DATE: November 29, 2017
TO: Beverly Mesa-Zendt and Meredith Penny
FROM: Beth Goodman, Korinne Breed, and Erik Rundell
SUBJECT: ISLAND COUNTY HOUSING NEEDS ANALYSIS

Introduction

A community’s housing needs are continually changing depending on changes in the broader economy, local demographics, and the regulatory environment. In addition, housing is complicated because it represents a bundle of services that people are willing to pay for, including shelter and proximity to other attractions (job, shopping, recreation); amenities (type and quality of home fixtures and appliances, landscaping, views); prestige; and access to public services (quality of schools, parks, etc.). It is difficult for households to maximize all these services and minimize costs, and, as a result, households make tradeoffs between the services. In addition, housing markets function at a regional scale, which makes it a challenge for individual jurisdictions to adequately address issues related to their housing supply—both market-rate and public-supported housing.

This housing needs analysis evaluates current housing conditions in Island County and estimates future housing needs to inform the update of the County’s Housing Element and potential changes to the existing goals and policies to address the County’s housing needs. This housing needs analysis estimates the type and mix of housing needed and the existing and projected need for affordable housing based on the existing supply and future demand.

This memorandum is organized into three main sections:

- **Housing Inventory**: summarizes the existing housing supply, including the number of units by type, recent development trends, and housing vacancies.
- **Factors Affecting Housing Need**: evaluates the factors affecting demand for housing in Island County, including demographic changes and the cost of housing.
- **Housing Need in Island County**: projects future growth and the type of housing needed to accommodate future housing demand.

Housing Inventory

The existing supply of housing reflects past growth, market demand, and regulations in Island County. This section summarizes Island County’s existing housing stock, including the number of units by type, location, and year built. This section also considers recent development trends and housing vacancy in Island County.
Housing Units by Type

There are approximately 41,500 housing units in Island County as of 2016. The majority of those units (78 percent) are single-unit homes. Multifamily housing (buildings with two or more units) represents 11 percent of the total housing stock with most of the multifamily housing stock within Oak Harbor. Mobile homes (as defined by the Office of Financial Management and American Community Survey) are over 11 percent of total housing stock.

### Exhibit 1. Housing Units by Type and Jurisdiction, 2016

<table>
<thead>
<tr>
<th></th>
<th>Single-Unit</th>
<th>2+ Units</th>
<th>Mobile Homes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Oak Harbor</td>
<td>5,866</td>
<td>3,284</td>
<td>581</td>
<td>9,731</td>
</tr>
<tr>
<td>Town of Coupeville</td>
<td>659</td>
<td>194</td>
<td>123</td>
<td>976</td>
</tr>
<tr>
<td>Town of Langley</td>
<td>522</td>
<td>216</td>
<td>2</td>
<td>740</td>
</tr>
<tr>
<td>Unincorporated</td>
<td>25,170</td>
<td>823</td>
<td>4,023</td>
<td>30,016</td>
</tr>
<tr>
<td>Island County</td>
<td>32,217</td>
<td>4,517</td>
<td>4,729</td>
<td>41,463</td>
</tr>
</tbody>
</table>

Source: Island County Assessor, ECONorthwest.

The housing stock in Island County is a mix of ages. One-third of the housing stock has been built in the last twenty-five years (1992 through 2016). However, the number of units built since 2010 is relatively small compared to previous years. Since 2010, just 1,200 new units have been built, and only 56 unit of those have been multifamily units. The lingering effects of the recession in 2008 likely contributed to the decreased number of homes built. Since 1992, the County has averaged 600 new units a year.

### Exhibit 2. Housing Units by Type and Year Built, 1992-2016

**Building Permit Trends**

The number of new residential building permits issued by Island County (which only includes unincorporated areas of the County) has increased steadily since 2012. At the beginning of November 2017, the County has issued over 350 permits, which exceeds the total for 2016. The vast share of permits issued by the County are for single-family homes (Residential – SFR – New). The number of permits for manufactured or mobile homes has also increased over the same period.

*Exhibit 3. New Construction Residential Building Permits, 2012–2017*

*Note: Through the beginning of November 2017.*

Source: Island County.

Within the unincorporated areas of the County, Camano Island has the largest amount of new residential building permits issued in the last five years, with 494 permits (33 percent). The vast share of new housing permits (84 percent) issued in unincorporated areas have been for single-family homes. Just 72 permits have been issued for accessory dwelling units (Residential SFR – Guest) since 2012.
### Housing Vacancy

The percentage of units that are vacant in Island County is higher relative to Washington State. Based on the Census’ 2011-2015 average, about 18 percent of housing units in Island County are vacant, which is double the vacancy rate for Washington State. The most common reason for vacancies is that homes have seasonal, recreational, and occasional uses, which is the reason for over 60 percent of vacant units in Island County. At the same time, apartments have relatively low vacancies, at less than 5 percent. Apartment vacancies have declined over the last ten years as well.

