



SAN JUAN COUNTY DEPARTMENT OF COMMUNITY DEVELOPMENT

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MEMO

REPORT DATE: September 16, 2021
TO: San Juan County Planning Commission
CC: Mike Thomas, County Manager
FROM: Sophia Cassam, Planner I *sc*
SUBJECT: 2036 Comprehensive Plan (*Plan*) Update
Loose Ends: Housing
DISCUSSION: October 8, 2021
ATTACHMENTS: A. Draft Element B.5 Housing

PURPOSE

To brief the Planning Commission on the current pre-hearing draft of Element B.5 Housing. The briefing will cover changes made since the previous draft was reviewed, including changes resulting from the 2020 Annual Docket.

To get the Planning Commission's preliminary recommendation on the two changes resulting from the 2020 Docket.

PUBLIC COMMENTS

Please send all public comments to compplancomments@sanjuanco.com. Please do not copy the County Council, Planning Commission members, or County Staff. Written public comments received by noon on October 7 will be provided to the Planning Commission prior to the meeting. Please focus public comments on the issues and options contemplated in this report.

BACKGROUND

The Planning Commission began working on the pre-hearing draft of Element B.5 Housing (Housing Element) in 2019. The current draft Housing Element has been thoroughly refined with input from multiple groups. It was reviewed and includes edits from Department of Community Development (DCD) staff, Health and Community Services staff, the Housing Advisory Committee, the Agricultural Resources Committee, the Planning Commission, members of the public, affordable housing non-profits, and the County Council. DCD reviewed the draft Housing Element with the Affordable Housing Coordinator, Ryan Page, and the Housing Advisory Committee (HAC) in 2019 prior to working with the Planning Commission. The draft the Planning Commission reviewed and commented on included edits to the goals and policies from the HAC. The Planning Commission received many public comments on the Housing Element, particularly on the goals and polices. Much of the public feedback was incorporated into the draft and is reflected in the draft goals and policies found starting on page 15 in Attachment A.

The existing Housing Element was adopted in 2009 and contains dated information which will be repealed and replaced by the new draft Element. The 2009 Housing Element is available to view online here: <https://www.sanjuanco.com/DocumentCenter/View/1051/>. The data and analysis informing the new draft Housing Element was drawn from the Housing Needs Assessment (HNA), Appendix 5 in the *Plan*, which has gone before the Planning Commission on four occasions. The HNA revealed the critical housing issues that the *Plan* should address through the Housing Element goals and polices, which shape County regulations and programs. The goals and policies in this Element cover a range of topics, but focus primarily on the following:

- Ensuring permanently affordable units for residents;
- Promoting year-round rentals for residents as opposed to seasonal rentals;
- Creating support for first time-home buyers;
- Supporting multi-family development in Urban Growth Areas and Activity Centers designated for higher density;
- Promoting a diversity of housing opportunities;
- Improving substandard housing; and
- Supporting affordable housing projects by non-profits.

There is a town hall to discuss housing planned for November 11, 2021. This will be an opportunity for the Planning Commission to hear from the public about the draft Housing Element to eventually prepare the public hearing draft. The Planning Commission can prepare for the housing town hall by reviewing the current draft of the Housing Element (Attachment B), which includes the new changes discussed below, considering questions they would like to get feedback on from the public.

2020 ANNUAL DOCKET

In Resolution 30-2020 the County Council directed DCD to incorporate 2020 Docket requests 20-0002 and 20-0004 into the Comprehensive Plan update. Both requests are for housing-related code amendments. To support and clarify the need for the proposed code amendments, staff has added draft Housing Element policies. Corresponding code amendments can be adopted during implementation of the *Plan* update.

Docket Request 20-0002

Homes for Islanders submitted Docket request 20-0002 with a proposal to remove SJCC 18.60.260(G), which states that for a development to qualify for affordable housing privileges, no more than 25% of the dwelling units counted as affordable can be for middle-income households. “Privileges” include density bonuses and other incentives reserved for affordable housing. The proposed amendment is shown below:

18.60.260 Affordable housing.

~~(G) Limitation on Credit for Affordable Middle-Income Housing. No more than 25 percent of the dwelling units counted as affordable housing or permanently affordable housing for the purpose of obtaining a density bonus, use permit, or other special privilege reserved for affordable housing in any project may be for middle-income households.~~

This code section requires that most affordable housing be reserved for low-income households. The HNA demonstrates a clear need for housing for households earning up to 115% of the area median income (AMI), which is the threshold for moderate-income. Deleting SJCC 18.60.260(G) would increase the likelihood of

more affordable moderate-income housing being built because up to 100% of the units counted as affordable housing for the purpose of obtaining affordable housing privileges could be for moderate-income households.

While there is a need for more moderate-income affordable housing, deleting 18.60.260(G) has some drawbacks. First, it could reduce the public benefits of affordable housing privileges. When affordable housing privileges are granted the County makes a trade for a public benefit. In the case of a density bonus, the County trades the privilege of developing at a higher residential density for the public benefit of more affordable housing. Units priced for moderate-income households are nearer to market-rate. Deleting this regulation could lead to density bonuses and other affordable housing privileges being given for housing units near market rate, leaving out lower-income units.

Secondly, in addition to changing the value of the trade for public benefit, deleting 18.60.260(G) lessens the incentive for private developers to create affordable units for low-income households. Moderate-income housing can be less costly to affordable housing developers because the units can be sold at a higher price than low-income housing. For example, under existing regulations, if a developer is creating eight new units, including four market-rate units and four affordable units, the affordable units could be made up of three low-income units and one moderate-income unit. Under the proposed change, the developer could create four market rate units and four moderate-income units, which could be sold for more capital than low-income units. When making a decision on this docket request, the potential effects of removing affordable housing income bracket requirements should be considered.

Planning Commission Preliminary Recommendation

The Planning Commission is asked to make a preliminary recommendation on the percent of affordable housing dwelling units that may be for middle income households, as described above. Staff will incorporate the preliminary recommendation into the housing element for the public to give input on during the Housing Town Hall. After the Town Hall, the Planning Commission will have another opportunity to work on this issue during the Planning Commission work sessions planned for early 2022.

- **Option A:** Allow up to 100 percent of dwelling units counted as affordable housing for the purpose of obtaining affordable housing privileges be for moderate-income households. (Docket request 20-0002)
- **Option B:** Allow up to 50 percent of dwelling units counted as affordable housing for the purpose of obtaining affordable housing privileges be for moderate-income households. (staff recommendation)
- **Option C:** Allow up to (Planning Commission Choice) percent of dwelling units counted as affordable housing for the purpose of obtaining affordable housing privileges be for moderate-income households.
- **Option D:** No change. Require that no more than 25 percent of dwelling units counted as affordable housing for the purpose of obtaining affordable housing privileges be for moderate-income households.

