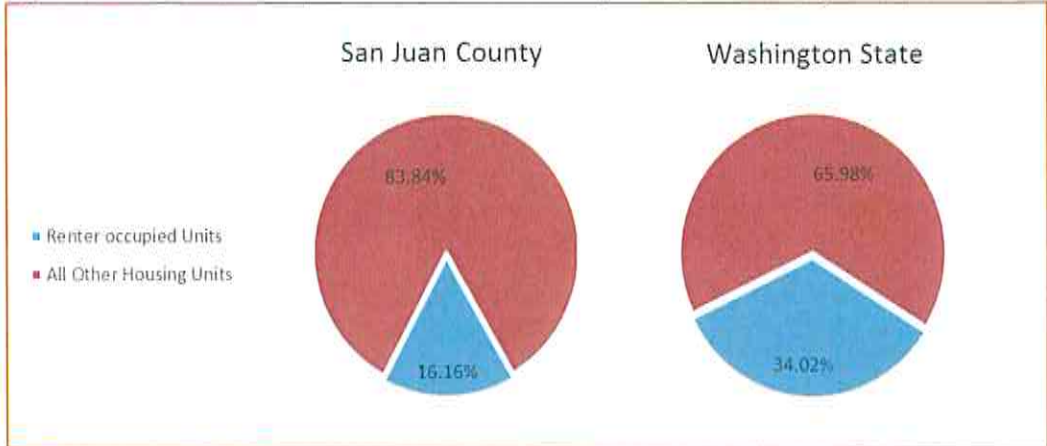
5.4.5 Rental Housing

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.

1

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



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

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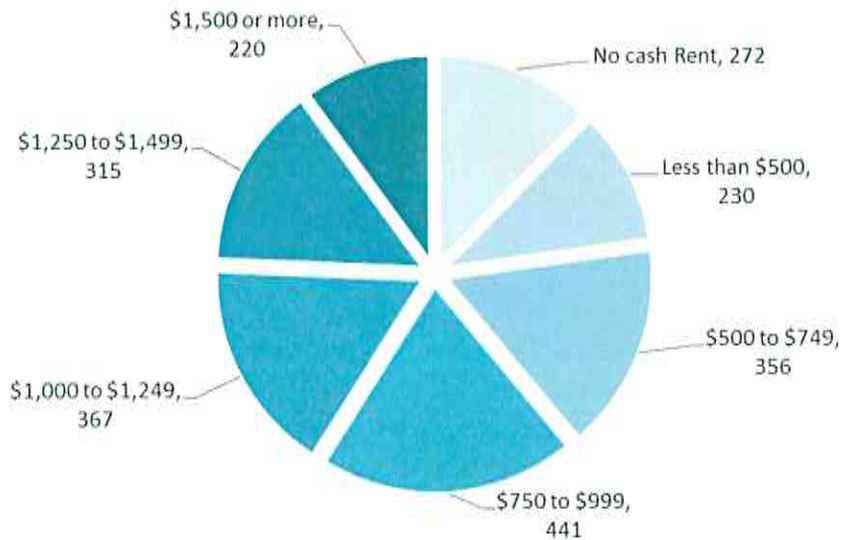
6 Figure 5-19 illustrates the County’s inventory of rental housing units by gross rent. Of the rental
 7 stock in San Juan County, 25 percent have a gross rent of \$1,250 or more a month. San Juan
 8 County has a large population of rental units with no cash rent, 13 percent of all rental housing
 9 units in the County (4 percent is the statewide average). It is hard to speculate on the details of
 10 rental units without cash rent, but these units likely consist primarily of accessory dwelling units
 11 on properties where the tenants labor in lieu of rent. Similarly, many units that have less than
 12 \$500 rent are apt to be a similarly subsidized arrangement.

13

14

15

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



16

17

18

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

19 The 2011-2015 ACS Survey estimated there are 3,538 households in the County who make
 20 \$50,000 or less annually (see Table 5-4). An affordable rental unit is defined as rent including
 21 utilities that costs no more than 30 percent of the household’s gross monthly income. Assuming a

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

5

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

14

15 **KEY ISSUES:**

16

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

24

25 **5.5 Affordable Housing**

26

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

28

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

31

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

33

34 "Affordable housing is housing where the occupants pay no more than 30
35 percent of gross monthly income for total housing costs, including the cost of
36 property taxes and insurance for homeowners and monthly utilities, excluding
37 telephone, for owners and renters. Except where further specified in the
38 Comprehensive Plan and this code, "affordable housing" refers to such housing
39 serving as the primary residence for very low-, low-, moderate- and middle-
40 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>

1 valued at a price that would be considered affordable for this income bracket. This table also
 2 shows the gulf between what the County considers affordable housing for nearly 50 percent of the
 3 population and County home price values. This table only represents theoretical home prices
 4 based on Census data. Prices for houses actually available for sale are likely to be even higher.
 5

6 **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) |

7 Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates
 8

9 The median resale price of a house in San Juan County in the first quarter of 2017 was \$453,100
 10 and the 2017 Area Median Income (AMI) for a family of four according to HUD was \$67,600. The
 11 maximum mortgage including taxes and homeowners insurance that would be affordable to a
 12 median income family of four with no other debts and no down payment would be \$285,060.
 13 That means there is a gap of nearly \$170,000 between what the average house in San Juan County
 14 sells for and what the average San Juan County family can afford.
 15

16 Affordable housing in San Juan County directly affects the economic and social makeup of the
 17 community. Those who wish to make their lives on these islands do not have the economic
 18 freedom of movement available in other communities because it is so cumbersome to commute
 19 to and from the mainland to work. This housing gap for those in low-income brackets can in turn
 20 lead to a shortage of workers for island businesses, directly affecting the overall economic health
 21 of the community.
 22

23 The Lopez Family Resource Center in their 2017 Affordable Housing Assessment states the case for
 24 the importance of affordable housing in San Juan County:
 25

26 “Having sufficient affordable housing is vital to retain residents and provide them
 27 with the opportunity to thrive and reach their full potential. Affordable housing
 28 allows households to set aside money to save for emergencies, improve their health,
 29 further their education, expand employment, have high quality childcare and/or
 30 invest in their future, all of which builds more financial security.
 31

32 Stable Housing Means Stable Children- Research indicates that children who
 33 experience a high degree of turbulence are more likely to have high levels of
 34 emotional and behavioral problems. Lack of regular, stable housing, and the
 35 resulting transitions, can negatively affect children’s development, including their
 36 physical, social-emotional, and cognitive development.
 37

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

²⁹ Principle & Interest

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

4
 5 Stable Housing Means Economic Development- Sufficient affordable housing also
 6 has a multiplier effect for local economies making it easier for employers to attract
 7 talent, create jobs and boost spending by its residents.
 8

9 Stable Housing Sustains a Year Round Community- Lopez has experienced many
 10 positive benefits from investing in local solutions for affordable housing. We see a
 11 more stable school population, small businesses developing, an increase in EMT's
 12 and firefighters and other volunteers, less stress among household members - all
 13 because people have stable, affordable housing."
 14

15 Table 5-11 shows the distribution of households in San Juan County by income within HUD's Area
 16 Median Income. By far the most common subset is households making more than 100 percent of
 17 the area median family income who own their home, followed by owners making between 50 to
 18 80 percent of AMI and renters making above 100 percent AMI. Of the households in San Juan
 19 County, nearly 40 percent have income that is considered either low, very low or extremely low
 20 according to HUD's guidelines. Those making less than 30 percent of the AMI are the second most
 21 common subset of renter households (see Figure 5-20).
 22