### Island County has higher vacancy rates at 18 percent than the Washington State average.

South Whidbey and Camano Island both have vacancy rates above 25 percent.

North Island County has a lower vacancy rate than the other planning areas.

### Exhibit 4. New Construction Residential Building Permits, 2012–2017*

<table>
<thead>
<tr>
<th>Unincorporated Location</th>
<th>Mobile Home</th>
<th>Accessory Dwelling Unit</th>
<th>Single-Family Home</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camano Island</td>
<td>29</td>
<td>22</td>
<td>443</td>
<td>494</td>
</tr>
<tr>
<td>Oak Harbor</td>
<td>85</td>
<td>7</td>
<td>223</td>
<td>315</td>
</tr>
<tr>
<td>Freeland</td>
<td>13</td>
<td>9</td>
<td>162</td>
<td>184</td>
</tr>
<tr>
<td>Coupeville</td>
<td>19</td>
<td>7</td>
<td>131</td>
<td>157</td>
</tr>
<tr>
<td>Clinton</td>
<td>4</td>
<td>12</td>
<td>132</td>
<td>148</td>
</tr>
<tr>
<td>Langley</td>
<td>13</td>
<td>10</td>
<td>119</td>
<td>142</td>
</tr>
<tr>
<td>Greenbank</td>
<td>2</td>
<td>5</td>
<td>58</td>
<td>65</td>
</tr>
<tr>
<td>Not Cited</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>165</td>
<td>72</td>
<td>1,272</td>
<td>1,509</td>
</tr>
</tbody>
</table>

*Note: Through the beginning of November 2017.

Source: Island County.


Source: U.S. Census Bureau, 2011-2015 ACS 5-Year Estimate
62 percent of vacancies in Island County were due to seasonal, recreational, or occasional uses. Excluding vacancies for seasonal, recreational, or occasional uses, Island County’s average vacancy rate in 2011–2015 was about 7 percent.

For rent vacancies in Island County are just 1.3 percent of all housing units.

Source: U.S. Census Bureau, 2011–2015 ACS 5-Year Estimate, Table B25004.

Apartment vacancies in Island County are on the low end. As of 2017, the vacancy rate is 4.4 percent, which is a decrease from 2008 and 2009 when vacancy rates were near 6 percent. Generally, 5 percent is considered normal in typical market conditions.

Exhibit 7. Apartment Vacancy Rate, Island County, 2008–2017
Source: CoStar
Factors Affecting Housing Need

Housing demand is determined by the preferences for different types of housing (e.g., single-family detached or apartment), and the ability to pay for that housing (the ability to exercise those preferences in a housing market by purchasing or renting housing). Preferences for housing are related to demographic characteristics and changes, in addition to personal preferences. The ability to pay for housing is based on income and housing costs. The following two sections analyze and discuss these factors.

Demographic Changes

This section focuses on demographic factors to assess how changes and recent trends may affect the housing need in Island County over the next twenty years. Many demographic and socioeconomic variables affect housing choice. However, the literature about housing markets shows that the age of the householder, size of the household, and income are most strongly correlated with housing choice.

- **Age of household** is the age of the person identified (in the Census) as the head of household. Households make different housing choices at different stages of life. This chapter discusses generational trends, such as housing preferences of Baby Boomers (people born from about 1946 to 1964) and Millennials (people born from about 1980 to 2000).

- **Size of household** is the number of people living in the household. Younger and older people are more likely to live in single-person households. People in their middle years are more likely to live in multiple person households (often with children).

- **Income** is the household income. Income is probably the most important determinant of housing choice. Income is strongly related to the type of housing a household chooses (e.g., single-family detached, duplex, or a building with more than five units) as well as household tenure (e.g., rent or own).

An individual’s housing needs change throughout their life, with changes in income, family composition, and age. The types of housing needed by a twenty-year-old college student differs from the needs of a forty-year-old parent with children, or an eighty-year-old single adult. As Island County’s population ages, different types of housing will be needed to accommodate older residents. This cycle of changing housing needs by age is depicted in the diagram below.
Housing needs and preferences change in predictable ways over time, with changes in marital status and size of family. Families of different sizes need different types of housing.

Exhibit 8. Effect of Demographic Changes on Housing Need

Population Growth
Island County’s population grew by 38 percent between 1990 and 2016, adding nearly 23,000 new residents. Over this period, Island County’s population grew at an average annual growth rate of 1.2 percent. In comparison, the state grew at a slightly faster rate of 1.5 percent a year over the same period. In the last 10 years growth has been slower with an average annual growth rate of 0.65 percent. The majority of the population growth in the last 10 years was due to in-migration. In-migration in 2016 was substantially higher that any of the previous 10 years with over 2,000 people moving to the County. Island County’s future population growth will drive demand for housing over the planning period.
Since 1990, Island County’s population has grown by roughly 22,700 people. Oak Harbor’s population has grown at a slower rate (1.0 percent) than the County (1.2 percent). Although the County’s population is concentrated in the North, the faster population growth has been in the Central region and Camano Island.