Staff Recommendation

Due to the drawbacks of deleting SJCC 18.60.260(G) and considering San Juan County's need for more moderate-income affordable housing, staff recommends adding a Housing element policy to allow up to 50

percent of the dwelling units counted as affordable housing for the purpose of obtaining affordable housing privileges to be for moderate-income households. This policy would lead to a code amendment during the Comprehensive Plan implementation phase. This option provides middle ground between the existing regulation and the change proposed in request 20-0002. It increases opportunities for middle-income affordable housing and flexibility for developers while still requiring low-income affordable housing units when a developer is receiving affordable housing privileges. Staff proposes the following draft policy in the Housing Element:

Goal 7, policy 3. Allow up to 50 percent of dwelling units counted as affordable housing for the purpose of obtaining affordable housing privileges be for moderate-income households.

Docket Request 20-0004

Applicant John Campbell requested to simplify the Affordable Housing definition in the UDC and make it more consistent with the GMA definition through the following change:

SJCC 18.20.010 “A” definitions: “Affordable housing” means housing where the occupants pay no more than 30 percent of gross monthly income for rent or mortgage total housing costs, including the cost of property taxes and insurance for homeowners and monthly utilities for owners and renters.

The proposed change would remove utilities, taxes and insurance from the calculation of housing costs for affordable housing for both rentals and homes for sale. According to the applicant, estimating future costs of these variables presents an unnecessary hurdle for low-income buyers of affordable housing.

After reviewing the request, the County’s Affordable Housing Coordinator suggested adopting the Affordable Housing Program definition of affordable housing in the UDC:

SJCC 2.27.030 Definitions

“Affordable housing” means that occupants are spending no more than 30 percent of their gross household income on housing costs. Housing costs for renters are considered to include rent and utilities, or, for owners, to include the principal and interest on the mortgage plus property taxes and insurance (PITI). Utility costs include water, sewage disposal, electricity and/or gas for lighting, heating and cooking.

This definition includes rent and utilities for renters and only the mortgage, property taxes and insurance for buyers. Utilities can be a significant part of renters’ expenses and should be included in the calculation of housing costs for renters. Utilities could be removed from the calculation of housing costs for buyers if estimating future utilities costs is overly burdensome. Changing SJCC 18.20.010 “A” definitions: “Affordable housing” to the definition in SJCC 2.27.030 accomplishes the applicant’s goals of making the UDC definition of affordable housing consistent with the GMA definition of affordable housing for sale and of simplifying the process of purchasing affordable housing. Making this change would also ensure that affordable housing is defined consistently throughout the County code.

To reflect the change in the UDC definition of affordable housing, the following policy could be added under Housing Goal 7, Policy 5:

Ensure consistency between the County’s definitions of affordable housing by considering housing costs for renters to include rent and utilities, or, for owners, to include the principal and interest on the mortgage plus property taxes and insurance (PITI).

Planning Commission Preliminary Recommendation

The Planning Commission is asked to make a preliminary recommendation on the definition of affordable housing. Staff will incorporate the preliminary recommendation into the housing element for the public to give input on during the Housing Town Hall.

- **Option A:** Consider only rent or mortgage when determining affordable housing costs (Docket request 20-0004)
- **Option B:** Ensure consistency between the County's definitions of affordable housing by considering housing costs for renters to include rent and utilities, or, for owners, to include the principal and interest on the mortgage plus property taxes and insurance (Affordable Housing Program Definition, Staff recommendation)
- **Option C:** No change.

ADDITIONAL CHANGES

In addition to the changes resulting from the 2020 Docket above, two other changes to the draft Housing Element have been made since the last draft. Both were items that were marked for follow-up. The Planning Commission does not need to make preliminary recommendations on these items.

Land Capacity Analysis

Information on the Land Capacity Analysis (LCA) has been added to the draft Housing Element. The previous draft included a placeholder for LCA housing numbers. The new text shows housing capacity by number of new units and includes information on how the LCA plays a key role in determining whether the County has the land capacity to meet projected housing need. This information can be found in Attachment A on page 11.

Accessory Dwelling Units (ADUs)

The previous draft Housing Element included a policy about allowing ADUs for affordable housing or long-term rental. ADUs are secondary dwelling units of less than 1,000 square feet on properties that have already met their density limitations. A limited number of detached ADUs are allowed in the Rural Farm Forest, Rural Residential, Rural General Use, Agricultural Resource, and Forest Resource land use designations each year. This draft policy proposed allowing more ADUs if they were restricted for affordable housing or long-term rental as a potential strategy for alleviating the need for these types of housing. Staff discussed this policy with the County Council at the March 8, 2021 meeting. The County Council directed staff to not open the ADU code at this time. The policy was struck from the draft Housing element (Attachment A, page 18):

~~Goal 7, policy 5. Expand allowances for detached accessory dwelling units restricted for affordable housing or long-term rental. Pending GMA risk analysis~~

COMPREHENSIVE PLAN

SECTION B, ELEMENT 5

**DRAFT
HOUSING ELEMENT**

~~December 17, 2019~~

~~January 6, 2021~~

September 16, 2021

Housing Element

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1 **5.1 INTRODUCTION**
2

3 The County’s Comprehensive Plan (*Plan*) Vision 2036 states:
4

5 *“Adequate, safe, affordable, and stable housing helps our community thrive.*
6

7 *There are diverse housing types and we use innovative strategies to meet*
8 *the various housing needs of our community.”*
9

10 This Vision identifies housing as a foundational human need, necessary to create the vibrant and diverse
11 community we envision. In addressing the challenge of housing the County’s people, it is essential to do
12 so in a manner that protects the natural environment, suits the character of the islands, respects private
13 property rights, and addresses unique island obstacles. The islands face specific challenges, such as a
14 shortage of consistent skilled labor, high material costs, and the imperative of preserving rural character.
15

16 Meeting current and future housing needs is an issue with substantial social, economic, and
17 environmental implications. Extensive housing development in rural areas could be detrimental to natural
18 resources and the environment, and could alter the San Juan Islands’ sense of place. Sprawling, low-
19 density development would jeopardize San Juan County’s rural character. The choices we make today
20 have the potential to have a lasting long-term impact on the community.
21

22 Two overarching challenges San Juan County faces are availability and affordability of housing. By 2036
23 there are projected to be 9,521 households and 18,059 housing units in the county. While there appear
24 to be more than enough units to house everyone who lives here, there are not enough units actually
25 available for purchase by low and moderate income people or rentals for long-term or seasonal workers.
26 Available units are often not affordable to those who rely on wage incomes in San Juan County. The
27 County, its Housing Advisory Committee and housing non-profits can increase opportunities for affordable
28 housing and set the stage for affordable housing efforts by non-profits and private developers to be
29 successful.
30

31 The Housing Element is meant to guide plans for the existing and projected housing needs of all the
32 County’s people. It identifies the expected resident population, provides an inventory and analysis of
33 existing housing, and identifies housing needs based on both current conditions and projected growth.
34 The goals and policies are actionable and reflect the County’s and community’s priorities. Appendix A.5,
35 the Housing Needs Assessment (HNA), provides more detailed information on population and housing
36 characteristics and projections.
37