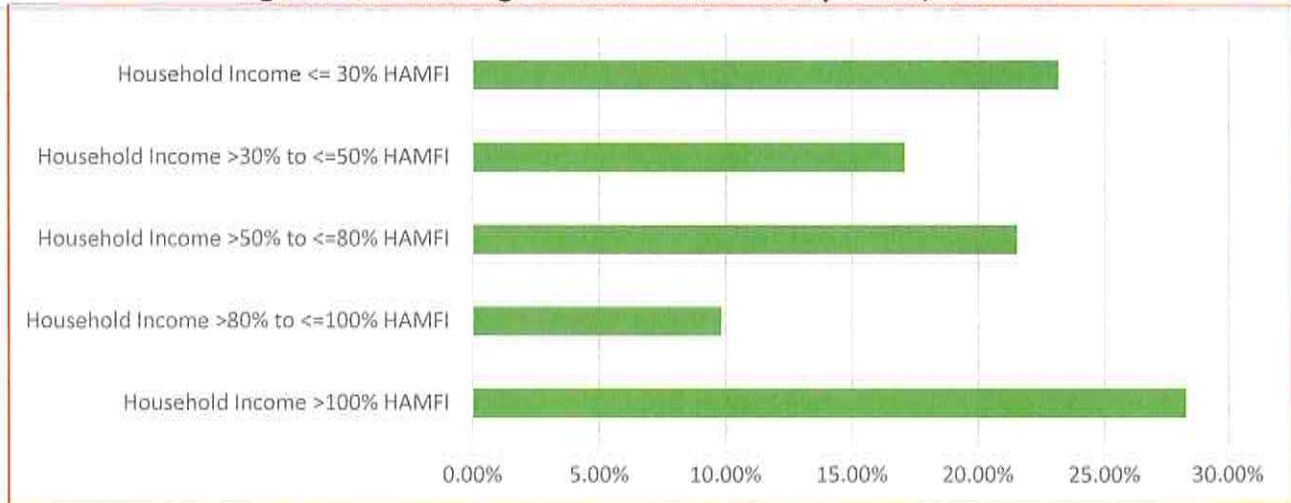
23 Table 5-11 also projects how many households will be in each subset by 2036. If the County
 24 maintains its current distribution of household income, we would expect to see 2,083 households
 25 living in the County below 50 percent of the AMI by 2036, and 3,728 households categorized as
 26 either low income or below.
 27
 28

29 **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 |

30 Source: HUD Comprehensive Housing Affordability Strategy Data 2010-2014
 31
 32
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Figure 5-20. Percentage of Renter Households by HAMFI, 2010-2014



Source: HUD Comprehensive Housing Affordability Strategy Data 2010-2014

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KEY ISSUES:

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- 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.

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5.5.1 Housing Affordability Index

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21

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

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24
25
26
27

“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.”

28
29
30

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).

31
32
33
34

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

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

6
 7 While it is expected that houses will be less affordable for someone buying their first home, the
 8 HAI for a first time home buyer in San Juan County was 53 percent lower than for all home buyers
 9 in the County. Compare this to the statewide first time HAI that was 42 percent lower than the
 10 HAI for all homebuyers in the State. Market conditions in the County make access to the housing
 11 market for most people looking to buy their first home unfeasible. Inability for first time
 12 homebuyers to participate in the market contributes to the County's increasingly skewed age
 13 demographics.

14
 15 **Table 5-12. Median Resale Price and Housing Affordability Index (HAI), 1st Quarter 2017³¹.**

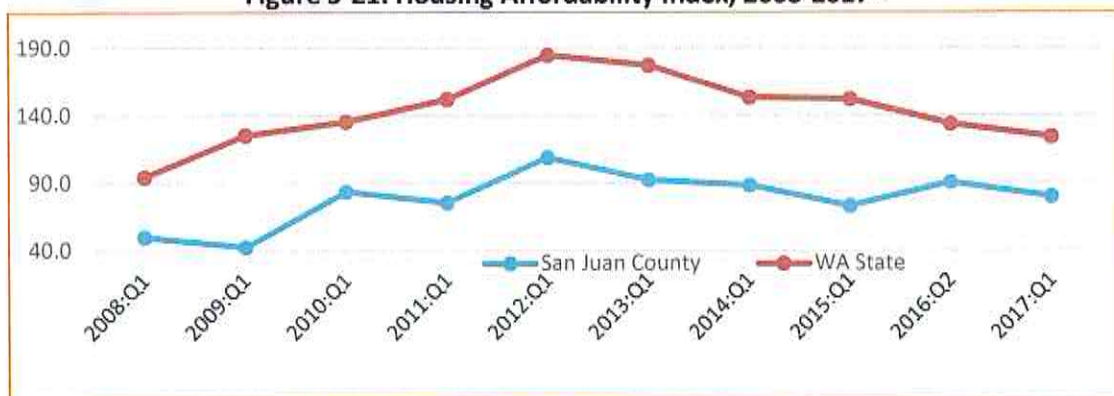
| Area | Median Resale Price Q1 2017 (\$) | HAI | First-time Home Buyer HAI |
|------------------|-------------------------------------|-------|------------------------------|
| San Juan County | \$453,100 | 79.8 | 37.5 |
| Washington State | \$324,300 | 124.3 | 71.4 |

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

17
 18 Figure 5-21 shows how the HAI in San Juan County and Washington State have changed over time.
 19 Despite the gap in affordability, this graph shows a strong correlation between the HAI in the
 20 County and statewide. It would seem that as affordability rises or falls in Washington as a whole,
 21 so goes San Juan County (albeit roughly 65 points lower on average).

22
 23 Following the Great Recession in 2009, housing affordability rose both in San Juan County and
 24 across the State until it peaked in 2012. Over the past 5 years, housing affordability has steadily
 25 declined and if this trend continues, the HAI will soon reach pre-recession numbers.

26
 27 **Figure 5-21. Housing Affordability Index, 2008-2017³²**



28 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.

1 **KEY ISSUES:**

- 2
- 3 ▪ San Juan County’s Housing Affordability Index was 44.5 points lower than the rest of the
 - 4 State in 2017. By this measure, the County is considered the least affordable in the state.
 - 5 ▪ First time homebuyers are particularly disadvantaged in the County’s housing market due
 - 6 to the considerable personal capital needed in order to afford the necessary down
 - 7 payment for an average price home.
 - 8 ▪ Despite being considerably less affordable than the rest of Washington State, fluctuations
 - 9 in the affordability index of San Juan County since 2008 show a correlation with the State’s
 - 10 housing market as a whole.
- 11

12 **5.5.2 Housing Costs**

13

14 The HAI measures the theoretical affordability of a family to purchase a new house, but does not

15 address the affordability of the population’s current residents. Table 5-13 speaks to the lack of

16 affordable housing in San Juan County. Again, affordable housing meaning housing where the

17 occupants pay no more than 30 percent of gross monthly income for total housing costs, including

18 the cost of property taxes and insurance for homeowners and monthly utilities for renters. Those

19 paying greater than 30 percent of their monthly income on housing costs are considered “cost-

20 burdened.”

21

22 There were 3,100 cost-burdened households in San Juan County in 2015 (39 percent of

23 households) according to the *2015 Washington State House Needs Assessment* created by the

24 Washington Affordable Housing Advisory Board. If that ratio continues, it means an additional 613

25 cost-burdened households in San Juan County by 2036 for a total of 3,713 households.

