

Resident Workforce Housing in San Juan County

Preliminary Needs Analysis

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Abstract: While San Juan County's total population, second-home purchases, and tourism continue to increase, the prime-age workforce population is shrinking. The county needs to make available housing that is affordable to its workforce if the community is to be balanced and thriving. I estimate that the county needs approximately 1,300 newly available and affordable housing units as soon as possible and an additional 600 units by 2036.

Introduction

San Juan County is a relatively isolated place of striking natural beauty with nearly 18,000 people in residence. The population swells in summer with as many as 8,000 tourists and 5,000 to 10,000 seasonal and occasional homeowners on any given day. The workforce necessary to provide services to this population requires housing that is available and affordable. The supply of such housing has fallen significantly short of the demand, and this shortfall has been recognized for at least 30 years. The primary causes of this shortage are (1) the dramatic influx of both retired and non-resident home owners and (2) the establishment and maintenance of land-use policies that inhibit the production of the housing needed by the local workforce. Absent changes to land-use policies and zoning regulations, the consequent burden imposed on the workforce will only get worse, leading to an increased shortage of workers, a reduction in needed services, and an overall reduction in the quality of life for all residents. This situation is the result of competing/conflicting visions of what the county should be or, at least, “look like”. These visions must be reconciled if there is to be a balance between place and people, between the environment and its inhabitants.

The problem of inadequate housing suitable for a resident workforce in SJC is neither new nor unique. The County staff has made numerous studies and recommendations over the years. In one exampleⁱ from 2000, the County Senior Planner concluded, among other things, that “As the transition to ownership of a substantial portion of rural lands by the wealthy occurs, **rural lands will no longer be available for private ownership by local wage earners** or small business operators.” And “If the County cannot, or does not desire to, make available a substantial amount of land for development at urban densities, then affordable housing for these groups can only be provided by artificial means such as public ownership or public subsidy.” In a book from 2005ⁱⁱ, the author identifies the conditions that lead to the situation where **little or no free-market housing that can be purchased or rented by working residents**. These conditions include a tourist-based economy, isolated topography, strong second-home demand, and regulatory (land-use and zoning) constraints. A doctoral dissertationⁱⁱⁱ from 2009 asserts that while the total county population was increasing at 12% per decade “San Juan County’s workforce is also shrinking—largely as a product of escalating land prices, which makes it more difficult for individuals to buy land on which to live and work.”

San Juan County’s Population History

SJC has been growing rapidly for the past 50 years – see Figure 1. This growth has been fired by a tourist-based economy that replaced the agrarian economy of the county’s pioneer (and pre-depression) days. Tourism introduced the county to potential retirees and vacation (second) home buyers and both groups have been encouraged by aggressive real estate marketing and speculation. The influx of retirees has been dramatic with 35% of the population now 65 years old and above. This older population is also plotted in Figure 1 along with the younger (under 65) population. As the older population increases in proportion to the total, the younger must decrease. Surprisingly to this author, the population count of the younger residents has decreased as well – the county is losing young people in absolute terms.

The 25-54 age cohort is generally^{iv} considered to be the “Prime Workforce Age” and I use this cohort as representative of the workforce sub-population in this document. Historically, in San Juan County, Washington

State, and the U.S, this workforce population has been roughly 40% of the total population. In particular, from 1990 to 2000, this proportion was 42.4% in San Juan County and remains at near 40% statewide and nationally.