38 **5.2 RELATIONSHIP TO OTHER PLAN ELEMENTS**
39

40 The Housing Element is both a stand-alone document meant to guide the implementation of housing-
41 related actions in the County, and a supporting piece of the *Plan* as a whole. It is closely tied to other
42 planning elements such as land use, economic development, and capital facilities. The data and findings
43 that support the Housing Element, including the Housing Needs Assessment (Appendix 5), the Land
44 Capacity Analysis (Appendix 1), and Population Projection (Appendix 1), also inform other elements of the
45 *Plan*.
46

1 The Housing Element not only supports the housing Vision, but also the other parts of the Vision. For
 2 example, the housing policies in this Element support the Land Use Element’s vision of conserving rural,
 3 agricultural and resource lands, protecting critical areas, and maintaining rural character. It relies on the
 4 Economic Development Element’s vision of stable jobs that “provide wages that allow islanders to live,
 5 work and thrive locally,” and is an important contributing factor to a diverse and resilient economy. The
 6 Housing Element is a key part of the Basic Human Needs vision of the islands being a place where all
 7 people are safe, day and night. The Elements of this *Plan* are closely intertwined and both support and
 8 rely on each other’s ability to accomplish their Vision statements.
 9

10 5.3 POPULATION AND DEMOGRAPHICS

11
 12 In planning for present and future housing needs, it is essential to identify the population for whom the
 13 County is planning. The County bases its housing policies on housing needs, which depend greatly on
 14 projected population growth and demographic factors such as age and socioeconomic status. Population
 15 projections are in Appendix A.1.
 16

17 Projected 2036 Population

18
 19 As noted in Table 1 below, San Juan County’s population in 2016 was 16,314 people. By the year 2036 it
 20 is projected to increase about 19 percent to reach 19,423 people. Past population projections
 21 overestimated the County’s growth, anticipating a population of 19,150 people by 2015. Population
 22 growth is largely due to in-migration, rather than natural increase. The majority of the County’s
 23 population lives on San Juan, Orcas and Lopez islands, while the remainder live on Shaw Island and non-
 24 ferry served islands. The largest population center is Friday Harbor, San Juan Island, the County’s one
 25 incorporated town, with a population of 2,250 people. Friday Harbor is projected to increase by 902
 26 people by 2036 to a population of 3,152. There are also population hubs in the Lopez Village and
 27 Eastsound Urban Growth Areas, and the villages, hamlets and subareas on the islands. The projected
 28 increase in population will require strategic action to accommodate growth.
 29

30 **Table 1. San Juan County Population Growth by Island and Housing Units 2036.**

Island	2016 Population	% of Total County Population (2016)	2036 Population By Island	% Population By Island (2036)	Pop Growth by Island	Total # New Housing Units**	New Housing Units in 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	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

1 Source: U.S. Census, OFM annual estimate.
 2 *1.7 percent annual population growth rate attributed to the Town of Friday Harbor from personal correspondence with the Town of Friday
 3 Harbor's Land Use Administrator, Mike Bertrand, on March 9, 2017.
 4 ** Population growth ÷ average household size (2.04)
 5 ***19,423 ÷ 2.04 = 9,525 total households County-wide projected for year 2036

6
 7 **Seasonal Population**

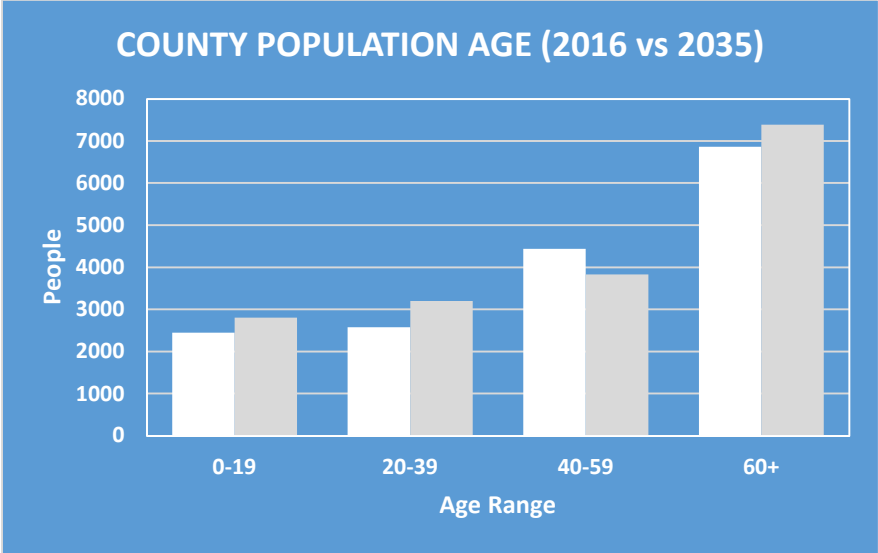
8
 9 San Juan County's population size varies throughout the year. There are a significant number of seasonal
 10 residents and visitors in addition to year-round residents. The *2018 San Juan Island Visitors Study (Study)*,
 11 based on ferry ridership patterns during the year, found that the daily population balloons during the peak
 12 season of June through September. During the 2017 peak season, there was an estimated daily average
 13 of 24,810 people in the County, while the population during the off-season was estimated at 16,314
 14 people. The Study projects the peak season population to be between 27,810 and 29,810 people by 2036.
 15 This *Plan* considers not only the growth of the Islands' year-round resident population, but also the growth
 16 of the seasonal and visitor population.

17
 18 **Age**

19
 20 Understanding the population's age distribution can help the County
 21 anticipate future housing needs. Figure 1 shows the estimated
 22 distribution of median age between 2016 and 2035. The median age
 23 of the County's population increased from 47 years old in 2000 to 54
 24 in 2015. This means that half of the population in the County is 54 years or older. By comparison, the
 25 State median age is 37. An increase in median age indicates an aging population. The skewed older age
 26 of the population in San Juan County affects the types of housing needed, as well as the population's
 27 income sources. San Juan County's population has a high proportion of people over 60 years of age. The
 28 median age is increasing over time, indicating that the overall population is aging.