26

27 Table 5-13 shows the percentages of population income brackets paying more than 30 percent, 20

28 to 29 percent, and less than 20 percent in 2010 and 2015 for both renter and owner-occupied

29 housing units. Over those 5 years, the percentage of cost-burdened households has increased in

30 nearly every income bracket. There is no indication that this trend will cease or slowdown in the

31 future and it is likely that more and more residents in the future will be paying a greater share of

32 their monthly income to housing costs. Households considered cost burdened are likely to have

33 difficulty paying for other essentials such as insurance, food, heating, car payments, etc.

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1 **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% |

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

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

4
5 The lack of affordable housing options in San Juan County affects nearly every income
6 demographic. In 2015, 37 percent of households in the \$50,000 to \$74,999 income bracket who
7 own their homes (roughly 75-110 percent of AMI) were cost-burdened. Households with
8 extremely low income, less than \$20,000, are cost-burdened at a rate of 78 percent.

9
10 Figure 5-22 displays how the number of cost-burdened owner and renter households have
11 changed between 2010 and 2015. Every population demographic of household income has seen
12 an increase in the number of households with monthly housing expenses considered unaffordable
13 except those making \$75,000 or more. The largest increases came from those making between
14 \$35,000 and \$74,999. This indicates that low-income households have been struggling with
15 housing costs for some time, and it is becoming much more common for middle and moderate-
16 income households to experience cost-burdened housing.

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



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

5 **KEY ISSUES:**

- 6
- 7
- 8
- 9 ■ 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.
- 10 ■ From 2000 to 2010, the percentage of cost-burdened households increased in nearly every income bracket in San Juan County.
- 11 ■ The lack of affordable housing options affects nearly every income bracket.
- 12 ■ It is becoming more common for middle and moderate-income households to become cost-burdened by housing.
- 13
- 14
- 15
- 16

17 **5.5.3 Homelessness**

18
 19 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.
 20 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.
 21
 22
 23

24 **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 |

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

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

7
8 The highest percentage of respondents during the 2017 count were those living in substandard
9 structures³³, suggesting that even those who may live in housing that is statistically considered
10 "affordable" can still be living in an unsafe or sub-par shelter. San Juan County Health &
11 Community Services expects that the number of individuals in the County considered homeless
12 will continue to rise as the County improves its PIT volunteer recruitment and methodology,
13 leading to increased identification of those in the County living in substandard housing.

14 15 **KEY ISSUES:**

- 16
- 17 ▪ The 2017 Point in Time Count recorded the highest number of individuals considered
- 18 homeless or at risk of homelessness residing in the County since the inception of the count.
- 19 ▪ The highest percentage of respondents during the 2017 count were those living in
- 20 substandard structures.
- 21

22 **5.5.4 San Juan County Affordable Housing Programs**

23
24 San Juan County Health & Community Services Department administers affordable housing
25 programs in the County. These programs are funded primarily through document recording fees
26 (see RCW 36.22.179), as well as State and federal grants. Currently there is no specific local
27 funding source for affordable housing in the County and San Juan County is one of two counties in
28 Washington without a Housing Authority. Some of the programs administered by the County are:

29 30 1. **Senior & Disabled Rental Subsidy Program**

31 Begun in 2009, this program provides rental assistance to extremely low-income seniors
32 and people with disabilities below 30 percent of the area median income. Funded by RCW
33 36.22.179 document recording fees, the program has averaged \$60,487 awarded per year.

34 35 2. **Emergency Rental Assistance Program**

36 Also begun in 2009, this program helps low-income people who are in immediate need of
37 rental assistance to avoid eviction or to facilitate a move to new housing. The program is
38 administered by the Family Resource Centers on Lopez, Orcas and San Juan Islands.
39 Funding for this program has come from a variety of sources including the United Way,
40 FEMA, the Opportunity Council, private donations and RCW 36.22.179 document recording
41 fees. This program has averaged \$14,856 in funding awards per year.

42 43 3. **Very Low-Income Housing Fund Awards**

44 Begun in 2005, this program provides funding to local nonprofits and developers, as either
45 grants or loans, for construction, operation or maintenance of projects that serve families
46 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

1 36.22.178 document recording fees, this program has averaged \$38,760 in grant awards
2 per year.

3
4 **4. Equity Loan Program for First Time Homebuyers**

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

11
12 In March 2016, the County Council authorized the creation of a workgroup to develop an
13 Affordable Housing Strategic Action Plan (Appendix 1). The goal was to develop four to six
14 prioritized actions to address housing issues. This workgroup consisted of County and Town of
15 Friday Harbor staff, local business owners, school board members, and non-profit directors.
16 Through their discussions, the workgroup identified six specific housing needs:

- 17
18 1. Long-term Rentals; Serving individuals making between \$15 - \$20/hour; Rent Range \$680 -
19 \$940/month.
20 2. Long-term Rentals (studios & one-bedroom units); Serving individuals with limited or fixed
21 incomes; Rent Range \$0 - \$680/month.
22 3. Long-term Rentals; Serving Individuals making over \$20/hour; Rent Range \$940 - \$2,000
23 4. Short-term, Reduced Amenity Housing (e.g. dorms, studios, shared occupancy); Serving
24 Seasonal Temporary Worker; Rent Range \$400 - \$500/month.
25 5. Homeownership; Price Range \$80,000 - \$275,000.
26 6. Housing with Supportive Services (e.g. Transitional or Group Housing).
27

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

- 31
32 1. Identify and recommend a local affordable housing funding measure.
33 2. Develop a capital account to be used to purchase existing units when available.
34 3. Expand home repair and weatherization programs.
35 4. Develop a public/private partnership program to build affordable housing units and explore
36 using publicly owned land to construct units.
37 5. Regulate vacation rentals (e.g. yearly permit with fees, inspections, ensure lodging tax is
38 collected, add an impact fee to be used for affordable housing).
39

40 **5.5.5 Housing Groups and Non-Profits**

41
42 There are a number of different groups and nonprofits working in the County to provide
43 affordable housing. The Lopez Community Land Trust, OPAL Community Land Trust, the San Juan
44 Community Home Trust, and Homes for Islanders are all housing nonprofit groups in the County

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

3
4 The homes built by the three Community Land/Home Trusts aim to be permanently affordable,
5 with resale restrictions in place to ensure that these homes remain affordable to the same income
6 group over time and construction subsidies that benefit multiple families rather than solely the
7 first owner.

8
9 Additionally, the Opportunity Council is a private, nonprofit community action agency operating
10 out of Bellingham that serves San Juan County in a variety of different ways including Tenant
11 Based Rental Assistance and weatherization programs. The Family Resource Centers on each
12 island play a pivotal role in connecting low-income County residents with housing and many other
13 poverty alleviation programs.

14 15 **5.5.6 Affordable Apartments**

16
17 In 2017, there are 130 “affordable apartments” representing about two percent of the full time
18 occupied housing stock in San Juan County. These apartments were largely constructed using
19 United States Department of Agriculture (USDA) low interest loans and subsidized with Low
20 Income Housing Tax Credits. However, the number of apartments in the County with income
21 restrictions is declining and there have been no new Low Income Housing Tax Credit financed
22 projects in the County in nearly 25 years nor is USDA currently financing any new developments.

23
24 In the past, new multi-unit developments were constructed in the County using USDA loans with
25 affordable unit restrictions to finance projects. The program works with private-sector lenders to
26 provide financing to increase the supply of affordable rental housing for low- and moderate-
27 income individuals and families in eligible rural areas and towns.

