

Fact Sheet

The Housing Affordability Crisis in San Juan County

According to the WSU Center for Real Estate Research, San Juan County's residents have the greatest gap between household incomes and housing prices of any county in the state. As shown in the table below, typical first-time homebuyers can afford a housing payment of a little more than half of the payment they must make to purchase a starter home in the County. The average for the state is 75%. With a full 20% down, a median-income family of four can afford only 89% of the payment needed on a median-priced home. In most parts of the state, the median-income family can afford at least 20% more than the price of the median-priced home.

Housing Affordability for Selected Washington Counties

County	Median Home Price ¹	Median Family Income ²	% of Required Payment for Median Home Affordable by Median-Income Family ^{1,3}	% of Payment Affordable by First-time Home Buyer ^{1,4}	Average Wage (2000) ⁵
San Juan	\$ 255,000	\$ 55,500	88.6%	53.7%	\$ 22,462
King	\$ 268,000	\$ 84,000	120.1%	69.9%	\$ 47,219
Snohomish	\$ 215,000	\$ 63,946	113.6%	72.1%	\$ 35,072
Jefferson	\$ 174,400	\$ 41,382	90.8%	53.6%	\$ 23,329
Statewide Average	\$ 183,200	\$ 58,868	123.2%	74.7%	\$ 37,031
Average County ⁶	\$ 138,146	\$ 45,366	124.5%	72.9%	\$ 25,601

1. WSU Center for Real Estate Research, Year 2001 3rd Quarter data.
2. U.S. Department of Housing and Urban Development, Year 2001 Median Family Income (includes non-wage income)
3. Based on 30-year loan, 20% down payment, 25% of income for house payment.
4. Based on purchaser income 70% of median, home price 85% of median, 30-year loan, 10% down payment, 25% of income for principal and interest payments.
5. Washington State Employment Security Department, Industry Employment and Wages Report
6. Average of data values for each county. (data for median home price and therefore affordability index not available for all counties).

Even these figures understate the affordability crisis for working people in the County. With average wages less than half those in Seattle, San Juan County workers must compete for housing that is the second most expensive in the state, nearly as expensive as that in King County.

At the time of the 1990 Census, an estimated 44.8% of the County's low- and moderate-income population paid more than 30% of their income for housing, indicating a severe problem of housing affordability. The relation of housing cost to income has grown worse in the County since 1990, and Census 2000 data scheduled to be available in late 2002 is expected to show a worsening of the County's housing affordability problem.

Why does this crisis exist?

High land price is the biggest part of the problem. Because of the attractiveness of the islands as a vacation and retirement area, local working families must compete with the life savings of **retirees** and the **second-home purchases of seasonal residents** from throughout the western U.S. when finding a place to live. There is little the County can do to keep these purchasers from bidding up local land prices. **Low density** required in rural lands by state planning law, **high costs of construction** when workers and materials must come in by ferry or barge, and **high costs of providing water and sewer** in the island environment, all combine with this competition for land to squeeze out working families.

These factors have combined to create a crisis for local working people and local employers. The salaries of teachers, fire and police staff, construction workers, retail and service workers, and county employees do not meet the house payment on the few homes available for sale each year. **This crisis will be further exacerbated with the proposed ferry fare increases of 121% over the next six years in the San Juans.** Since our islands are ferry-dependent, our workers cannot simply commute from more affordable areas of the state (nor do we want them to).

The housing affordability crisis for working people in San Juan County has not reached the extremes reached in other vacation and resort communities like Aspen and Nantucket where the average home in sells for over a million dollars. A recent report concludes that only the fact that the County has not reached even a quarter of its development potential has kept prices from reaching these exorbitant levels.

What is the solution to this housing affordability crisis?

Like many complicated problems, there is no single, simple solution. The County needs to address availability of land, availability of infrastructure, and a lack of experienced developers. The County has a number of programs ready to attack various parts of the housing affordability problem, but to make a significant dent in the problem, a lot of money is needed. On the order of \$25,000 to \$50,000 or more per new affordable housing unit is needed to close the gap between housing costs, other funding sources such as federal grants and tax credits, and purchasers' incomes. In keeping with the County's tradition and vision of self-help, minimal government and maximum volunteerism, the County does not intend to construct or operate affordable housing. Rather the County's proposed programs emphasize partnerships with non-profits, for-profit housing developers or individual property owners as the builders and operators of affordable housing, with the County enabling the process and ensuring long-term affordability of units constructed. The County's affordable housing programs and policies are outlined in the County's Housing Element of the Comprehensive Plan.

The key to many of the County's housing programs is the proposed establishment of a countywide Housing Trust with an ongoing source of revenue to purchase land and provide gap funding for affordable housing projects. The trust would be given the mission to create new affordable housing, and ensure the permanent affordability of existing housing units, by assisting non-profit or for-profit developers and housing providers. Using this local funding source, the County hopes to encourage both local and outside builders to construct affordable housing projects, provide gap financing for projects using state Housing Trust Fund and federal housing funds. We also hope to obtain land for sites for affordable housing, and provide technical assistance to first-time homebuyers and self-help builders.

Working with the County, Senator Harriet Spanel, and Representatives Dave Quall and Jeff Morris introduced Senate Bill 5965 and House Bill 1972 for a local option real estate excise tax (REET) in the 2001 legislature. These bills were reintroduced in the 2002 legislature, passed, and signed by the Governor. Under the bill, which applies only to San Juan County, the voters of the County could vote to tax themselves on the sale of real property, up to 0.5% of the purchase price, to be used in accordance with an affordable housing plan. This local option tax source has proven effective in the County's Land Bank program (the only one in the state which was recently extended to 2014 by 73% of the county voters), through which hundreds of acres have been preserved as resource lands, critical habitat, and open space with development restrictions.

Please contact County Commissioner Darcie Nielsen at (360)378-2898 or Senior Planner Pat Mann at (360) 378-2393 for more information on this critical San Juan County issue.