Island County’s population increase in 2016 was the largest in the last ten years. Most of this population increase was due to immigration into Island County.


<table>
<thead>
<tr>
<th>Population</th>
<th>Change 1990 to 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
</tr>
<tr>
<td>Washington State</td>
<td>4,866,692</td>
</tr>
<tr>
<td>Island County</td>
<td>60,195</td>
</tr>
<tr>
<td>Oak Harbor</td>
<td>17,176</td>
</tr>
<tr>
<td>Coupeville</td>
<td>1,377</td>
</tr>
<tr>
<td>Langley</td>
<td>845</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Population</th>
<th>Change 2000 to 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>North</td>
<td>34,737</td>
</tr>
<tr>
<td>Central</td>
<td>10,812</td>
</tr>
<tr>
<td>South</td>
<td>12,662</td>
</tr>
<tr>
<td>Camano</td>
<td>13,347</td>
</tr>
</tbody>
</table>

Exhibit 10. Annual Population Growth, Net Migration, and Natural Increase, Island County, 2006–2016
Island County has adopted a 2036 population projection, shown in Table 1-4 of the County’s Land Use Element. Exhibit 11 presents the forecast for Island County based on the forecast in the Land Use Element.

Island County is projected to grow by 5,047 people between 2016 and 2036, at an average annual growth rate of 0.57 percent.¹ The majority of growth from 2010-2036 is forecast to occur in the North Whidbey area, which will account for about two-thirds of the County’s growth.

A portion of Island County’s population forecast is attributable to expected growth in employment at the Naval Air Station Whidbey Island. As of 2017, the Naval Air Station has 8,250 military personnel and 2,000 civilian contract personnel. Table 1-5 in the Land Use Chapter of the Comprehensive Plan shows that between 2012 and 2036, the Naval Air Station is expected to add about 1,031 nonmilitary employees and 1,000 military employees, much of which began in 2016. In total, the Naval Air Base is expecting a total of 8,600 military personnel in the future.

The U.S. Navy commissioned a Housing Requirements and Market Analysis for the Naval Air Station Whidbey Island, which was completed in September 2017. The report determined that the community housing market is able to accommodate the total Military Family Housing Requirement. The report did determine a community housing market shortfall of 914 units for the total Unaccompanied Personnel Housing Requirement. However, the report did not include additional potential growth in the number of Growler aircraft crews at the Air Station, which is being studied in a separate environmental impact statement.

¹ This forecast of population growth is based on Island County’s projected population developed by the Washington State Office of Financial Management in May 2012. These are the latest projections available at the county level by the Office.
Population Age

The median age in Island County increased by seven years: from age 37 in 2000 to age 44 in 2015 (the 2011–2015 five-year average). In the 2011–2015 five-year average, Island County’s portion of people aged 60 and older was 9 percent higher than the Washington State average (29 percent versus 20 percent, respectively). These factors indicate that Island County has an aging population.

Population projections from the Washington State Office of Financial Management indicate that from 2020 to 2040, Island County will see the largest increases in both those over 40 and youths aged 20 and younger. During this period, people between 40 and 59 years old will add the most individuals to the population, at over 3,300 people between 2020 and 2040. Projections also indicate that 31 percent of population growth between 2020 and 2040 will be those aged 20 years and younger. This is an increase of over 3,200 young people. People aged 60 years and older are projected to increase by over 2,000. This age group will continue to be the largest in Island County. The share of people between 20 and 39 is projected to decrease from 2020 to 2040, although the absolute number of people in this age group will increase.

Island County’s median age is greater than that of Washington State. The population is youngest in Oak Harbor, with a median age of 30 in 2011–2015.


Source: U.S. Census Bureau, 2000 Decennial Census Table P013, 2011–2015 ACS Table B01002.

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2 The Freeland Census Designated Place (CDP) is based on the pre-2016 Freeland Urban Growth Area boundary.
In 2011–2015, about 49 percent of Island County residents were aged between 20 and 59.

Island County has a larger share of people aged over 60 years than the state.

About 22 percent of Island County’s population is under 20 years old, compared to 25 percent of the state’s average.

Between 2000 and the 2011–2015 time period, the number of people aged over 45 increased.

Besides the 18–24 age group, the number of young people decreased. The 5–17 age group saw the largest decrease, with about 2,600 people. Washington State saw similar relative growth in older age groups, but more growth in those aged 17 and younger, and the 25-44 age range compared to Island County.
Thirty-one percent of population growth in Island County between 2020 to 2040 will be people 20 years and younger.

In 2040, those over the age of 40 will still account for slightly more than half of the population in Island County.

Changes to the County’s age composition will have implications for future housing demand in Island County. Island County currently has a larger share of older residents than the state average. Demand for housing for retirees will grow over the planning period, as the Baby Boomers continue to age and retire. The impact of growth in seniors in Island County will depend, in part, on whether people already living in Island County will continue to live there as they retire. National surveys show that, in general, most retirees prefer to age in place by continuing to live in their current home and community as long as possible. In addition, Island County is an attractive destination for retirees who decide to relocate to a new location.