28
29 Once the USDA loan is repaid, these developments can then raise the rent of all of their units to
30 market rate, effectively eliminating their units from the affordable housing stock. As well, if a
31 development is foreclosed and sold at auction, the USDA affordability requirements are
32 extinguished. Two such complexes in the County have already returned to market rate, with more
33 scheduled to lose their affordability requirements over the planning horizon (see notes on Table 5-
34 15).

35
36 At the same time, there have been no new USDA developments to take the place of those
37 returning to market rate rents. In part, this is due to changes in the federal tax credit program and
38 the economy of scale required to make affordable apartment complexes feasible.

39 40 **5.6 Land Availability**

41
42 *Land availability information not available at the time of this draft. It will be assessed in the land*
43 *capacity analysis.*

44
45
46

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

1 **5.6.1 Housing Targets and Capacity**

2
3 *This Section will be completed after the land capacity analysis is done.*

4
5 **5.7 Conclusions**

6
7 The housing issues that plague San Juan County can largely be attributed to traditional economic
8 factors of supply and demand, the simple fact that the average wage in the County is too low for
9 average residents to compete in a housing market with such high demand and low supply. Since
10 the County has little ability to influence average wages in the County or housing demand, the
11 Housing Element informed by this Housing Needs Assessment must then propose goals, policies
12 and action strategies to influence the supply of housing in the County, specifically affordable
13 housing.

14
15 Policies in the Housing Element should encourage the creation and preservation of affordable
16 housing for both low and middle-income families that is permanently affordable, and incentivize
17 the creation and preservation of year round rental housing and multi-family unit housing. These
18 policies should promote a diversity of housing opportunities in the County, work to decrease
19 occurrences of substandard housing, and continue to support local non-profit housing providers
20 while also appropriately planning for the additional housing need created by future population
21 growth. Enacting such policies will promote a more vibrant and balanced economy, with stability
22 for local workers, families, and businesses.

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1 **5.8 San Juan County Low-Income Housing Inventory**

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

| ISLAND | AGENCY OR OWNER | DEVELOPMENT | SINGLE FAMILY HOMES | LOW INCOME RENTAL APTS W/O SUBSIDY | LOW INCOME RENTAL APTS W SUBSIDY | SINGLE FAMILY HOMES UNDER DEVELOPMENT | TOTAL EXISTING OR UNDER DEVELOPMENT | SINGLE FAMILY HOMES PLANNED | SINGLE FAMILY HOMES PROPOSED | RENTAL HOMES PLANNED | LAND BANKED FOR RENTAL/OWNERSHIP | TOTAL PLANNED OR 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 | |

1 **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 INCOMERENTAL 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 |

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3 **Notes for Table 5-15:**

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

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7 80 percent of AMI - 2017:

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| | |
|-----------------------|----------|
| 9 1-Person Household | \$37,900 |
| 10 2-Person Household | \$43,300 |
| 11 3-Person Household | \$48,700 |
| 12 4-Person Household | \$54,100 |
| 13 5-Person Household | \$58,450 |
| 14 6-Person Household | \$62,800 |

- 15
- 16 2. Community Land Trust - Permanently Affordable nonprofit w/ resale restrictions for home ownership.
 - 17 3. Homes For Islanders - Sweat Equity nonprofit, with or without resale restrictions for homeownership.
 - 18 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.
 - 19 5. Harborview - Affordability requirements set to expire in 2034. Eligible to expire in 2004 if USDA loan paid off.
 - 20 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.
 - 21 7. Islewood - Affordability requirements set to expire in 2039.
 - 22 8. Rosewood - Affordability requirements set to expire in 2030.
 - 23 9. Gerard Park - Senior & Disabled only. Affordability requirements set to expire 2044.
 - 24 10. Surina Meadows - Affordability Requirements set to expire 2042.
 - 25 11. Orcas Longhouse - nonprofit Senior & Disabled apartments. Affordability Requirements set to expire 2035.
 - 26 12. Westview Apartments - Affordability Requirements set to expire 2040.
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1 **5.9 Matrix of State, Federal, and Private Housing Programs**

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

| State Housing Programs | Populations Served | | | | | | | | | |
|--|--------------------|-----------------|---------------|------------------------|---------|---------------------|------------|----------|---------|------------------|
| | Program | 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 | X |
| Washington Housing Trust Fund | | | | X | X | X | X | X | X | X |
| Housing Enhancement Grant Program | | | | X | 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 |

4

| 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 | |

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|---|---|---|---|---|---|---|---|---|---|
| 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 |
| | | | | X | | | | | X |
| Assisted Living Conversion of Multi Family | | | | | | | | | |
| 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 | | | | |

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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 | |

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APPENDIX

DRAFT

RESOLUTION NO. 13 - 2017

**Resolution Adopting the San Juan County Affordable Housing Workgroup
Strategic Action Plan**

WHEREAS, accessible affordable housing concerns have been confronting San Juan County for many years;

WHEREAS, numerous studies and community forums have documented housing concerns for low and moderate income households countywide;

WHEREAS, in March 2016 the County authorized a workgroup to develop an Affordable Housing Strategic Action Plan;

WHEREAS, a workgroup was convened and included leaders in business, housing non-profits, the building community, school districts, Town of Friday Harbor, community action groups, and county staff;

WHEREAS, the workgroup held five meeting between March and November 2016, and developed a Strategic Action Plan that includes a vision, identified needs, strategies, actions, an implementation timeline, and measures to monitor success;

WHEREAS, on January 24, 2017 the County Council reviewed and provided input on the Strategic Action Plan; and

WHEREAS, on February 15, 2017 the Housing Bank Commission reviewed, provided input and recommended that the County Council adopt the San Juan County Affordable Housing Workgroup Strategic Action Plan

NOW, THEREFORE, BE IT RESOLVED by the County Council of San Juan County, state of Washington, as follows:

1. The San Juan County Affordable Housing Workgroup Strategic Action plan attached as Exhibit A is hereby adopted.
2. The San Juan County Housing Bank Commission will oversee and report annually to the County Council on the implementation status of the identified actions.

ADOPTED this 21ST day of MARCH 2017.

ATTEST: Clerk of the Council

COUNTY COUNCIL
SAN JUAN COUNTY, WASHINGTON

Ingrid Gabriel 3/27/2017
Ingrid Gabriel, Clerk Date

Rick Hughes
Rick Hughes, Chair
District 2

REVIEWED BY COUNTY MANAGER

Michael J. Thomas 3/22/17
Michael J. Thomas Date

William D. Watson
Bill Watson, Vice-Chair
District 1

RANDALL K. GAYLORD
APPROVED AS TO FORM ONLY

By: RK Gaylord 3/17/17
Date

Jamie Stephens
Jamie Stephens, Member
District 3

San Juan County
Affordable Housing Workgroup

Strategic Action Plan

March 10, 2017

**Affordable Housing Workgroup
Strategic Action Plan**

Overview: Affordable housing issues have been confronting the county for many years with numerous studies and community forums documenting housing concerns for low and moderate income households countywide. Recent reports and studies include, but are not limited to: 2015 Washington State Housing Needs Assessment; Draft Housing Action Plan dated May 2011; Opportunity Council's Prosperity Project 2015, United Way ALICE Report 2015; and 2015 San Juan Island Community Foundation Needs Assessment.

In March 2016, the County Council authorized a Workgroup to develop an Affordable Housing Strategic Action Plan. The goal was to develop four to six prioritized actions to address the housing issues. Actions were to consider all areas including: regulatory, funding, infrastructure costs, and land costs.