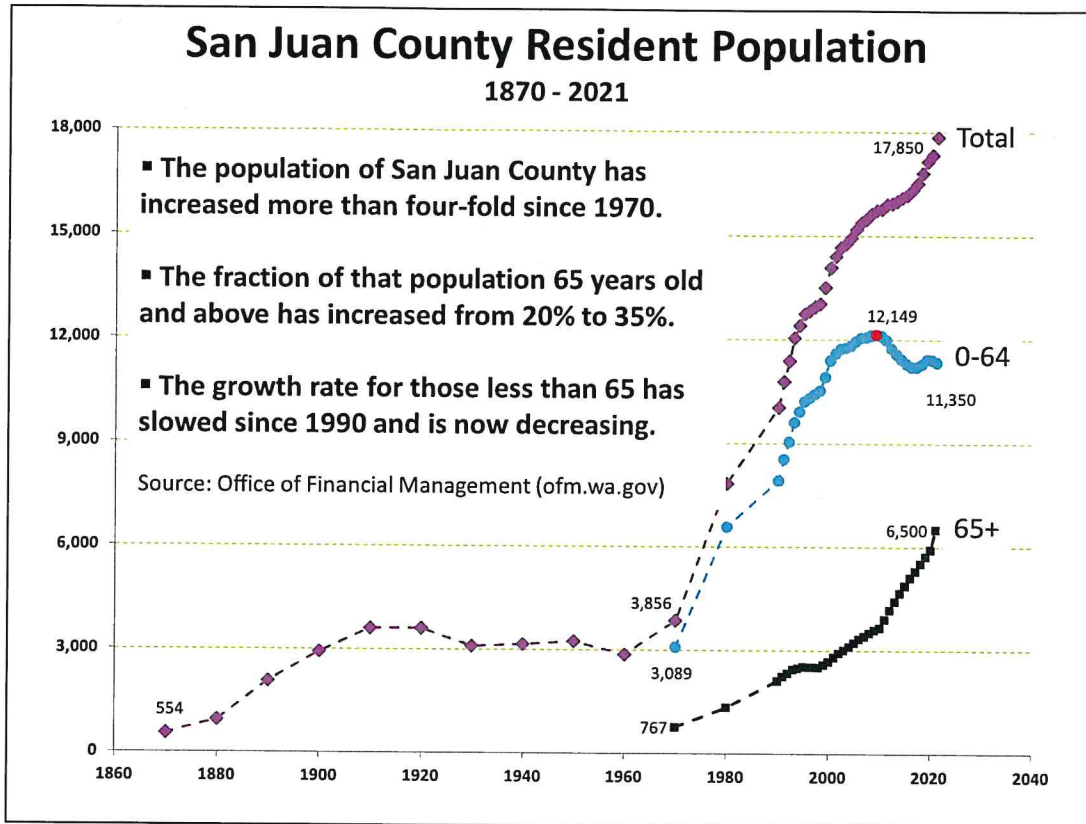


Figure 1. SJC Population: The San Juan County resident population has increased more than four-fold since 1970. However, the 65+ population has increased more than eight-fold over the same time.

If we were to plot the total population scaled by 42.4% then we would expect the workforce population to follow and this is just what happened for SJC up to 2000. Figure 2 shows this scaled population curve from 1990 to 2021 along with the workforce population and the age cohorts that constitute that population (i.e., 24-29, 30-34, 35-39, 40-44, 45-49, and 50-54). We see that not only has the workforce population not kept pace with the county's growth since 2000, the workforce has actually been shrinking in absolute as well as relative numbers. That is, since 2000, the same year that the County Senior Planner said, "The problems of finding housing for workers and the children of current residents who are not wealthy will become much worse," **workers have left the county faster than they have been replaced.**

Figure 3 plots of the total resident population of the county from 1990 to 2021 (scaled by the historical workforce fraction of 42.4%) and the actual workforce population. In 2000 there were 5,938 in the county workforce cohort. In 2010 this number was down to 5,350 (only 33.9% of the population) and in 2021 there were only 4,901, more than 1,000 fewer than in 2000 (and only 27.5% of the population). By 2010 the number of workers lost, the "shortfall", was 1,336 and in 2021 that shortfall had doubled to 2,667.