State median age: 37 years
SJC median age: 54 years

29
 30 **Figure 1. Current and Projected Population by Age.**



White: 2016 population
Grey: 2035 population

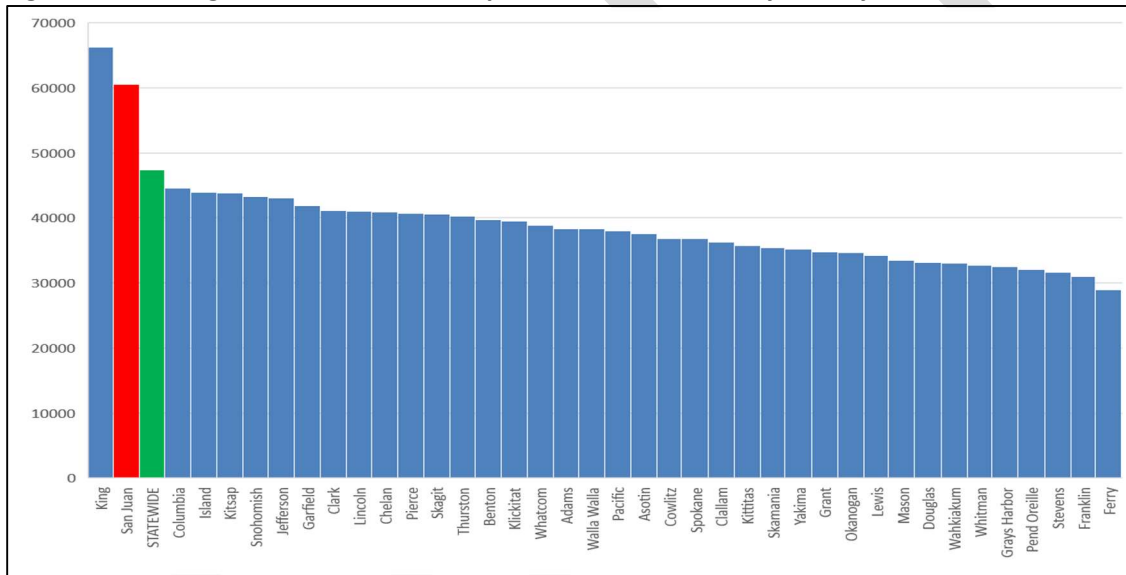
31
 32 Source: WA OFM GMA 2012 Intermediate Projections

33
 34 **Income**

1 Income affects the affordability of housing. Many households acquire their income from sources outside
 2 the County, driving up home values and outpricing those who rely on wages earned on the islands. In
 3 2015, San Juan County had the second highest per capita income in the State of Washington, at \$60,489
 4 in 2015, compared to the State average of \$47,381 (Figure 2). However, the average annual wage income
 5 in the County was well below the State average, at \$33,890 (Figure 3). Reflecting an elderly and likely high
 6 percentage of retired residents, the majority of income in the County is from property income, as opposed
 7 to income earned through wages. Transfer payments are also an important source of personal income
 8 for County residents.

9
 10 With a low average annual wage income, many people in San Juan County live at and around the Federal
 11 Poverty Level (FPL), despite the County’s high per capita income. In 2016, 11 percent of households in
 12 the County were living below the FPL, and an additional 22 percent were just above the FPL but could not
 13 afford a basic household budget. Meeting basic needs such as housing, food, childcare, transportation
 14 and healthcare, is highly challenging for about one third of the County.

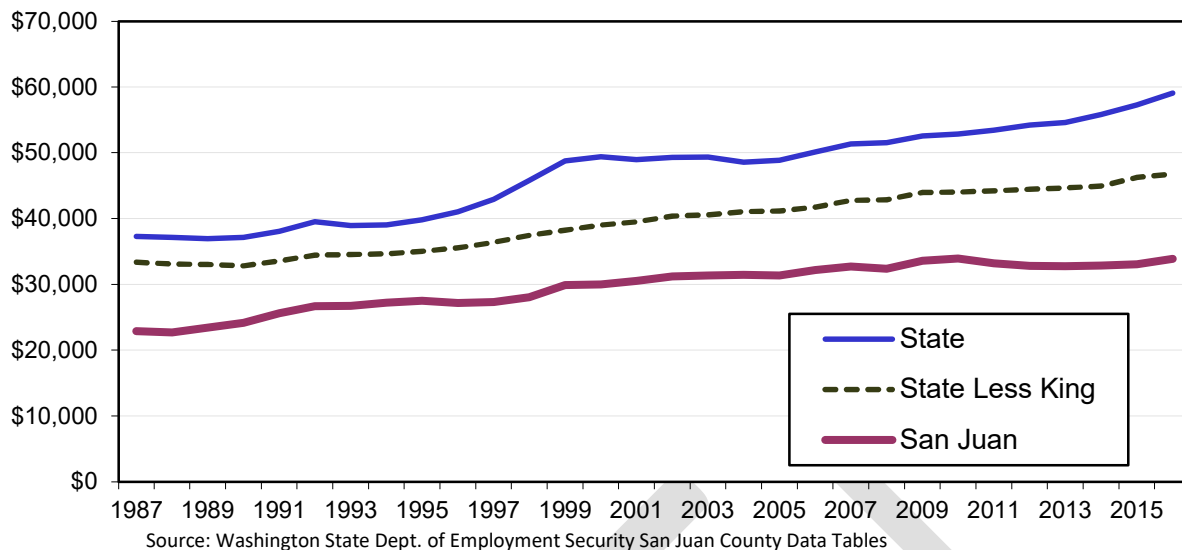
15
 16 **Figure 2. Washington State Real¹ Per Capita Personal Income by County, 2015.**



17 Source: Calculations by the Washington Regional Economic Analysis Project (WA-REAP) with data provided by the U.S. Department of
 18 Commerce, Bureau of Economic Analysis
 19

20
 21 **Figure 3. Average Annual Wage, Adjusted for Inflation, 1987 - 2015.**

¹ Real per capita personal income determined using the Chain-Weight Implicit Price Deflator for Personal Consumption (2009=1.00).



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Average Annual Wage in San Juan County has consistently been well below the state average.