The Workgroup held five meetings between March and November 2016 and developed the attached Strategic Action Plan. The Action Plan includes a Vision, Identified Housing Needs, three Strategies, sixteen Actions, an Implementation Timeline, and Measures to Monitor Success. The Workgroup prioritized the following five actions, however, the workgroup indicated all actions should be implemented within the identified timeframe:

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).

Workgroup Members:

| | |
|--|--|
| Bob Jarman - County Council | Richard Brown - Lopez Village Market |
| Duncan Wilson - Town Administrator | Greg Winter - Opportunity Council |
| Lisa Byers - OPAL Community Land Trust | Steve Hushebeck - Visitors Bureau & Town Council |
| Jacob Linnes - Island Market | Brent Snow - SJI School District Board |
| Jason Linnes - Island Market | Janet Brownell - OI School District Board |
| Sandy Bishop - Housing Bank Commission & Lopez Community Land Trust | Erica Shook - SJC Department of Community Development |
| Libbey Oswald - Kings Market | Mark Tompkins - SJC Health & Community Services |
| Peter Kilpatrick - Ravenhill Construction | |

Affordable Housing Workgroup Strategic Action Plan

Vision: Twenty years ago the citizens of San Juan County created a vision for the future. It included the goal to “Foster a sense of neighborliness and community pride so that there is housing for people of all incomes.” Efforts to date have fallen short. Today there is a deficiency in our affordable housing supply. As a community we understand the importance of sustainable affordable housing. We envision healthy, safe housing options for all who live here, including those who work, whether seasonally or full-time, as well as those who are on fixed incomes.

Identified Housing Needs:

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

Strategy 1: Educate Public on the Availability and Affordability of Housing in San Juan County.

Actions¹:

- A. Develop Frequently Ask Question (FAQ) documents
- B. Develop buildable land analysis [R]
- C. Complete housing needs analysis [R]
- D. Develop and implement a community engagement plan [PW]

Strategy 2: Increase the Availability and Affordability of Housing Stock in San Juan County.

Actions:

- A. Identify and recommend a local affordable housing funding measure [F]
- B. Consider incentives for construction of accessory dwelling units (ADUs) for year-round rentals with third party monitoring (e.g., density bonuses, change land use designations to allow on smaller lots; change land use to allow to be built further from main house, on a separate septic system, etc.) [R]
- C. Reduce permit fees and prioritize plan review for affordable housing projects [PW and F]
- D. 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) [R]

¹ Action Category Key: [R] – Regulatory [F] – Funding [PW] – Political Will [D] - Design

- E. County and/or Town be positioned to apply for Community Development Block Grants [F]
- F. Develop a public/private partnership program to build affordable housing units and explore using publicly owned land to construct units [D and PW]
- G. Explore incentives and financing plans with utility providers [F and PW]
- H. Provide density bonuses to property owners creating affordable multi-family units [R]
- I. Evaluate 'farm worker housing' provisions to expand its use [R]
- J. Explore use of lodging tax funds for seasonal worker housing [R and D]

Strategy 3: Maintain Existing Housing Stock that is Affordable.

Actions:

- A. Develop a capital account to be used to purchase existing units when available [F]
- B. Identify and recommend a local affordable housing funding measure [F]
- C. Expand home repair and weatherization programs for existing housing stock [F]

Prioritization of Actions:

The Strategic Action Plan contains sixteen (16) distinct actions aimed at increasing/maintaining the availability and affordability of housing stock in San Juan County. The actions range from educating the public to recommending a local affordable housing funding measure. With the number and range of actions the workgroup felt it was necessary to identify the top three to five actions. Actions designed to increase/maintain affordable housing stock were prioritized based upon the difficulty to implement versus the potential number of units that could be achieved. Actions contained under Strategy 1 were not included in the prioritization exercise as these actions are designed to educate the public and not specifically to increase the number of units.

Listed below are the top five prioritized actions. However, the workgroup expressed support for implementation of all actions within the identified timeframes.

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).

Implementation Timeline:

| Strategy 1: Educate Public on the Availability and Affordability of Housing in San Juan County. | | |
|---|--|-------------------------------------|
| Action | Timeframe from adoption by County Council | Primary Owner |
| A. Develop FAQ Documents | 1 month | H&CS |
| B. Develop buildable land analysis | 6 months | DCD |
| C. Complete housing needs analysis | 6 months | DCD |
| D. Develop and Implement a community engagement plan | 3 months | H&CS/DCD |
| Strategy 2: Increase the Affordability and Availability of Housing Stock in San Juan County. | | |
| Action | Timeframe | Primary Owner |
| A. Identify & recommend a local affordable housing funding measure | 24 months | HBC / CC |
| B. Consider incentives for construction of accessory dwelling units for year-round rentals w/third party contracts | TBD (County Council) | DCD |
| C. Review fee structure for building permits; use of stock plans; reduction/waiver for affordable housing projects; prioritize plan review. | 6 months | DCD |
| D. Regulate vacation rentals | 6 months | DCD |
| E. Apply for Community Development Block Grants | As needed | H&CS |
| F. Develop a public/private partnership program to build affordable housing units and explore using publicly owned land to construct units | 12 months | Town Administrator & County Manager |
| G. Explore incentives and financing plans with utility providers | 12 months | Town, Lisa Byers & Sandy Bishop |
| H. Provide density bonuses to property owners creating affordable multi-family units | 6 months 12 – 18 months | Town DCD |
| I. Evaluate 'farm worker housing' provisions to expand its use | 12 months | DCD |
| J. Explore use of lodging tax funds for seasonal worker housing | 18 months | County Manager |
| Strategy 3: Maintain Existing Housing Stock that is Affordable. | | |
| Action | Timeframe | Primary Owner |
| A. Develop a capital account to be used to purchase existing units | 24 months | HBC |
| B. Identify and recommend a local affordable housing funding measure | 24 months | HBC / CC |
| C. Expand home repair and weatherization programs | 24 months | HBC |

H&CS – San Juan County Health & Community Services

DCD – San Juan County Department of Community Development

HBC – San Juan County Housing Bank Commission

CC – County Council

Monitoring Success

| Strategy 1: Educate Public on the Availability and Affordability of Housing in San Juan County. | | |
|---|------------------|---|
| Action | Primary Owner(s) | Measure(s) |
| A. Develop FAQ Documents | H&CS | <ul style="list-style-type: none"> • FAQ document(s) • Documents posted on county website |
| B. Develop buildable land analysis | DCD | <ul style="list-style-type: none"> • Completed buildable land analysis |
| C. Complete housing needs analysis | DCD | <ul style="list-style-type: none"> • Completed housing needs analysis |
| D. Develop and Implement a community engagement plan | H&CS/DCD | <ul style="list-style-type: none"> • Community Engagement plan developed • Plan implemented |
| Strategy 2: Increase the Affordability and Availability of Housing Stock in San Juan County. | | |
| Action | Primary Owner(s) | Measure(s) |
| A. Identify & recommend a local affordable housing funding measure | HBC | <ul style="list-style-type: none"> • Funding measure identified • Funding measure place on ballot • Key messages developed • Funding measure approved by voters |
| B. Consider incentives for construction of ADU's for year-round rentals w/third party contracts | DCD | <ul style="list-style-type: none"> • Review feasibility of third party monitoring contracts • Code language drafted • Code revision process initiated • Code language adopted |
| C. Review fee structure for building permits; use of stock plans; reduction/waiver for affordable housing projects; prioritize plan review. | DCD | <ul style="list-style-type: none"> • Fee resolution adopted reducing fees for affordable housing projects • Plan review process revised to prioritize affordable housing projects |
| D. Regulate vacation rentals | DCD | <ul style="list-style-type: none"> • Code language drafted • Code revision process initiated • Code language adopted |
| E. Apply for Community Development Block Grants | H&CS | <ul style="list-style-type: none"> • Application submitted annually. • Block grant(s) obtained for housing projects |