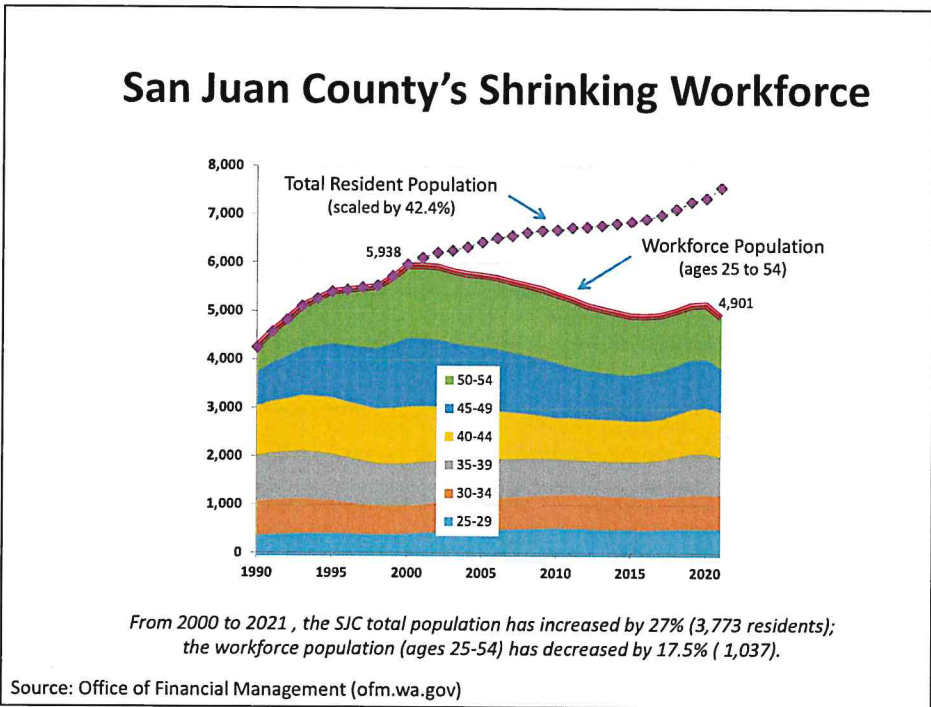


Figure 2. Rise and Fall of the SJC Workforce: Since 2000, residents of prime workforce age have been leaving.

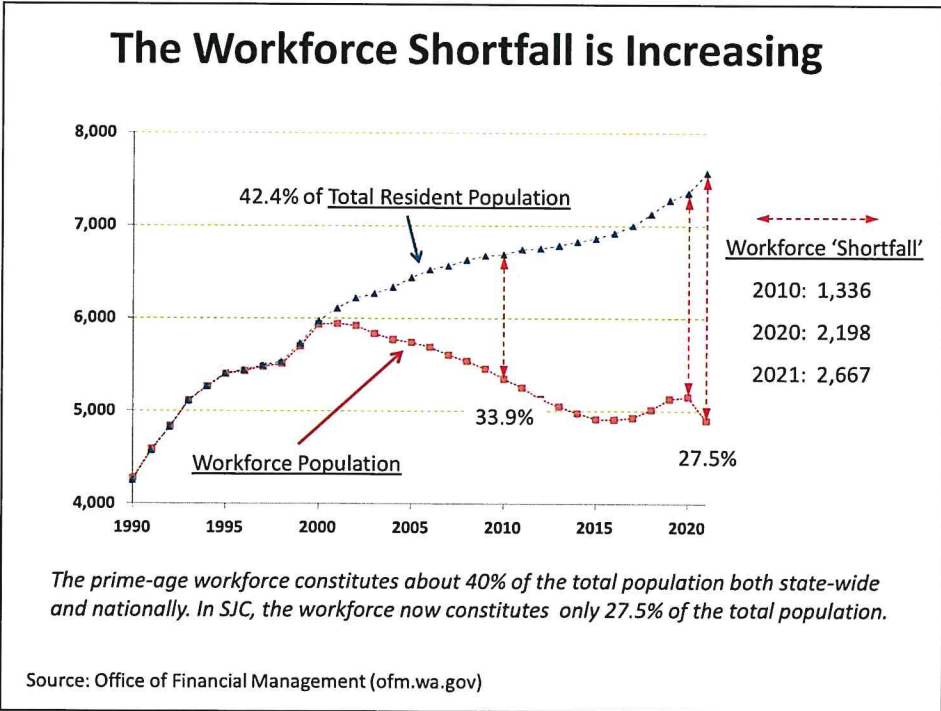


Figure 3. Workforce vs. Total Population: Since 2000, the county workforce population has decreased by 18% while the total population has increased by 27.5%.

Housing History, Affordability, and the Lack of Long-Term Rentals (LTRs)

For most practical purposes, first-time home ownership is out of reach for the entire workforce. SJC has the lowest Housing Affordability Index (46.3) in the state. The median home price is now \$890,000. **A recent search of Zillow showed no homes for sale under \$500,000.** (There were eleven homes for sale under one million dollars, including three on Orcas, four on San Juan Island, and none on Lopez.)

The rental vacancy rate is near zero and the monthly rentals are not affordable for much of the workforce. More than one-third of the county's resident renter households are "cost-burdened", that is, they are paying more than 30% of their income on housing. Housing is unaffordable even though SJC median wages are the eighth highest in the state. SJC's resident rental housing stock is very low in proportion to the total housing stock: it is only 15% vs. 34% in Washington State, and 32% nationally. In proportion to the resident/occupied housing stock, SJC's LTRs are only 25% compared to 37% in the state and 36% nationally.