5.4 HOUSING PROJECTIONS AND INVENTORY

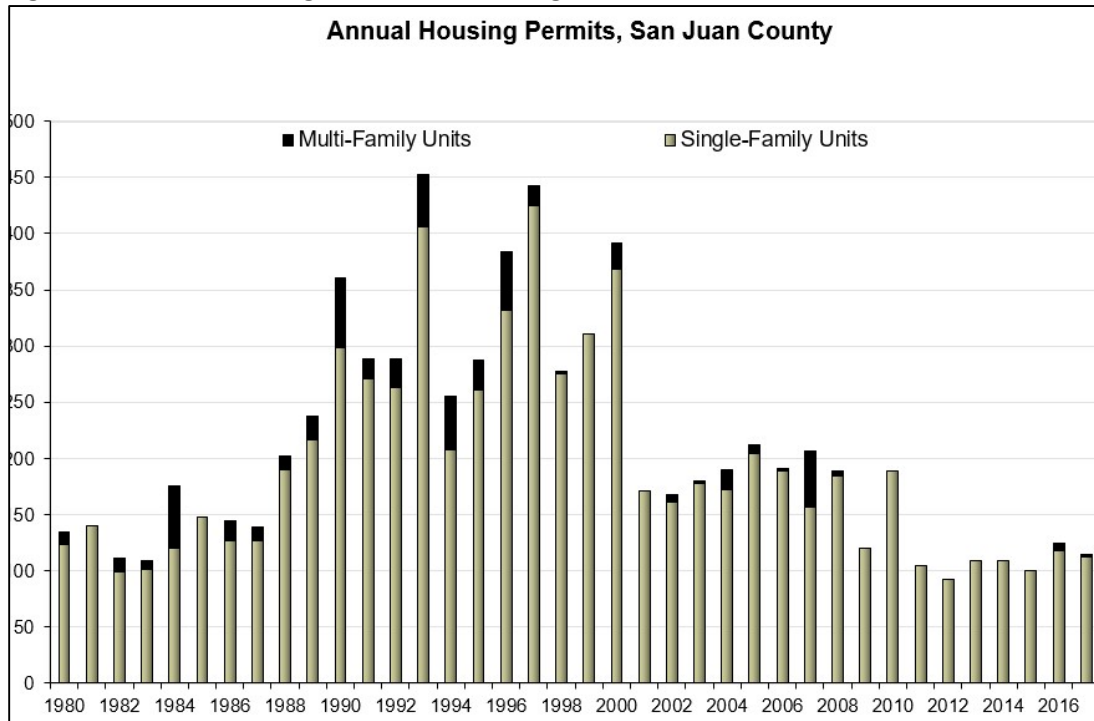
2036 Housing Projections

By assessing the housing inventory in the San Juan Islands for factors such as housing stock, cost, occupancy status, and housing condition, the County can identify more specifically where there is need. This provides a starting point when working to meet the Vision and fulfill future needs. Housing stock refers to the number of housing units in the County. In 2016, there were 13,859 housing units—an increase of 3,867 units from 2000. Based on the 2036 population projection there will need to be an additional 1,524 units by 2036 in order to adequately accommodate an expected total of 9,521 households (Table 1). Here, “households” refers to all the people who occupy a housing unit as their primary residence. By 2036 there are expected to be 4,180 new housing units for a total of 18,059 units, based on past building permit data. Many of these units will likely be considered vacant, the majority of which will be used for seasonal, recreational or occasional use. The HNA provides housing projections at the island level.

Housing Type

The HNA indicates that San Juan County has a lack of diversity of housing types with sparse numbers of multi-family units, which are often more affordable than stand-alone single family residences. This limits rental availability and is linked to housing affordability for those unable to afford to purchase a home. Figure 4, below, shows that few permits for multi-family housing units have been issued, particularly since 2009. No multi-family building permits were issued between 2009 and 2015. In 2016, 83 percent of housing units in the County were single-unit and stand-alone, 6.7 percent of housing consisted of two or more units, and 10.3 percent were mobile homes or special units.

1 **Figure 4. Annual Building Permits for Housing, 1980 - 2017.**



2 Source: WA Employment Security Department

3 **Housing Condition**

4 Overall, the housing units in the County are newer and in good condition. Many of the County’s housing
 5 units (45 percent) were built after 1990. Only 19 percent of units were built before 1970. Census level
 6 data on the condition of living quarters is limited, but according to the American Community Survey, the
 7 number of occupied housing units lacking complete plumbing facilities increased in the County from 1.7
 8 percent in 2010 to 3.2 percent in 2015. The rest of the State remained flat at 0.5 percent over this period.
 9 Additionally, occupied housing units lacking complete kitchen facilities doubled from 0.9 percent in 2010
 10 to 2 percent in 2015 while the rest of the State has remained static.

11 According to the local family resource centers, there has been an increase in the number of families living
 12 in substandard housing with poor conditions such as trailers or recreational vehicles. They find it is
 13 common for people to live some or all of the year in tents. Also, the largest percentage of respondents
 14 to the County’s 2017 Point in Time Homeless Count were those living in substandard structures.

15 **Occupancy Status**

16 Table 2, below, regarding occupancy status provides insight on how many vacant and owner or renter
 17 occupied units there were between 2000 and 2010 and in 2015. In 2015 the County had 40 percent owner
 18 occupied housing, 16 percent renter occupied, and 43 percent vacant. Vacant housing includes units used
 19 for seasonal, recreational or occasional use. The San Juan Islands’ status as a vacation destination affects
 20 the occupancy demographics of housing units in the County, as many of the vacant homes have out-of-
 21 county owners and are used only seasonally and/or as vacation rentals. According to the 2015 American
 22 Community Survey, homes for seasonal, recreational or occasional use make up 81 percent of vacant
 23 homes in the County. San Juan County’s housing challenge is not necessarily due to a sheer lack of housing
 24 units, but rather, a lack of units available for year-round residents to purchase or rent affordably.

1 **Table 2. San Juan County Housing by Occupancy.**

	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

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

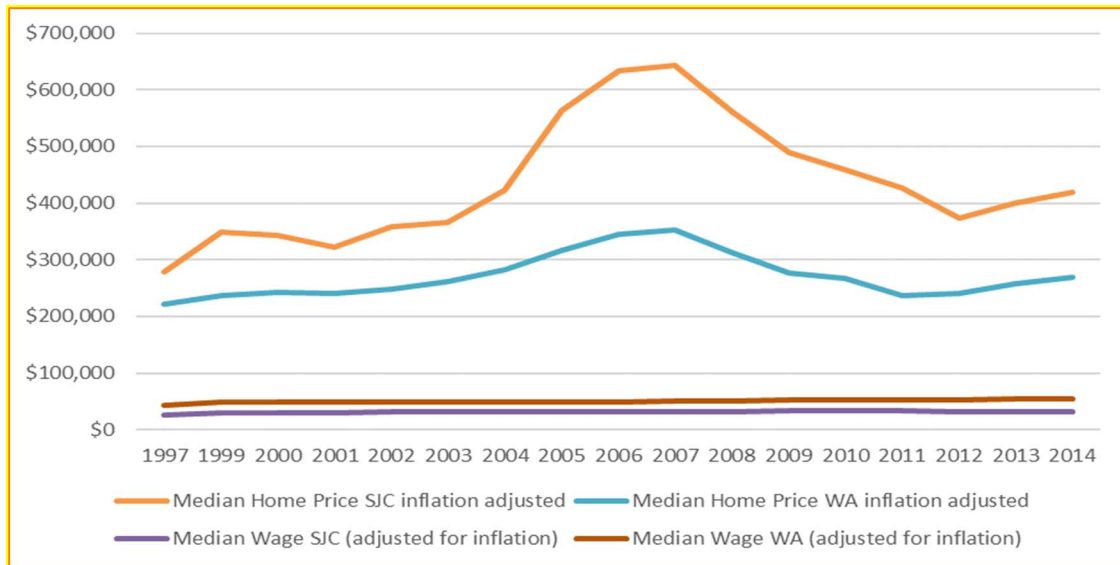
3 **Housing cost**

4
5 Home prices in San Juan County have risen every year since 2012 and appear to be uncorrelated to median
6 wages. This implies that economic forces outside of the local County economy drive housing demand in
7 the County.