Growth in the number of seniors will result in demand for housing types specific to seniors. Senior households will make a variety of housing choices, including remaining in their homes as long as they are able, downsizing to smaller single-family homes (detached and attached) or multifamily units, or moving into group housing (such as assisted living facilities or nursing homes). The challenges facing aging seniors who want to live in their community include changes in healthcare needs, loss of mobility, the difficulty of home maintenance, financial

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3 A survey conducted by the AARP indicates that 90 percent of people 50 years and older want to stay in their current home and community as they age. See [http://www.aarp.org/research](http://www.aarp.org/research).
concerns, and increases in property taxes. Thus, a range of housing options, such as small and easy-to-maintain dwellings, assisted living facilities, or age-restricted developments, will be an important component of the future housing stock.

**Ethnic Diversity**

Island County is becoming more ethnically diverse. The Hispanic and Latino population grew from 4 percent of Island County’s population in 2000 to 6.6 percent of the population in the 2011–2015 period, adding 2,432 new Hispanic and Latino residents. The population of Island County is less ethnically diverse than Washington State. Oak Harbor and Coupeville are more ethnically diverse than the Island County average, with the Hispanic and Latino population making up 11.8 percent and 18.8 percent of residents, respectively.

**Island County’s Hispanic and Latino population increased by 3 percent between 2000 and 2011–2015.**

Island County is less ethnically diverse than Washington State.

![Exhibit 17. Hispanic or Latino Population as a Percent of the Total Population, Island County, Washington State, and Selected Urban areas, 2000 to 2011–2015](image)

Continued growth in the Hispanic and Latino population will affect Island County’s housing needs in a variety of ways. Growth in first and, to a lesser extent, second- and third-generation

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4 “Aging in Place: A toolkit for Local Governments” by M. Scott Ball.

5 The following articles describe housing preferences and household income trends for Hispanic and Latino families, including differences in income levels for first, second, and third generation households. In short, Hispanic and Latino households have lower median income than the national averages. First and second generation Hispanic and Latino households have median incomes below the average for all Hispanic and Latino households. Hispanic and Latino households have a strong preference for homeownership, but availability of mortgages and availability of affordable housing are key barriers to homeownership for this group.
Hispanic and Latino immigrants will increase demand for larger dwelling units to accommodate the, on average, larger household sizes. Households for Hispanic and Latino immigrants are more likely to include multiple generations, requiring more space than smaller household sizes. As Hispanic and Latino households integrate over generations, household size typically decreases and their housing needs become similar to housing needs for all households.

**Household Size and Composition**

Island County’s household size and composition show that households in Island County are somewhat different from the statewide averages. Island County’s households are smaller on average, and a smaller share of households are family households with children. Family households without children (44 percent of households) compose the largest share of households in Island County.

**Island County’s average household size is smaller than that of the state.**

Island County’s average household size decreased, whereas Washington State’s increased between 2010 and 2011-2015.


Source: U.S. Census Bureau, 2011–2015 ACS Table B25010, 2010 Decennial Census Table H12.

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6 The average household size for a Hispanic and Latino household was 2.84 persons per household according to the 2010 Decennial Census, above the overall average household size in Island County of about 2.35 persons per household in 2010.

Island County has a smaller share of households with children than Washington State. It has a larger share of family households without children than Washington State. About 23 percent of Island County households have children, compared with 28 percent of Washington State households.

Income of Residents
Income is one of the key determinants in housing choice and households’ ability to afford housing. Income for people living in Island County is lower than the state average.
In the 2011–2015 period, Island County’s median household income was about $2,000 less than that of the state.

Island County’s median household income was $58,815. This is higher than the median household income in the incorporated areas of Island County. This indicates that there are households with higher incomes living outside the urban area boundaries.

Island County has a similar income distribution to Washington State.

For the 2011–2015 period, about 42 percent of Island County households made less than $50,000 per year, compared with 41 percent of the state. Island County has a smaller portion of households with an income over $150,000 than does Washington State with almost 8 percent compared to 12 percent, respectively.
After adjusting for inflation, Island County’s median household income decreased by 9 percent from 2000 to 2011–2015, from $64,420 to $58,815 per year.


Source: U.S. Census Bureau, 2000 Decennial Census, Table HCT012, 2011–2015 ACS Table B25119, CPI Calculator 1999 to 2015 dollars.

Commuting Trends

Island County is part of the complex, interconnected economy of the Northwest Washington region. The County has a low jobs-housing balance, which indicates that a majority of residents in the County have to seek jobs outside of the County. The low jobs-housing balance is reflected in the County commuting trends. More than 18,700 residents of Island County commute out of the County for work; over 50 percent of them work in King, Snohomish, and Skagit Counties; 16 percent of Island County residents commute to Seattle or Everett for work, specifically. Of the approximately 9,700 people who work in Island County, about 28 percent of workers commute to Island County from outside of the county, such as Snohomish, Skagit, and King Counties.