Over the past 10 years, the long-term rental housing stock has been shrinking along with the workforce. Figure 4 shows both the owner-occupied homes and the "vacant" (mostly seasonal, recreational, and other use such as Vacation Rentals) homes continuing to increase while the number of renter-occupied housing units peaked in 2010 and has been shrinking since. Note also the small proportion of LTRs relative to the state and the nation as described above. SJC is clearly out-of-balance in providing long-term rentals.

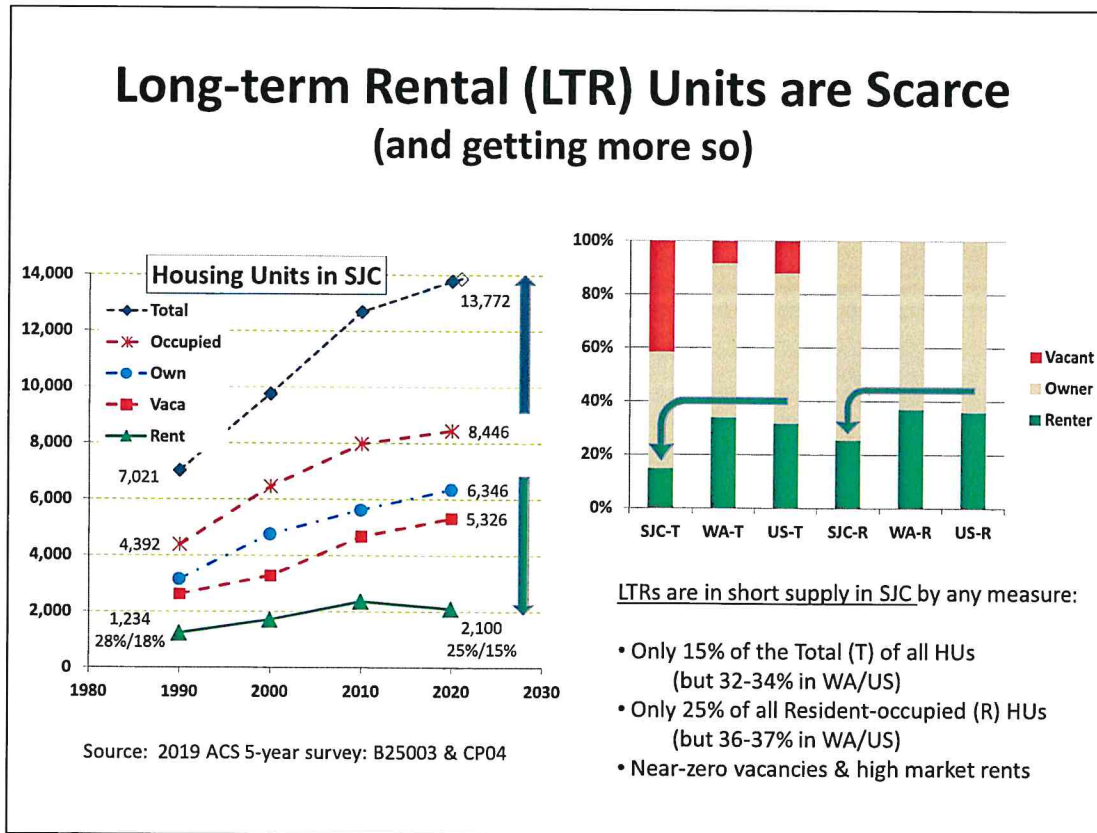


Figure 4. Housing Units in SJC: Long term rentals are below state and national norms and declining.

The workforce is shrinking because much of that sub-population cannot afford housing at current market prices. It is small wonder that a community that has one-third of its population barely able to afford housing is having difficulty retaining a resident workforce. The increasingly strong demand for services from the county's food banks and resource centers is further evidence of the housing cost burden. While some view these social services as "charities", they are, in fact, a substantial and necessary component in supporting the local economy. These social service non-profits are actually subsidizing local businesses and all who shop there. In a similar vein, I argue that subsidizing resident housing would be just as much subsidizing local businesses and all residents just as much as the workforce. In summary, subsidized housing improves the quality of life for all.

San Juan County's Economy and Need for a Resident Workforce

At a minimum, every community needs a workforce to sustain itself and its infrastructure. This includes health care workers, teachers, emergency technicians, road crew, grocery store staff, hospitality workers, retail staff, trades people for construction and repair, accountants, and so on. All local residents need goods and services to survive and maintain their desired quality of life. Furthermore, a healthy community has balance and diversity. One of the best qualities of SJC is its mix of people with wildly different backgrounds, a broad spectrum of points of view, and complementary abilities to contribute to community success.