8
9 The median home resale value in San Juan County is high compared to the rest of Washington State. Here,
10 the median home value is \$465,500, nearly 30 percent higher than the state median. Only 22 percent of
11 owner-occupied houses in San Juan County are valued between \$100,000 and \$300,000, compared to 50
12 percent in the rest of Washington State. High home values makes entering and participating in the
13 housing market particularly difficult for first time homebuyers, who may not have sufficient capital to
14 make a large down payment even if they can afford monthly mortgage costs. High home values, low supply
15 and high demand make the cost of rentals high as well.

16
17 In San Juan County, people make less in wages and pay far more for housing in comparison the rest of the
18 State. In San Juan County, high home prices and low average earned income makes purchasing a home
19 difficult and unavailable to a significant portion of the population. Figure 5, below, compares median
20 home price and median wage in San Juan County in contrast to the Washington State medians.

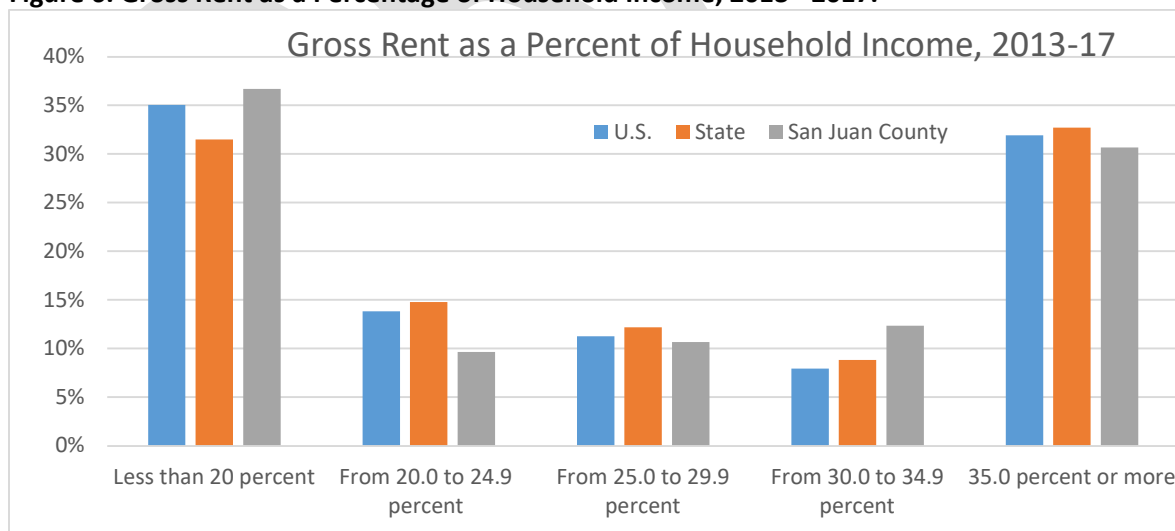
21
22 **Figure 5. Median Home Prices Compared to Median Wages, 1997 - 2014.**



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

High rent compared to income puts pressure on many households. Figure 6, below, shows what percent of household income is spent, compared to the U.S. and the State. In San Juan County, 43 percent of renters spend over 30 percent of their income on rent. For households making \$50,000 per year or less, the estimated affordable rent is \$1,035 per month, not including utilities. Section 5.4.5 of the HNA states that there are 2.7 times as many households making \$50,000 or less than there are rentals with gross rent below \$1,000 per month. There are not enough affordable rental housing units to fulfil the need.

Figure 6. Gross Rent as a Percentage of Household Income, 2013 - 2017.



Source: WA State Employment Security Department

Vacation Rentals

1 Many island residents are concerned about the potential effects of vacation rentals (VR) and expansion
2 of tourism on the community and the environment. The rise of online vacation rental services has created
3 new pressures on vacation destination community housing supplies, often in unexpected ways. Figure 5-
4 16 in the HNA shows that the number of vacation rental permits in the County has steadily increased since
5 2000, long before the increased popularity of online booking websites. Online advertising has also
6 increased the County's ability to enforce against unpermitted vacation rentals.

7 The average rate of growth for vacation rental permits was approximately 51 per year over the last 20
8 years. However, since 2015, the number of new permits issued annually has increased. In the years 2015
9 to 2019, the average number of new permits issued was 66 per year. Possible trends in VR permits, such
10 as changes in the number of permits and in the percentage of units in the County with permits, are also
11 addressed in the HNA. However, community concern over the potential impacts of vacation rentals may
12 result in modifications of those trends in the future.

13
14 The County began a certification of compliance program for vacation rentals in 2018, sending out 1,040
15 notices to vacation rental permit holders in the first year. Of those, compliance certificates were received
16 for 537 permits. Of those, only 372 permit holders indicated that they were actively utilizing their
17 property as a vacation rental. In 2018 - 2019 the County received \$98,100 in code enforcement penalties
18 from code enforcement actions on unpermitted rentals. Code enforcement is continuing for uncertified
19 permit holders and those that operate without permits.

20
21 In 2019-2020, the second year of the certification of compliance program, the County sent out 1,118
22 notices to vacation rental permit holders and received certificates of compliance for 632 permits. Of those,
23 430 permit holders indicated that their vacation rentals were active. There were 202 inactive vacation
24 rentals, 331 non-compliant vacation rental permits. The County also found that 155 permits in its system
25 should no longer be counted because they are either bed and breakfasts, farm stays, or they had been
26 abandoned. The vacation rental compliance program is guiding compliance efforts, and helping the
27 County collect more accurate data about the number of vacation rental permits and active vacation rental
28 properties.

29
30 Community conversations identified many concerns with vacation rentals. Primary concerns include the
31 saturation levels in certain neighborhoods and subdivisions, development of multiple vacation rentals on
32 one parcel similar to a hotel, nuisances, potential trespassing, and the potential for vacation rentals to
33 impact the availability of long-term rentals.

34 35 5.5 LAND CAPACITY ANALYSIS

36 ~~The Land Capacity Analysis (LCA) in *Plan* Appendix 1 is a planning tool that explores the County's maximum
37 possible development capacity based on current land use regulations. Development can be contrary to
38 the San Juan County Vision and the islands' rural character; therefore, housing development should be
39 focused on areas already designated for higher density. The LCA, in conjunction with population
40 projections, Official Maps, and the Housing Needs Assessment, can be used to locate opportunities for
41 meeting San Juan County's growing housing needs. The LCA helps show where higher density
42 development is possible and what options are for housing different types. This appendix of the *Plan* seeks
43 to ease tension between the desire to preserve rural character and to address the County's growing
44 housing needs.~~

1 Land use planning is an essential part of planning for the County’s future housing needs. The Land Capacity
2 Analysis (LCA) in Plan Appendix 1 is a planning tool that explores the County’s maximum possible
3 development capacity based on current land use regulations. The County uses the LCA, Land Use Element,
4 and Official Maps in conjunction with the Housing Element and HNA to determine whether there is
5 capacity to meet future housing needs and where that capacity is located.