The jobs-housing balance in the County is tilted heavily toward housing.

There are just 0.38 jobs for each housing unit in the County. Other counties in the area are closer to a 1:1 ratio, and King County has more jobs than housing.


Island County is part of an interconnected regional economy. More people leave the County for work than commute into the County or remain in the area.

About 72 percent of people who work at businesses located in Island County also live in Island County. The remaining 28 percent commute from Snohomish, Skagit, King, Whatcom, and other counties.

Source: U.S. Census Bureau, Census On the Map.

Exhibit 25. Top Five Counties Where Workers at Businesses in Island County Lived, 2015
Source: U.S. Census Bureau, Census On the Map.

<table>
<thead>
<tr>
<th>County</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island County</td>
<td>72%</td>
</tr>
<tr>
<td>Snohomish County</td>
<td>7%</td>
</tr>
<tr>
<td>Skagit County</td>
<td>6%</td>
</tr>
<tr>
<td>King County</td>
<td>4%</td>
</tr>
<tr>
<td>Whatcom County</td>
<td>2%</td>
</tr>
</tbody>
</table>
66 percent of Island County residents work outside Island County. Thirty-four percent of Island County residents also work in Island County. Nine percent work in Seattle. Seven percent work in Everett.

**Exhibit 26. Top Five Counties Where Island County Residents Were Employed, 2015**

Source: U.S. Census Bureau, Census On the Map.

<table>
<thead>
<tr>
<th>County</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island County</td>
<td>34%</td>
</tr>
<tr>
<td>King County</td>
<td>22%</td>
</tr>
<tr>
<td>Snohomish County</td>
<td>19%</td>
</tr>
<tr>
<td>Skagit County</td>
<td>10%</td>
</tr>
<tr>
<td>Whatcom County</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Housing Cost and Affordability**

This section describes changes in sales prices, rents, and housing affordability in Island County and Washington since 2000.

**Changes in Housing Costs**

In 2017, Island County had a median sales price of $320,000 through August 2017. Homes sold for between $200,000 and $299,000 represent the largest share of homes sold (31 percent) in the County. Exhibit 29 shows the distribution of homes sales by prices in the County. The median sales price in places in Camano Island is higher than the other Planning Areas at $369,000. North Whidbey had the lowest median sales price at $290,000 in 2017 through September. Exhibit 28 compares the median sales price in Island County and the planning areas.

In total, 3,675 homes were sold in Island County in 2016 and 2017 (through August). The largest share of these (39 percent) were in North Whidbey Island with 1,435 homes sold. Each of the other planning areas had less than 900 homes sold over the same period. Central Whidbey Island had the least home sales out of all of the regions with 644.

Since 2004, Island County’s housing prices moved in line with changes in housing prices throughout Washington State. Prices declined after the recession in 2008, and since 2012, prices have increased. However, on an inflation-adjusted basis, median sales prices in 2017 are below the median sales price in 2007.
Homes sales at all prices are distributed throughout Island County.

Homes that sold for over $500,000 tended to be along the shoreline, while homes that sold for less than $300,000 are more concentrated in Oak Harbor or northern Whidbey Island.

Exhibit 27. Home Sales in Island County, 2016 and January–August 2017
Source: Property Radar.
There are variations in median sales price across planning areas in Island County. Camano has the highest median home sales price compared to other regions of Island County with a median of $369,000.

In 2017, 56 percent of the 1,608 homes in Island County sold for $300,000 or more. The largest share of homes sold (31 percent) for between $200,000 and $299,000.
Home sales prices in Island County have followed a similar trend to Washington State.

Inflation-adjusted home sales prices decreased from about 2007 to 2012, and have increased since then. They have not yet recovered to 2007 median sales price.

Since 2000, housing costs in Island County have increased faster than incomes compared to the Washington State average.

The median value of a house in Island County was 3.71 times the median household income in 2000 and 4.95 times the median household income by the 2011–2015 period. This change shows that housing prices grew faster than incomes. The decrease in housing affordability was greater in Island County than Washington State as a whole.

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8 This ratio compares the median value of housing in Island County and other places to the median household income. Inflation-adjusted median owner values in Island County increased from $239,128 in 2000 to $290,900 in 2011–2015. Over the same period, median household income decreased from $64,420 to $58,815.
Changes in Rental Costs

Rental costs in Island County are higher than statewide averages. The following charts show gross rent (which includes the cost of rent plus utilities) for Island County in comparison to cities within the County and Washington State.

The median gross rent in Island County for 2011-2015 was $1,076. Rent in Island County is higher than the Washington State average.

Source: U.S. Census Bureau, 2011-2015 ACS Table B25064.
40 percent of renters in Island County pay less than $1,000 per month.

Thirty-one percent of Island County’s renters pay $1,250 or more in gross rent per month, about the same as renters in Washington State on average. Langley has the highest portion of renters paying $1,250 or more in gross rent, at 42 percent of renters.