What fraction of a community is needed for its workforce? As described above, I use the 25 to 54 year old cohort as the population to represent the workforce. In SJC, statewide, and nationally, this cohort has been about 40% of the total population. If this proportion in SJC had stayed constant over the past twenty-one years, this cohort would have grown by 27% rather than having shrunk by 18%. But there are other forces that suggest that the workforce should have grown even faster than the resident population.

Much is made of the county having a tourist-based economy, but that is only partially true. Tourism became a driving force after the depression and WWII when it was no longer economical for county residents to sustain a rural, agrarian lifestyle. Tourism introduced the county to the outside world and helped attract both retirees and vacation home buyers. Today the fuel that drives the county economic engine is a combination of retirees, second-home owners, and tourism. The demand for goods and services produced by the local workforce comes from that workforce itself, the retirement community, vacation (second) home owners, and the tourists who primed the modern day economic pump. A highly over-simplified view of this economy is shown in Figure 5.

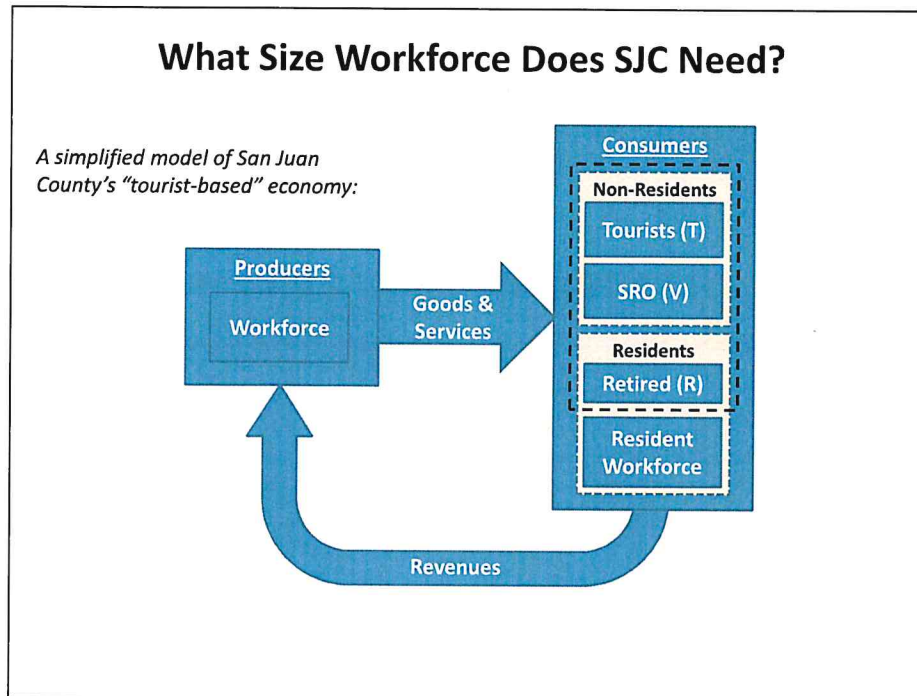


Figure 5. San Juan County Economy: The economy provides services to Residents and Visitors while generating income for the resident workforce. A balanced economy is necessary for a high quality of life for all residents.

The “ideal” size of a workforce depends not only on the size of the resident population but also on external, non-resident factors such as the vacation (second) home population and tourism. The **workforce should be proportional to the demand for goods and services** and this demand derives from the weighted combination of all of the sub-populations. We represent the Workforce, W , as a function of the Retirement population, R , the Vacation home population, V , and the Tourist visitation rate, T . In equation form, this can be expressed as follows.

$$W = \kappa_W W + \kappa_R R + \kappa_V V + \kappa_T T = \lambda_R R + \lambda_V V + \lambda_T T$$

While we don’t know the various weighting factors (the κ and λ factors in the equations above) contributing to workforce needs, we can bound the required rate of change of the workforce by the rates of change of the sub-populations. That is, the workforce should grow at least as fast as the smallest rate of change and not more than the greatest rate of change. From 2000 to 2021, I estimate the changes in the sub-populations as shown in Table 1 where the increase in tourism is a conservative estimate based on ferry ridership, visitors to our major parks, state visitor bureau estimates, and the County Lodging Tax adjusted for inflation.