| | | |
|---|--|---|
| <p>F. Develop a public/private partnership program to build affordable housing units and explore using publicly owned land to construct units</p> | <p>Town Administrator & County Manager</p> | <ul style="list-style-type: none"> • Develop public/private partnership • Identify location(s) • Negotiated terms • Build project • Utility incentives and financing plans identified • Utility providers implement incentives and/or financing plans • Code language developed • Code revision process initiated • Code language adopted • Farm worker housing provisions evaluated • Farm worker housing provisions modified and/or if necessary code amendments drafted • Review applicable law to determine use of lodging tax funds • If allowable, create lodging tax fund account for seasonal worker housing • Use funds to develop seasonal worker housing |
| <p>G. Explore incentives and financing plans with utility providers</p> | <p>Town, Lisa Byers & Sandy Bishop</p> | |
| <p>H. Provide density bonuses to property owners creating affordable multi-family units</p> | <p>Town & DCD</p> | |
| <p>I. Evaluate 'farm worker housing' provisions to expand its use</p> | <p>DCD</p> | |
| <p>J. Explore use of lodging tax funds for seasonal worker housing</p> | <p>County Manager</p> | |
| <p>Strategy 3: Maintain Existing Housing Stock that is Affordable.</p> | | |
| <p>Action</p> | | |
| <p>A. Develop a capital account to be used to purchase existing units</p> | <p>HBC</p> | <p>Measure(s)</p> <ul style="list-style-type: none"> • Capital Account created • Funds identified and place in account • See measures under Strategy 2 A above |
| <p>B. Identify and recommend a local affordable housing funding measure</p> | <p>HBC</p> | |
| <p>C. Expand home repair and weatherization programs</p> | <p>HBC</p> | <ul style="list-style-type: none"> • Funds identified • Program expanded |

SJC Comprehensive Plan Update 2036
Housing Needs Assessment Briefing


County Council: October 16, 2017
Planning Commission: October 20, 2017

Overview

- GMA Housing Element
- Background
- Demographics
- Employment / Income / Affordability
- Housing Stock and Permit Trends
- Housing Need Estimates
- Questions and Comments



Housing



**Growth Management Act
Housing Element**

- To help ensure the vitality and character of neighborhoods,
- Encourage the availability of affordable housing to all,
- Promote a variety of residential densities and housing types, and
- Encourage preservation of the existing housing stock.

GMA Update Requirements

Mandatory Housing Element requirements:

- Inventory and analyze existing and projected housing needs;
- Determine the number of units necessary for projected growth;
- Include goals, policies, and objectives for housing preservation, improvement, and development;
- Identify sufficient land for housing; and
- Provide for the existing and projected needs of all economic segments.

Housing Needs Assessment

- Continuous Public Participation: Refined preliminary August draft
- Incorporates public comments on first draft
- Refine draft after Council / Planning Commission
- Foundation for housing goals, policies and strategic actions
- Uses best available data:
 - U.S. Census,
 - American Community Survey,
 - Washington Regional Economic Analysis Project,
 - Office of Financial Management (OFM),
 - U.S. Department of Housing and Urban Development,
 - Runstad Center for Real Estate Studies, and
 - 2015 Washington State Housing Needs Assessment.

Demographics, Employment and Income

- Population
- Age
- Homeless
- Employment by industry
- Income / Wages / Affordability



**SJC Selected Population Projection:
Based on its Proportionate Share of the State Projection**

| Year | OFM Medium SIC Population | Growth Rate | SJC Proportionate Share | Washington State Population (OFM Medium Projection) |
|------|---------------------------|-------------|-------------------------|---|
| 2016 | 16,320 | 0.58% | 0.23% | 7,183,700 |
| 2020 | 16,845 | 0.80% | 0.23% | 7,411,977 |
| 2025 | 17,711 | 1.03% | 0.23% | 7,793,173 |
| 2030 | 18,532 | 0.93% | 0.23% | 8,154,193 |
| 2035 | 19,281 | 0.81% | 0.23% | 8,483,628 |
| 2040 | 19,423 | 0.74% | 0.23% | 8,546,278 |

Older, Aging Population

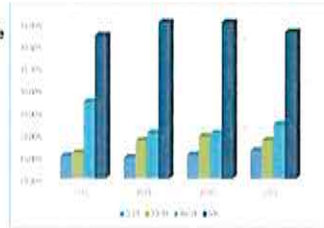
- Aging population;
- Less 20-40 year olds than State

Percent 20 to 40 year olds

State: 28%
County: 16%

Percent Over the age 50

State: 34%
County: 58%



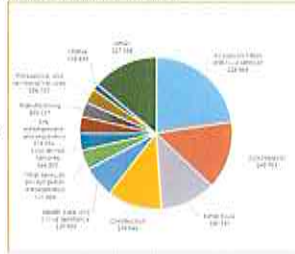
San Juan County Point in Time Homeless Count, 2014-2017

- The 2017 Point in Time Count recorded the highest number of homeless or at risk since the inception of the count.
- Many lived in substandard structures.

| | 2014 | 2015 | 2016 | 2017 |
|--|-----------|------------|------------|------------|
| Individuals Considered Homeless | 44 | 74 | 58 | 94 |
| Individuals Considered at Risk of Homelessness | 21 | 40 | 46 | 58 |
| Total | 65 | 114 | 104 | 154 |

SJC Covered Employment Classified by Industry, 2016 and Industry Average Annual Wage

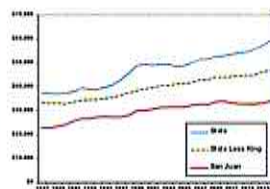
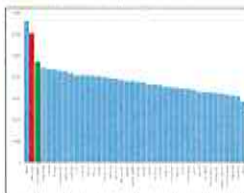
- Most common jobs are some of the lowest paid
- Accommodation, Food Services and Retail Trade make up one third of jobs
- Average pay between \$23,000 and \$31,000 a year



2015 Per Capita Income / 2016 Average Annual Wage

The County's per capita income of \$60,489 was the second highest in the State behind King County and reflects the high number of retirees in the County

The average annual wage in 2016 was \$33,890. The State average was \$60,489.