6
7 The LCA fulfils the GMA requirement for an inventory and analysis of existing and projected housing needs
8 that identifies the number of housing units necessary to manage projected growth. While the GMA
9 requires that this be done for UGAs, San Juan County opted to perform the LCA for the whole county,
10 including both urban and rural lands, because a high percentage of the County’s population lives outside
11 of the UGAs.

12
13 According to the findings of the HNA and LCA, there is capacity to accommodate the projected housing
14 need. The HNA shows that between 2016 and 2036 there will be need for 1,082 new housing units in
15 unincorporated San Juan County. The LCA found that the County, not including Friday Harbor, has capacity
16 for between 2,039 and 3,392 more housing units depending on how mixed-use areas develop. Both urban
17 and rural areas of the County have adequate capacity for the projected housing need under the current
18 land use regulations.

20 **5.6 KEY ISSUES AND CHALLENGES**

21 As a social, economic, health and environmental issue, housing brings forth complex, multifaceted
22 challenges. The County has identified two overarching challenges for fulfilling housing needs: availability
23 and affordability. There is a lack of housing units available to residents, affordable to those living on wage
24 earned income. The Lopez Family Resource Center summed up the benefits of having stable housing.
25 Stable housing is necessary for prosperous, healthy communities, thriving children, and economic
26 development. It also sustains a year-round community.

28 **Housing availability**

29
30 Availability refers to the housing unit stock people have the opportunity to choose from when they are
31 seeking a place to live. There were 7,997 households in San Juan County in 2016, which is expected to
32 increase to 9,521 households by 2036. In San Juan County the average household size was 2.04 people in
33 2016. In 2016, there were 13,859 housing units in the County. Of these units, 57 percent were either
34 owner or renter occupied and 43 percent were vacant. Eighty-one percent of all vacant homes were either
35 used for occasional, seasonal, or recreational purposes, and were only occupied part of the year by their
36 owners or as vacation rentals.

38 **Affordability**

39 Housing that is affordable allows people to pay for their housing
40 while also meeting their other needs and maintaining a high
41 quality of life. Affordability depends on income and housing cost:
42 what is affordable to someone with a high income may not be
43 affordable for someone with a low income. Generally, when a
44 household spends 30 percent or less of its monthly income on
45 housing, that housing is considered affordable.

“Affordable” means a household is spending 30 percent or less of monthly income on housing.

“Cost burdened” refers to spending over 30 percent of monthly income on housing.

1 By the Housing Affordability Index (Table 5-12 in the Housing Needs Assessment, Appendix 5), San Juan
2 County is considered the least affordable county in the State of Washington. The median home value in
3 San Juan County was \$453,000 in 2017. This is 30 percent higher than that of the State of Washington.
4 Yet, median wage income in San Juan County is 43 percent lower than that of the State. With higher than
5 average housing costs paired with below average wages, it is unsurprising that many San Juan County
6 households spend over 30 percent of their monthly income on housing related costs. In 2015, 39 percent
7 of households in the County were considered “cost-burdened” because they spent more than 30 percent
8 of their monthly income on housing. There is a lack of affordable housing within nearly every income
9 bracket; however, households with lower incomes are cost burdened at the highest rate.

10 11 **Past, Present, and Future Efforts**

12
13 Affordable housing non-profits, including community land trusts, have continued to chip away at the
14 challenge of affordability by creating reliable housing opportunities for Islanders with lower incomes.
15 Alone, the scale at which these non-profits presently operate will not be adequate to fulfil all housing
16 needs by 2036. Other County and Federal assistance will be crucial.

17
18 In 2018, voters approved the San Juan County Home Fund, which will generate funds over time to develop,
19 produce and/or preserve affordable housing. The Home Fund is generated by a Real Estate Excise Tax
20 (REET) on the purchase and sale of real property in the County at the rate of one-half of one percent of
21 the selling price. This REET is projected to generate \$15.2 million for affordable housing over a 12-year
22 period.

23
24 The March 21, 2017, San Juan County Affordable Housing Workgroup Strategic Action Plan (Strategic Plan)
25 lays out three actionable strategies for addressing the County’s affordable housing challenges:

- 26
27 1) Educate the public on the availability and affordability of housing.
- 28
29 2) Increase the affordability and availability of housing stock.
- 30
31 3) Maintain existing housing stock that is affordable.

32
33 It identifies specific housing needs with regard to long-term rentals of various price ranges, as well as
34 worker housing, lower price range homeownership and housing with supportive services. There are
35 several actions for each strategy. The HAC assigns a responsible organization and tracks the status of the
36 actions in the Strategic Plan to maintain accountability.

37 38 39 **Takeaways Informing Housing Goals and Policies**

40
41 Considering this assessment of population and housing, the housing goals and policies will put an
42 emphasis on supporting the development of:

- 43
44 ■ Permanently affordable units for residents
- 45
46 ■ Year-round rentals for residents as opposed to seasonal rentals;
- Support for first time-home buyers;

- 1 ▪ Multi-family development in Urban Growth Areas and Activity Centers designated for higher
- 2 density;
- 3 ▪ A diversity of housing opportunities;
- 4 ▪ Fewer instances of substandard housing; and
- 5 ▪ Affordable housing projects by non-profits.

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1 **5.7 HOUSING GOALS AND POLICIES [DRAFT]**

2 Housing goals and policies guide San Juan County’s actions pertaining to housing. Goals are items the
3 County hopes to accomplish, and policies are the practices or actions the County intends to carry out as a
4 way of meeting goals. These goals and policies are informed by many sources, including existing policies,
5 community feedback, and the data and analysis in the Housing Needs Assessment (Appendix 5).

6 **5.7.A GENERAL HOUSING INVENTORY, TYPES, CATEGORIES, AND CONDITION**

7 **Goal 1. Meet the projected 2036 housing demand for year-round and seasonal residents.**

8 Policies:

- 9 1. Take the following actions in Urban Growth Areas and Activity Centers:
- 10
 - 11 ▪ Incentivize the construction of multi-family and mixed-use developments;
 - 12
 - 13 ▪ Reduce the cost of public services by increasing incentives for denser development; and
 - 14
 - 15 ▪ Work with the appropriate advisory committees to understand market factors that limit
 - 16 more dense development in these areas.
 - 17
- 18 2. Support the development of housing stock that meets the needs of those in the low, moderate,
- 19 middle and upper-middle income brackets.
- 20
- 21 3. Increase the availability of rentals for workers. Support development of specific standards for
- 22 locating seasonal and year-round worker housing such as dorms, bunkhouses, hostels, group
- 23 homes, home shares, farmworker housing and other communal living arrangements
- 24
- 25 4. Allow farm stays and farmworker housing accommodations on properties where commercial
- 26 agriculture is conducted.
- 27