Source: U.S. Census Bureau, 2011-2015 ACS Table B25063.
Housing Affordability

The typical standard used to determine housing affordability is that a household should pay no more than a certain percentage of household income for housing, including payments and interest or rent, utilities, and insurance. The U.S. Department of Housing and Urban Development (HUD) guidelines indicate that households paying more than 30 percent of their income on housing are “cost burdened” and households paying more than 50 percent of their income on housing are “severely cost burdened.”

About 36 percent of Island County’s households are cost burdened. Fifty percent of renter households are cost burdened, compared with 29 percent of homeowners. Lower-income households are disproportionately cost burdened. For example, about 26 percent of Island County households have an income of less than $35,000 per year. These households can afford rent of less than $875 per month or a home with a value of less than $87,500. Over 70 percent of these households are cost burdened.

Renters are more likely to be cost burdened than homeowners.

Cost-burden rates are higher among renters in Island County than among homeowners. In the 2011–2015 period, about 50 percent of renters were cost burdened, compared to 29 percent of homeowners.

Exhibit 34. Housing Cost Burden by Tenure, Island County, 2011–2015
North Island County has slightly higher cost burden rates than the other planning areas. Of the urban areas in the County, Freeland and Langley have the highest cost burden rates.

Exhibit 35. Housing Cost Burden by Planning Area and Select Urban Areas, 2011–2015
Exhibit 36. Illustration of Cost Burden If All of Island County’s Households Were 100 Residents
Source: U.S. Census Bureau, 2011–2015 ACS Table S2503.

The illustration above explains cost-burden rates by viewing Island County as 100 residents. Homeowners are represented by green squares, and renters are represented by blue squares; the majority of residents live in an owner-occupied home. The graphic also breaks homeowners and renters into two groups based on income. The darker shade are those people in households with middle to higher incomes and lighter shades represent people in households with lower incomes. The white dots indicate the number of people that are considered cost burdened.

A higher portion of lower-income people earning less than $35,000 a year are cost burdened. However, a small share of those living middle or upper income households are cost burdened as well. In addition, renters are more likely to be cost burdened than homeowners.

While cost burden is a common measure of housing affordability, it does have some limitations. Two important limitations are:

- A household is defined as cost burdened if the housing costs exceed 30 percent of their income, regardless of actual income. The remaining 70 percent of income is expected to be spent on nondiscretionary expenses (such as food or medical care) and on discretionary expenses. Households with higher incomes may be able to pay more than 30 percent of their income on housing without impacting the household’s ability to pay for necessary nondiscretionary expenses.

- Cost burden compares income to housing costs and does not account for accumulated wealth. As a result, the estimate of how much a household can afford to pay for housing does not include the impact of a household’s accumulated wealth. For example, a household with retired people may have relatively low income but may have accumulated assets (such as profits from selling another house) that allow
them to purchase a house that would be considered unaffordable to them based on the cost-burden indicator.

Cost burden is only one indicator of housing affordability. Another way of exploring the issue of financial need is to review housing affordability at varying levels of household income.

In 2017, the Fair Market Rent for a two-bedroom apartment in Island County is $984.

Exhibit 37. HUD Fair Market Rent (FMR) by Unit Type, Island County, 2017
Source: U.S. Department of Housing and Urban Development.

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>FMR 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$711</td>
</tr>
<tr>
<td>1-Bedroom</td>
<td>$805</td>
</tr>
<tr>
<td>2-Bedroom</td>
<td>$984</td>
</tr>
<tr>
<td>3-Bedroom</td>
<td>$1,432</td>
</tr>
<tr>
<td>4-Bedroom</td>
<td>$1,568</td>
</tr>
</tbody>
</table>

A household must earn at least $18.92 per hour to afford a two-bedroom unit in Island County.

Exhibit 38. Affordable Housing Wage, Island County, 2017
Source: U.S. Department of Housing and Urban Development.

$18.92/hour

Affordable Housing Wage for two-bedroom unit in Island County.
Households in Island County must earn at least $35,424 in order to afford a two-bedroom apartment and not be considered cost burdened. This means that about 27 percent of Island County residents cannot afford a two-bedroom apartment.

Exhibit 39. Financially Attainable Housing, by Median Family Income (MFI) for Island County ($66,400), 2017
Source: U.S. Department of Housing and Urban Development 2017
U.S. Census Bureau, 2011–2015 ACS Table 19001.
Note: MFI is Median Family Income, determined by HUD.