Employment and Income

- Employment and incomes affect housing affordability
- Unemployment rates fluctuate up to 3% between January – August
- One third of workers are employed in low wage jobs
- Employment is heavily affected by tourism and seasonal swings in unemployment
- United Way estimates that 11% of the population lives below the Federal Poverty Limit and another 22% lives above this limit but does not earn enough to afford basic households needs

Income and Housing Affordability San Juan County Code 18.60.260

- Occupants pay no more than 30% of gross monthly income for total housing costs, including property taxes, insurance and monthly utilities, excluding telephone (owners and renters)
- Also "affordable housing" refers to housing serving as the primary residence for very low-, low-, moderate- and middle-income households as defined by the U.S. Dept. of Housing and Urban Development (HUD)

HUD Area Median Family Income (AMFI) Limit Guidelines, 2017

The County's Area Median Family Income as defined by HUD is \$67,600.

| Area | 2017 Income Limit | 2017 Income Limit | | | | | | |
|-----------------|-------------------|-------------------|--------|--------|--------|--------|--------|--------|
| | | Category | 1 | 2 | 3 | 4 | 5 | 6 |
| San Juan County | \$67,600 | Extremely Low 30% | 14,250 | 16,250 | 20,430 | 24,400 | 28,780 | 32,910 |
| | | Very Low 50% | 23,700 | 27,000 | 30,450 | 33,800 | 37,450 | 41,250 |
| | | Low 60% | 27,900 | 33,300 | 38,700 | 44,100 | 49,500 | 54,900 |
| | | Moderate 70% | 32,100 | 38,500 | 44,900 | 51,300 | 57,700 | 64,100 |
| | | Middle 80% | 36,300 | 43,700 | 51,100 | 58,500 | 65,900 | 73,300 |
| | | Low Upper 90% | 40,500 | 48,900 | 57,300 | 65,700 | 74,100 | 82,500 |

Of the households in San Juan County, nearly 40% have income that is considered either low, very low or extremely low according to HUD's guidelines.

Household Income Distribution (AFMI) 2010-2014

Most common:

- Home owners making more than 100% AMFI,
- Home owners making between 50 to 80% AMFI, and
- Renters making above 100 percent AMFI.

Renters making less than 30% of the AMFI are the second most common renter household.

| AMFI | Owner | Renter | Total | 2010-2014 % | 2015-2019 % |
|---------------------------------|--------------|--------------|--------------|-------------|-------------|
| Household Income <= 30% | 330 | 495 | 825 | 10.83% | 11.81% |
| Household Income >30% to <=50% | 475 | 365 | 840 | 11.03% | 10.59% |
| Household Income >50% to <=80% | 855 | 460 | 1,315 | 17.27% | 16.81% |
| Household Income >80% to <=100% | 595 | 210 | 805 | 10.57% | 10.04% |
| Household Income >100% | 3,225 | 605 | 3,830 | 50.30% | 49.75% |
| Total | 5,480 | 2,135 | 7,615 | | |

With the same household income distribution, 2,033 households are projected to be below 80% of the AMI by 2016 with 2,728 households categorized as either low income or below.

Cost-Burdened Households

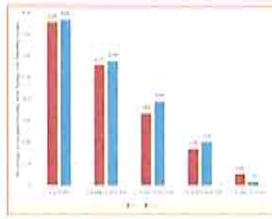
Owner Occupied

- 37% in the \$50,000 to \$74,999 income bracket
- 75% having less than \$20,000 (extremely low income)

| 2015 Household Income | No Cash Rent or Zero/Reduced Rent | < \$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% | 20% | 26% | 41% | 67% |
| 20 to 24 percent | | 1% | 1% | 1% | 2% | 2% |
| 25 to 29 percent | | 2% | 2% | 2% | 2% | 2% |
| 30 percent or more | | 2% | 5% | 6% | 1% | 1% |
| Renter-occupied housing units | 13.8% | 23.6% | 38.4% | 16% | 14.4% | 13.7% |
| Less than 20 percent | | 1% | 6% | 13% | 18% | 8% |
| 20 to 24 percent | | 1% | 2% | 8% | 4% | 1% |
| 25 to 29 percent | | 6% | 7% | 4% | 1% | 2% |
| 30 percent or more | | 6% | 7% | 4% | 1% | 2% |

Cost Burdened Household Trends

- From 2000 - 2010, the % of cost-burdened households increased in nearly all income brackets
- Lack of affordable housing options affects nearly every income bracket
- More common for middle and moderate-income households to become cost-burdened by housing
- In 2015, there were 3,100 cost-burdened households
- 3,713 cost-burdened households are projected by 2036



Affordable Home Price Based on a Household's Annual Income

| Income | Affordable Housing Expense (P & I) ¹ | Mortgage Amount | Down Payment as a Percent | Maximum Home Purchase Price | Percent of Households at Annual Income Level Range | Percent of Owner-Occupied House Value near Maximum Home Price Level |
|-----------|---|-----------------|---------------------------|-----------------------------|--|---|
| \$15,000 | \$590 | \$103,075 | \$5,425 | \$108,500 | 20.4% (\$24,999 or less) | 5.01% (\$124,999 or less) |
| \$50,000 | \$1,940 | \$375,300 | \$19,850 | \$395,150 | 25.5% (\$25,000 to \$49,999) | 12.78% (\$125,000 to \$499,999) |
| \$75,000 | \$2,910 | \$527,950 | \$26,800 | \$554,750 | 18.4% (\$50,000 to \$74,999) | 23.5% (\$500,000 to \$999,999) |
| \$150,000 | \$5,820 | \$1,055,900 | \$53,600 | \$1,109,500 | 24.5% (\$75,000 to \$149,999) | 58.97% (\$500,000 and up) |

¹ Assumes 25% of gross income threshold, 30-year fixed rate mortgage, 5% down, and 4.5% interest

Rental Housing Units by Gross Rent, 2011-2015

- One-quarter of the rental stock has a gross rent of \$1,250 or more/month
- 13% have no cash rent (4% State average.)
- May be ADUs on properties where the tenants labor in lieu of paying rent

Another Look: Housing Affordability Index (HAI)

- Measures the ability of a middle-income family to make mortgage payments on a median price home
- Based on a ratio of income to the minimum outlay needed to qualify median priced home mortgage
- An index of 100 = balance between a family's ability to pay and the cost.
Higher indexes = more affordable
Lower indexes = less affordable

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

Housing Affordability Index (HAI), 2008-2017

- SJC HAI was 79.8, a full 44.5 points lower than the State's 124.3 (1st Q 2017)
- Least affordable County in State
- First time buyers disadvantaged because of the down payment needed for an average price home.
- Since 2008, there is a correlation with the State's housing market as a whole.

Affordability

- Gap of nearly \$170,000 between an affordable house for those making the Area Median Income (AMI) and the median resale price of a home.
- Only 18% percent of houses in the County are valued at a price that would be considered affordable to the 46% of households making \$50,000 or less.
- For households making \$50,000 or less, there is one affordable rental unit for every 2.7 households.

Housing Inventory

- Number of units
- Age
- Condition
- Type
- Property
- New Entrants to Area
- Occupancy
- Vacant Rental Units
- Value



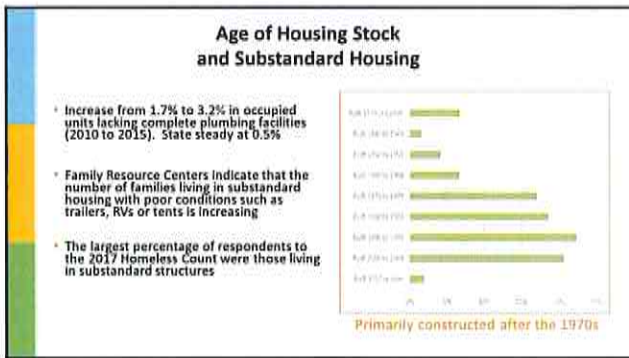
Housing Inventory

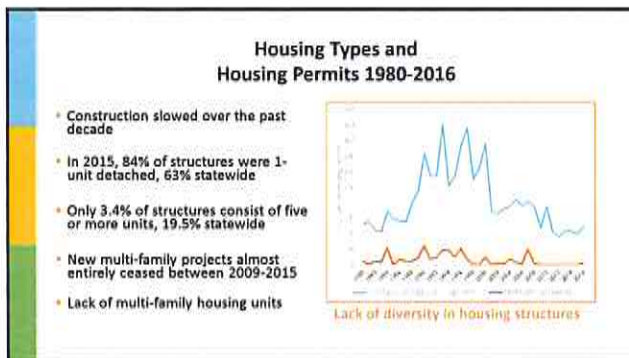
- 3,561 new housing units were created between 2000-2010 (356 a year)
- 56% built for or converted to seasonal, recreational or occasional (21 per year)
- Vacant units increased 9.1%
- The majority of vacant units are used for seasonal, recreational or occasional use
- Units were converted from Owner Occupied to Vacant at roughly 6%

