

## *Bulletin Number Eight Campaign for Affordable Housing*

Progress since July 15<sup>th</sup>:

Our web site is up and running thanks to great work by Madie Murray. Check it out at <http://SanJuanHousingBank.org/>.

Our guest editorial was published in both the Islands Sounder and in the San Juan Journal on July 27<sup>th</sup>. Response has been very positive. Thanks to all the people who helped edit this piece.

Please contact Steve Garrison at [garrison@rockisland.com](mailto:garrison@rockisland.com) if you would like to write a letter to the editor of either of these two newspapers.

Lee Sturdivant and Sally Kerr ran a booth at the Friday Harbor Farmer's Market on July 30<sup>th</sup>. They report that they handed out 150 pamphlets to registered voters and got a very favorable response. All but one of the people that they talked to were aware of the issue and support us.

Several of us met again with the Orcas Board of Realtors on July 25<sup>th</sup>. The primary topic of discussion was the real estate excise tax. In response to their request for more quantitative data, the attached report on Quantifying the Need was produced.

If you would like to invite a speaker to address your organization, please contact Lee Sturdivant at [naturals@rockisland.com](mailto:naturals@rockisland.com) or Craig Wier at [craigw@eusers.com](mailto:craigw@eusers.com).

As always, our most recent publications are posted at our website <http://orcasresearch.org/> and now also at <http://SanJuanHousingBank.org/>. You can contact us at any time at [Losleben@rockisland.com](mailto:Losleben@rockisland.com) or [Garrison@rockisland.com](mailto:Garrison@rockisland.com)

Tax deductible donations to help support the Housing Project and to help pay for educational materials and supplies are gratefully accepted through Navigating Our Future, Housing Project, PO Box 298, Deer Harbor, WA 98243. This is a totally volunteer effort, so your help is appreciated.

Signed,

Lee Sturdivant, San Juan Island  
Paul Losleben and Steve Garrison, Orcas Island  
Sandy Bishop, Lopez Island

### *Quantifying the need for affordable housing in San Juan County.*

#### **Introduction**

When considering whether or not to support the creation of the proposed San Juan County Housing Bank, it is useful to understand what is known about the need for affordable housing in

the county. We can piece together a picture of the need by examining a variety of data sources, including demographic data on various income and age groups.

### **NEED FOR SKILLED WORKERS**

One segment of the population that is currently not served by the existing non—profit housing providers is workers who earn moderate-incomes (individuals or households whose incomes are between 80% and 95% of the county’s median income, or between \$40,000 and \$58,000 annually). Many of these workers are employed in “infrastructure” jobs—jobs that provide for the health, safety and education of our community, such as teachers, police, paramedics, nurses. Most of these jobs are skilled jobs—jobs that require advanced or technical training.

**Moderate Income Skilled Infrastructure workers:** The recently completed Infrastructure Employer survey on Orcas, San Juan, and Lopez Islands identified the need for 60 to 80 homes for moderate income families over the next 5 years to compete with neighboring mainland communities for skilled infrastructure workers such as teachers, paramedics, deputies, medical staff, utility workers and public employees. This moderate income group represents approximately 25% of the total number of infrastructure workers on Orcas Island, a higher percentage on San Juan Island and a lower percentage on Lopez.

**Other skilled workers:** Approximately 9% of the total workforce (6,500 permanent year round workers) are involved in providing basic infrastructure services. The remaining 91% of the workforce also includes skilled, moderate income workers, but more of these workers earn incomes below the moderate income range (in other words they have low or very low incomes). We have not surveyed employers about the need for housing for people in this category, however, we can make a rough estimate that 5% of this group is likely to need moderate income housing. If the attrition rate is the same as for infrastructure workers, there is a likely need for roughly another 50-80 skilled year round workers over the next 5 years.

**Total need for skilled workers:** Considering the needs for skilled employees in the entire workforce, the majority of whom are in the moderate income range, we estimate the need to hire approximately 110 to 160 workers whose skills are otherwise not available in the county over the next 5 years.

### **NEED FOR NON-SKILLED WORKERS**

**Most of the workforce is low and very low income:** 75% of infrastructure jobs and perhaps as much as 95% of the remainder of the workforce are non-skilled jobs—jobs that do not require technical training or an advanced degree. Most of these jobs pay low and very low income wages (paying less-than 80% of median income). The median wage in San Juan County is \$25,000. Job turnover in the low and very low income groups is high. One non-infrastructure respondent reported an expected 100% turnover in the next 5 years.

### **DEMOGRAPHIC CHANGES**

**Loss of family-aged segment:** Some of these workers are just changing jobs, but there is clear evidence that some, especially young people, are leaving the islands and are not being replaced. We have numerically fewer residents in the 25-44 age group today than we did in 1990 while the overall population has increased by 47%. Most of this decline has occurred since 2000.

**Older workers:** Across the board, we have an aging workforce. In some cases, we have recruited older workers because they have built equity elsewhere and can afford housing here.

Recruiting becomes more difficult as our prices increase. The cost of housing has now reached the point where even older, mainland workers with accumulated equity cannot be attracted to fill the jobs. San Juan Island Schools face retirement of half of their faculty in the next 5 years – where will their replacements come from and how will they be housed?

We can see this trend clearly in our population demographics. In 2000, 11.3% of the working age population was over 60 and in 2003 this number increased to 12.3%. Over the next 5 years, this number will increase to nearly 16%. The loss of workers through retirement further compounds our infrastructure workforce problem. As our older workforce retires, the demand for services will increase.