28 **Goal 2. Address the housing needs of special populations such as veterans, the elderly, differently**

29 **abled, mentally ill, victims of domestic violence, and those at-risk of or currently facing homelessness.**

30 Policies:

- 31 1. Assure that there are appropriate regulations and land use designations to allow housing to meet
- 32 the needs of the elderly population, such as group homes, assisted living residences and skilled
- 33 nursing facilities.
- 34
- 35 2. Support organizations that host cold weather shelters on San Juan and Orcas islands and promote
- 36 the development of a shelter on Lopez Island.
- 37
- 38 3. Implement the County’s five-year Homeless Plan and support services in order to reduce
- 39 homelessness and increase opportunities for wellbeing in San Juan County.
- 40
- 41 4. Support organizations that provide services for those who are homeless, including laundry
- 42 facilities and safe storage for belongings.
- 43

- 1 5. Reduce obstacles for the development of new housing opportunities for vulnerable populations
2 such as safe homes for domestic violence victims, transitional housing for the recently homeless,
3 and the host home program for at-risk youth and youth experiencing emergencies.
4
- 5 6. Continue to implement housing assistance for eligible veterans through the Veterans Assistance
6 Fund.
7

8 **Goal 3. Improve housing condition and reduce the number of substandard housing units.**

9 Policies:

- 10 1. Utilize all available resources to complete weatherization upgrades and provide energy
11 assistance.
12
- 13 2. Promote health related improvements to older homes, such as accessibility improvements and
14 the abatement of lead-based paint, asbestos, and other potentially harmful materials.
15
- 16 3. Review and revise permit process for home remodels to ensure compliance with State lead
17 regulations and reduce the risk of exposure.
18
- 19 4. Support grant acquisitions for the development of home improvement programs to raise the
20 quality and safety of currently substandard housing.
21
- 22 5. Support non-profit programs that identify and reduce the number of substandard units.
23
- 24 6. Support weatherization and home maintenance programs.
25

26 **Goal 4. Reduce the costs of maintaining existing homes and constructing new housing units.**

27 Policies:

- 28 1. Boost the development of construction trades on the Islands by supporting the Economic
29 Development Council to provide training and certification courses at Skagit Valley College.
30
- 31 2. Expedite permitting of approved stock construction plans to reduce building permit costs.
32
- 33 3. Continue the owner-builder permit program to enable County residents to construct their own
34 homes.
35
- 36 4. Reduce barriers to the construction of affordable housing by identifying alternative funding
37 sources for development costs.
38
- 39 5. Develop standards for tiny home building site plans where water and sewer services exist and
40 adopt the Washington State Building Code for tiny homes.
41
- 42 6. Expand tool lending libraries on the most populated islands to increase people's access to the
43 tools they need to maintain their homes.
44

7. Provide information on prefabricated building materials and encourage their use as a way for owner-builders to reduce construction costs.

Goal 5. Promote climate resiliency by minimizing the environmental impacts, such as greenhouse gas emissions, of the existing and future housing stock in San Juan County.

Policies:

1. Consider climate change risks in siting Urban Growth Area expansions and new affordable housing locations, and avoid sites projected to have increased risk of flooding, landslides, severe erosion, or water shortages.
2. Identify and support partners that work to increase the environmental sustainability of housing on the Islands by means such as reducing energy use, protecting critical areas, and mitigating climate change impacts.
3. Provide information about and support the use of green and alternative building materials.
4. Incentivize investments in energy conservation, efficiency, and renewable energy generation for new and existing housing units.
5. Support working farms and farmland succession.

5.7.B AFFORDABILITY

Goal 6. Increase the number of resale-restricted affordable housing units.

Policies:

1. Support applications to the WA State Housing Finance Commission Land Acquisition Program (LAP) for assistance in purchasing land for affordable housing development.
2. Facilitate the preservation of existing affordable housing units.
3. Promote the design, construction, and maintenance of quality affordable rental units to serve long-term residents of various family sizes and income levels.
4. When allocating county funding for affordable housing, prioritize projects that are permanently affordable with resale-restrictions lasting at least 50 years.
5. For land use designations that include residential density bonuses, require the additional housing developed as a result of the density bonus to have resale-restrictions lasting at least 50 years.
6. When allowed, offset building permit fees for affordable housing with affordable housing funds.
7. Support USDA Rural Development Farm Labor Housing Direct Loans & Grants programs that provide construction, improvement, repair and purchase of housing for farm laborers.

1 **Goal 7. Adopt regulations in the San Juan County Unified Development Code and Comprehensive Plan**
2 **elements that facilitate access to affordable housing by increasing the number of available**
3 **affordable units and widening the range of people who qualify for affordable housing.**

4 Policies:

- 5 1. Expand the existing density bonus program to provide further incentives for creating affordable
6 housing in Urban Growth Areas and Activity Centers.
7
8 2. Allow bonuses for multi-family affordable housing development.
9
10 3. Allow up to 50% of dwelling units counted as affordable housing for the purpose of obtaining
11 affordable housing privileges to be for moderate income households.
12
13 4. Allow nonprofits and private developers to develop small-scale rural residential clusters with long-
14 term affordability restrictions and no more than twelve dwelling units each, within rural
15 residential, rural farm forest, and Village, Hamlet and Residential Activity Centers.
16
17 ~~5. Expand allowances for detached accessory dwelling units restricted for affordable housing or~~
18 ~~long term rental. Pending GMA risk analysis~~ Ensure consistency between the County's definitions
19 of affordable housing by considering housing costs for renters to include rent and utilities, or, for
20 owners, to include the principal and interest on the mortgage plus property taxes and insurance
21 (PITI).
22

23 **Goal 8. Partner with organizations that support housing affordability and leverage the County's access**
24 **to resources to utilize and provide programs that increase access to housing for middle to low-**
25 **income households.**

26 Policies:

- 27 1. Collaborate with non-profits to provide housing support services such as rental, homeownership
28 and utilities assistance programs for low to moderate income households.
29
30 2. Utilize state and federal housing resources and grant programs to the maximum extent possible
31 consistent with the goals and policies of this Element for affordable housing development, rental
32 and homeownership down payment assistance, weatherization assistance, and infrastructure
33 development related to affordable housing.
34
35 3. Leverage local funding sources to attract state, federal and private dollars to support the
36 development of housing affordability programs.
37
38 4. Provide, as appropriate, for the sale or lease of County-owned land for permanently affordable
39 housing development.
40
41 5. Expand and implement the 2018 Home-Share Pilot Program completed on San Juan Island and
42 make it feasible in more island communities.
43

- 1
 - 2
 - 3
 - 4
6. Facilitate and support the development of down payment assistance programs such as the Equity Loan Program and work with banks to develop programs to roll down payments into mortgages.
 7. Lobby for funding support for affordable housing programs in rural areas using tax credits.

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