<table>
<thead>
<tr>
<th>% of Col. Co. MFI</th>
<th>&lt;30%</th>
<th>30%–60%</th>
<th>60%–80%</th>
<th>80%–120%</th>
<th>&gt;120%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Affordable Housing Cost</td>
<td>$498</td>
<td>$498</td>
<td>$996</td>
<td>$1,328</td>
<td>$1,992</td>
</tr>
<tr>
<td>Percent of Island County Households</td>
<td>11%</td>
<td>18%</td>
<td>14%</td>
<td>21%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Attainable Owner Housing Types
- None
- Mfg. in parks
- Single-family attached; condos; duplexes; manufctrd on lots
- All housing types; lower values
- All housing types; higher values

Attainable Renter Housing Types
- Apts; new and used govt assisted housing
- Apts; manufctrd in parks; duplexes
- Single-family attached; detached; duplexes; manufctrd on lots; apts
- All housing types; lower values
- All housing types; higher values
Exhibit 40 compares the number of households by income with the number of units affordable to those households in Island County. Island County currently has a deficit of housing affordable to households earning less than $50,000 (about 80 percent of Area Median Income). When lower-cost housing (such as government subsidized housing) is not available, these households pay more than they can afford in housing costs. As a result, a number of households are living in housing that is not considered affordable, which is reflected in the Census’ cost-burdened statistics.

**Exhibit 40. Affordable Housing Costs and Units by Income Level for Island County, 2017**

Note: MFI is Median Family Income, determined by HUD for Island County.

**Summary of Factors Affecting Housing Need**

Based on the evaluation of the housing supply and demand factors, there are several key issues likely to affect housing needs in Island County over the next 20 years. The following is a summary of key issues:
▪ **Island County’s housing stock is relatively homogenous.** The large share of housing are single-family homes. Only 11 percent of all housing units are multifamily housing, which is mostly concentrated in Oak Harbor.

▪ **The annual number of housing units built since 2010 is considerably lower than in previous decades.** Since 2010, just 1,200 new units have been built. Only a small share (5 percent) of these new units are multifamily housing units.

▪ **A relatively high percent of the housing stock is used for second homes or vacation purposes.** Over 10 percent of housing in Island County is vacant because it is used for seasonal, recreational, or occasional purposes.

▪ **Growth in housing will be primarily driven by growth in population.** Island County’s population is projected to grow at a moderate pace through 2036. However, sharp increases in growth, like that experienced in 2016, can create housing shortages because housing supply lags increases in demand. Future demand for homes used as second or vacation homes will also impact the demand for new and existing housing.

▪ **The aging population will affect the future housing supply and future demand for new types of housing.** Many seniors will choose to age in place, which keeps those housing units off the market. Seniors who are not able to stay in their current homes or seniors that choose to move to more accommodating housing will generate a need for new housing types, such as smaller single-family homes or assisted living facilities, which are not readily available in Island County. As the millennial generation ages, they will continue to form households and have families and generate demand for ownership and rental housing that accommodates larger households.

▪ **Housing affordability will continue to be a challenge in Island County.** Over one-third of households in Island County are cost burdened, and half of renter households are cost burdened. In addition, there is a deficit of housing units available that are affordable to households earning less than $50,000 a year.

In summary, a homogenous existing housing stock, an aging population, increasing housing costs and affordability concerns, and other variables will affect future housing needs and types of housing that will need to be built. The next section details the likely amount and types of housing needed based on these factors.
Housing Need in Island County

The results of the housing needs analysis are based on: (1) the official population forecast for growth in Island County over the twenty-year planning period, (2) information about Island County’s housing market relative to Washington State, (3) expected growth at Naval Station Whidbey, and (4) the demographic composition of Island County’s existing population and expected long-term changes in the demographics of Washington State.

Growth Forecast

This section describes the key assumptions and presents an estimate of new housing units needed in Island County between 2016 and 2036, shown in Exhibit 41. The key assumptions are based on the best available data, as described below.

- **Population.** A twenty-year population forecast (in this instance, 2016–2036) is the foundation for estimating needed new dwelling units. Island County will grow from 82,910 persons in 2016 to 87,957 persons in 2036, an increase of 5,047 people, consistent with the information in Exhibit 11.

- **Persons in Group Quarters.** Persons in group quarters do not consume standard housing units: thus, any forecast of new people in group quarters is typically derived from the population forecast for the purpose of estimating housing demand. Group quarters can have a big influence on housing in cities with colleges (dorms), prisons, or large elderly populations (nursing homes). In general, any new requirements for these housing types will be met by institutions (colleges, government agencies, health care corporations) operating outside what is typically defined as the housing market. Nonetheless, group quarters require residential land. They are typically built at densities that are comparable to that of multifamily dwellings. The 2011–2015 American Community Survey shows that 6.1 percent of Island County’s population resided in group quarters. **For the 2016–2036 period, we assume that 6.1 percent of the new population, 309 people, will be in group quarters.**

- **Household Size.** According to the 2011–2015 American Community Survey, the average household size in Island County was 2.33 people. **For the 2016–2036 period, we also assume an average household size of 2.33 persons.** This is because the forecasted population by age shows increases for those over 40, which indicate a decreasing household size, and increase in the share of those under 21, which indicate an increasing households size. These trends may result in an insignificant change in the overall average, which is why the historical average is used as an assumption.