Table 1. Growth in Demand for the Workforce in SJC

Demand Component	2000 to 2020/2021
Total Resident Population	+26.8%
Resident Retired (R) (65+)	+121.7%
Resident Workforce (25-54)	-17.9%
Vacant Homes (V)	+62.1%
Tourists (T)	+40%

Even if the workforce had kept up with the resident population, it would still be falling behind its ability to provide services because of the rise in second-homes and tourism has been even higher than that of the resident population. I believe that estimates of the workforce needed based simply on the resident population are conservative – we could well need even more. Using year 2000 as a baseline, 5,938 in the workforce should ideally have grown by 27.5% to 7,568 in 2021. This is 2,667 more than the current workforce population (recall the “shortfall” shown in Figure 3). Extrapolating (a very risky business) and assuming a constant residential growth of 1% per year, we could need yet another 1,287 members of the workforce cohort by 2036.

Assuming an average occupancy of two individuals per household, **the county should have approximately 1,300 additional housing units available and affordable to the workforce** population for the county to be back in balance. In addition, we may need another 600 housing units by 2036. Of course, each island has its own unique needs. But assuming Orcas Island makes up one-third of the county population and one-third of the needs, this analysis implies that Orcas needs more than 400 newly available homes today and will need another 200 by 2036.

Note that adding 1,300 rental housing units to the housing stock would restore SJC’s rental housing factor to 35% of occupied housing, comparable to state and national norms. Adding these units would help restore balance to our economy and our community.

Conclusion

San Juan County needs to attract and maintain a resident workforce in order to sustain the county economy and support a high quality of life for all residents. This, in turn, requires newly available housing that is affordable by that workforce. I estimate that the county needs approximately 1,300 newly available resident workforce housing units as soon as possible and an additional 600 by 2036.

Afterword

The data in this paper is from publicly available sources and believed to be reliable. But all such data are estimates, some less accurate than others. The numerical conclusions drawn in this paper should be viewed as not so much as precise as conceptual, i.e., order-of-magnitude. Also, we can get different numbers by choosing different epochs to analyze or different age cohorts to represent the workforce. But the basic results remain. The workforce population is declining. We may need only 650 new affordable housing units rather than 1,300 (or maybe we need 1,500). The precise numbers are not as important as the recognition that this is a huge problem of crisis proportions.

This paper does not address many other important housing issues in SJC. These include

- Review of the most recent updates to the Comprehensive Plan with an emphasis on GMA compliance. That is, verify that our CP *“Makes adequate provisions for existing and projected needs of all economic segments of the community, including ... Documenting programs and actions needed to achieve housing availability...”*?
- Identifying causality beyond the correlations and generic factors discussed here
- Identifying and evaluating alternatives for solving this workforce housing crisis
- Specific thoughts and recommendations regarding Vacation Rentals
- Developing a better understanding of the county’s economics and what adjustments can improve the total system of people, place, and production
- Dealing with the existing housing cost-burdens of those in the County now, that is, the more general affordable housing problem in the county where one-third of households spend more than 30% of their income on housing
- Accommodating seasonal and other part-time, non-resident workers
- Homelessness

Some of these issues may be addressed in future white papers.

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ⁱ Socioeconomic Impacts of Growth Pressure In Selected Seasonal/Resort Communities: Document Analysis and Interview Summaries Aspen, Colorado and Nantucket, Massachusetts, submitted by Pat Mann, Senior Planner to the SJC BOC on May 25, 2000.

ⁱⁱ Hettinger, Willam S., *Living and Working in Paradise – Why Housing is Too Expensive and What Communities Can Do About It*, Thames River Publishing, 2005. This book is an extension of the author’s Ph.D. dissertation

ⁱⁱⁱ Baskind-Wing, Sharon L., RECLAIMING RURAL CHARACTER: CONSERVATION, CONFLICT, AND THE NOSTALGIC LANDSCAPES OF ORCAS ISLAND, WASHINGTON, PhD Dissertation at Rutgers University, Dept. of Anthropology, 2009. “More broadly, this work argues that land management is a highly subjective process that engages aesthetic preferences, popular ecological models, cultural conceptions of property, and concerns with labor and affordability” – available at: <https://rucore.libraries.rutgers.edu/rutgers-lib/25715/PDF/1/play/>

^{iv} <https://www.governing.com/archive/gov-working-age-population.html#countydata>. “...the prime working-age population, considered those 25 to 54 years old.”