| | 2000 Census | 2010 Census | Change from 2000 to 2010 | % Change |
|---|-------------|-------------|--------------------------|----------|
| Total housing units | 9,732 | 13,313 | +3,581 | 36.8% |
| Owner-occupied | 4,754 | 5,340 | +586 | 12.4% |
| Renter-occupied | 4,978 | 7,973 | +2,995 | 59.9% |
| Percentage of Total | | | | |
| Owner-occupied | 48.75% | 40.24% | -8.49% | -17.4% |
| Renter-occupied | 51.25% | 59.76% | +8.51% | +16.6% |
| Vacant Housing Units by Type | 33.70% | 42.81% | +9.11% | 26.9% |
| For Seasonal, Recreational, or Occasional Use | 2,776 | 4,748 | +1,972 | 70.9% |
| Owner-occupied | 82 | 187 | +105 | 127% |
| Renter-occupied | 129 | 111 | -182 | -141% |
| Unoccupied or empty, non-occupied | 63 | 57 | -6 | -9% |
| For Seasonal, Recreational, or Occasional Use | 0 | 5 | +5 | 100% |
| Owner-occupied | 156 | 192 | +36 | 23% |

Housing Inventory by Island, 2010

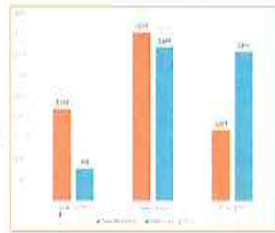
| Island / Area | Total Units | % of Total | Vacant Units | % of Total | Rental Units | % of Total |
|--------------------------------|-------------|------------|--------------|------------|--------------|------------|
| San Juan County | 18,833 | | 9,700 | | 2,253 | |
| Lopez Island | 3,249 | 24.40 | 1,861 | 32.65% | 845 | 15.31% |
| Orcas Island | 4,515 | 33.91 | 1,854 | 32.53% | 826 | 36.66% |
| San Juan Island | 5,549 | 41.44 | 1,985 | 34.82% | 1,082 | 48.01% |
| Friday Harbor | 1,278 | 9.56 | 258 | 4.53% | 513 | 22.77% |
| Unincorporated San Juan Island | 4,274 | 32.12 | 1,727 | 30.30% | 569 | 25.26% |





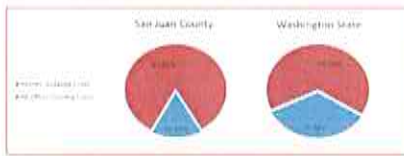
New Residents to New Housing Units, 1980-2010

- Between 2000-2010 the ratio of new housing units created to new residents was over 2 to 1
- Despite having 13,619 housing units in 2016 for a population 16,314, housing availability is an issue



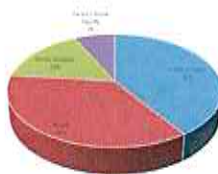
Occupancy

County Renter Occupied: 16.16%
State Renter occupied 34.02%



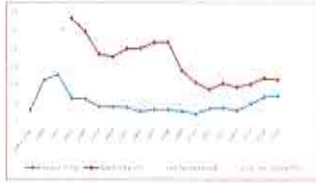
Housing Units by Occupancy Type, 2015

- 7% of the housing stock are Vacation Rental (VR) units
- VR units have grown modestly over the past 10 years
- New dwelling unit permits have steadily declined
- Not a large jump in the total number of VR units, but they are becoming a larger share of the housing stock.



Vacation Rental Permits Compared to Dwelling Unit Permits

- From 2005-2010, there were on average 5.5 new dwelling units created for every VR permit issued per year
- From 2011-2016, there were only 2.18 new dwellings units per VR permit per year.

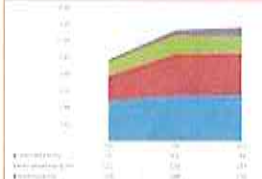


Vacation Rental Permits



Total No. of Vacation Rental Permits 2000-2016

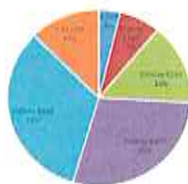
Declining housing building permits seems to be a greater issue than the increasing number of vacation rentals.



Units by Occupancy Type: Proportions since 2000

Owner-Occupied Housing by Value (1000s), 2011-2015 and Median Value (MV)

- \$465,500: ACS 2015 5-year Median Value estimate
- Median price every year since 2012: 8% in 2014, 6% in 2015 and 6% in 2016
- The WA Center for Real Estate Research: \$453,100 median resale price (2017 1st Quarter) = nearly 30% higher than the rest of WA







2036 Housing Need Estimates

- Based solely on the projected population increase of 3,109 by 2036, 1,524 new housing units will be needed. Of those, 809 would be allotted to Urban Growth Areas.
- Occupancies needed: 1,097 for owner-occupied units and 428 for renter-occupied.
- From 2000-2010, 56% of all new housing units were built for seasonal, recreational or occasional use. Based on this trend an additional 853 housing units (1,524 X 56%) would be needed to satisfy demand for seasonal or recreational use.
- A total of 2,377 new housing units might be needed to meet the 2036 housing needs for both permanent residents and seasonal residents.
- DCD is still assessing the seasonal population statistics which may change the seasonal analysis.

2036 Housing Projections Based on Adopted Population

| Category | 2016 Population | % Population by Household (2016) | 2036 Population by Household | % Population by Household (2036) | Net Growth by Household | 2036 Units Needed | Remaining Units (2036) |
|------------------------------|-----------------|----------------------------------|------------------------------|----------------------------------|-------------------------|-------------------|------------------------|
| San Juan Island Community PT | 3,500 | 18.1% | 6,116 | 11.4% | 586 | 337 | - |
| Private Resident | 2,210 | 18.8% | 3,132 | 16.2% | 911 | 611 | 442 |
| San Juan Island Subtotal | 7,810 | 47.9% | 9,248 | 47.9% | 1,829 | 779 | 442 |
| Other | 5,935 | 18.1% | 6,415 | 11.1% | 1,019 | 514 | 212 |
| Other | 2,446 | 15.1% | 2,916 | 15.1% | 476 | 232 | 135 |
| Other | 291 | 1.5% | 297 | 1.5% | 46 | 23 | 0 |
| Other | 13,812 | 87.1% | 18,064 | 87.1% | 2,012 | 1,486 | 400 |
| Total Housing Needed | 407 | 2.5% | 479 | 2.5% | 77 | 38 | 0 |
| Total | 18,118 | 100.0% | 18,413 | 100.0% | 1,109 | 1,514 | 400 |

2036 Housing Projections Needed By Income Distribution

| Income Category | Owner | Renter | Total | 2010-2016 % | 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 |

To allow affordability, the following are estimated to be needed by 2036:

- 332 units for those making 50% of the Area Median Income (AMI) or less,
- 474 units for those making between 50 - 100% of the AMI, and
- 787 units for those making above 100% of the AMI

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