**Low income need:** The 2003 Housing Needs Survey in San Juan County estimated that over 600 individuals or families in the county with low or very low incomes were going to move because their current housing was too expensive or would no longer be available. OPAL Community Land Trust, serving just Orcas Island, presently receives qualified applications for its ownership homes from 10 to 15 low and very low income households per year and is only able to satisfy 5 to 8 per year. There is presently an average two-year waiting time for OPAL houses. Funding for OPAL projects has become much more difficult. In their most recent project, they had to assemble financing from 9 federal, state, local and private funding sources. Federal and state programs providing assistance to low and very low income families are declining while the need is growing. In order to meet our objective of building mixed income communities, we will need the Housing Bank to also support housing solution for low and very low income housing.

### **Affordable housing progress over the last decade:**

#### HOMEOWNERSHIP

The following organizations have produced ownership housing for households earning low and very low incomes:

Orcas:	OPAL Community Land Trust – 56 homes
San Juan:	San Juan Community Home Trust – 10 homes Homes for Islanders – 8 homes
Lopez:	Lopez Community Land Trust – 22 homes

Private efforts at affordable ownership housing have produced one noteworthy example: The Oaks on San Juan Island consists of 56 double wide manufactured homes on 1/8 acre leased parcels. These homes are presently sold for \$110K to \$140K and the homeowner typically pays a fee of \$300 per month for land lease and upkeep, in addition to a mortgage payment. This combination places total costs near the top of low income affordability, and the units are not permanently affordable.

#### RENTAL HOUSING

In addition, under USDA loans and grants, the following rental properties have been produced for low and very low income households where rent is set at rates to allow households to pay no more than 30% of the total household income:

Orcas:	Lavender Hollow – 22 units Orcas Longhouse – 16 units, restricted to elderly and disabled OPAL Community Land Trust, Reddick Property – 7 units
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San Juan: Gerhart Park – 20 units  
Harbor View – 20 units  
Island Meadows – 19 units, restricted to elderly  
Islewood – 18 units  
Rosewood – 18 units  
Suriva – 20 units  
Lopez: Westview – 18 units

Of the 178 apartments, 102 are 1BR, 66 are 2BR and 10 are 3BR

We note that the USDA 515 Loan program that made many of these rental units possible was primarily aimed at very low income families (less than 50% of median) and has since lost nearly all funding.

**Applicability of housing:** For job candidates earning moderate incomes, we need to be reasonably competitive with housing in neighboring mainland communities. The current market in neighboring mainland communities shows over 50 homes with at least 3BR and 2BA available in the price range of \$200K to \$250K. These are within the reach of moderate income mainland households. The substitution of double wide manufactured homes in the county for stick built homes on the mainland is not an appealing solution for moderate income households. Rental housing is also not a satisfactory solution. While rental housing plays a role in meeting our housing needs, especially for low income and below, it is not competitive for moderate income and above except as a temporary measure.

**Roles for sources of financing:** The best available approaches to private financing can not solve the problem for households earning moderate incomes and below. Fortunately, these approaches will work for a while for middle income (95% to 120% median income). The grants that we have relied upon for low and very low income are drying up with cutbacks in federal programs. So, if we want to build mixed income communities, we need to use a mixture of the remaining federal and state programs with some locally generated real estate excise tax money to address low income; we have only real estate excise tax money to address moderate income; and we have only private money to address middle income.

The best approach that we have to build affordable housing is the land trust (or community land trust) approach, and the creation of attractive, mixed-income projects. Land cost is the biggest problem and if we remove the cost of land we can apply creative financing across the spectrum to build mixed income communities.

**Current costs:** We are presently looking at a cost of \$83K to \$96K for land per home plus improvements (assuming favorable zoning). Assuming that we can build a 1500 sq ft, 3BR, 2BA home for \$100 to \$125 per sq ft, land plus improvements plus structure will cost \$250K to \$288K, within the range for middle income, but out of range for moderate and below. Removing the cost of the land reduces these prices to a level that is within the reach of some low income and all moderate income households. These are optimistic numbers and, at best, represent what we can do today. By the time real estate excise tax money becomes available for use, these costs will be higher.

**Real estate excise tax projections:** If we do nothing more than buy land, the real estate excise tax money for 2005 (based on 2004 sales) would allow us to build 16 to 19 homes. But, even

though the cost of land somewhat tracks real estate excise tax income, it doesn't keep up. Just three years ago, we would have been able to build between 20 and 23 homes. The numbers will be worse than this in the future since the cost of construction is going up too. Even with the full \_% and modestly increasing real estate excise tax income, the number of homes that we can build each year will decline. Realistically speaking, the best that we can expect to do, if we do nothing more than purchase land with this money, is 12 to 16 homes per year or approximately 60 to 80 homes over 5 years. While this would meet the need for moderate income infrastructure jobs, it falls short of the total need for moderate income housing by half and is far short of the total need when low income housing is included.

**Can we do better?** Possibly! We have consistently argued that the real estate excise tax is only part of the solution; an important part, but only part. There is potential availability of land from employers and the county. There are also additional sources of public and private funding. We have assembled two teams, one to address creative approaches to financing and another to address creative approaches to the design and construction of affordable housing. In addition, we have existing organizations that are committed to providing affordable housing; the various community land trust organizations as well as organizations pursuing alternative approaches. Finally, our county planning and permitting department has a mandate to accommodate affordable housing. We should give these organizations a bold objective. We suggest that this objective should be to find a way to provide 120 housing units (not including rentals) covering the spectrum of need from low income to middle income over the next 6 years. With such a specific goal, perhaps we can focus on achieving economy of scale in every aspect of addressing this problem.