- **Vacancy Rate.** The Census defines vacancy as "unoccupied housing units [that] are considered vacant," and vacancy status is determined by “the terms under which the unit may be occupied, e.g., for rent, for sale, or for seasonal use only."
Vacancy rates are cyclical and represent the lag between demand and the market’s response to demand for additional dwelling units. Vacancy rates for rental and multifamily units are typically higher than those for owner-occupied and single-family dwelling units.

According to the 2011–2015 American Community Survey, Island County’s vacancy rate was 7.0 percent, excluding housing vacant for seasonal, recreational, or occasional uses. For the 2016–2036 period, we assume a vacancy rate of 7.0 percent.

Island County will have demand for 2,176 new dwelling units over the twenty-year period, with an annual average of 109 dwelling units.

<table>
<thead>
<tr>
<th>Change in persons</th>
<th>5,047</th>
</tr>
</thead>
<tbody>
<tr>
<td>minus Change in persons in group quarters</td>
<td>309</td>
</tr>
<tr>
<td>equals Persons in households</td>
<td>4,738</td>
</tr>
<tr>
<td>Average household size</td>
<td>2.33</td>
</tr>
<tr>
<td>New occupied DU</td>
<td>2,033</td>
</tr>
<tr>
<td>times Aggregate vacancy rate</td>
<td>7.0%</td>
</tr>
<tr>
<td>equals Vacant dwelling units</td>
<td>141</td>
</tr>
<tr>
<td>Total new dwelling units (2017-2037)</td>
<td>2,174</td>
</tr>
<tr>
<td>Annual average of new dwelling units</td>
<td>109</td>
</tr>
</tbody>
</table>

### Housing Needs

Exhibit 41 presents a forecast of new housing in Island County during the 2016–2036 period. This section determines the needed mix for new housing developed over this twenty-year period in Island County.

Exhibit 42 shows that, in the future, the need for new housing developed in Island County will include more housing in general, as well as housing that is more affordable. This assumption is based on the following findings in the previous chapters:

- Demographic changes suggest moderate increases in demand for both attached single-family housing and multifamily housing. The key demographic trends that will affect Island County’s future housing needs are: (1) the aging of the Baby Boomers, (2) Millennials having families, and (3) continued growth in Hispanic and Latino populations. Growth of these groups has the following implications for housing need in Island County:
  - Baby Boomers. Growth in the number of seniors will have large impacts on demand for new housing through demand for housing types specific to seniors, such as assisted living facilities or age-restricted developments. These households will make a variety of housing choices, including remaining in their homes as
long as they are able, downsizing to smaller single-family homes (detached and attached) or multifamily units, moving into age-restricted manufactured home parks (if space is available), or moving into group housing (such as assisted living facilities or nursing homes), as their health declines. Minor increases in the share of Baby Boomers who downsize to smaller housing will result in increased demand for single-family attached and multifamily housing. Some Baby Boomers may prefer housing in walkable neighborhoods, with access to services.

- **Millennials and younger population.** Over the next twenty years, Millennial households will continue to form households and have families. In addition, the generation after the Millennials (people born after 2000) will begin to form households and to have families. Growth of these age groups in Island County will be affected by growth at the Naval Air Station. Growth in these age groups will result in increased demand for both ownership and rental opportunities, with an emphasis on housing that is comparatively affordable. Some households may prefer to locate in traditional single-family detached housing and some will prefer more affordable options, such as townhouses or rental multifamily housing.

- **Hispanic and Latino populations.** Growth in the number of Hispanic and Latino households will result in increased demand for housing of all types, both for ownership and rentals, with an emphasis on housing that is comparatively affordable. Hispanic and Latino households are more likely to be larger than average, with more children and possibly with multigenerational households. The housing types that are most likely to be affordable to the majority of Hispanic and Latino households are existing lower-cost single-family housing, single-family housing with an accessory dwelling unit, and multifamily housing.

- The number of cost-burdened households indicates more affordable housing is needed. About 36 percent of Island County’s households have affordability problems. Fifty percent of Island County’s renters have affordability problems. In 2016 through mid-2017, about 80 percent of housing sales were to households with income above 120 percent of MFI. These factors indicate that Island County needs more affordable housing types, especially for renters. A household earning a median household income (about $66,000) could afford a home valued up to about $250,000, which is below the median sales price for single-family housing of about $320,000 in Island County.

In addition, Island County has a very small supply of multifamily housing, which accounts for 11 percent of the County’s housing stock. The majority of Island County’s multifamily buildings are in the City of Oak Harbor.

Continued increases in housing costs may increase demand for denser housing (e.g., multifamily housing or smaller single-family housing) or locating in less expensive areas within Island County. To the extent that denser housing types are more affordable than larger housing types, continued increases in housing costs will increase demand for denser housing.
Overall, these findings suggest that Island County’s needed housing mix is for a broader range of housing types than are currently available in Island County’s housing stock. The types of housing that Island County will need to provide developmental opportunities for over the next twenty years include smaller single-family detached housing (e.g., cottages or small single-family detached units), manufactured housing, “traditional” single-family detached housing, townhouses, duplexes and quadplexes, accessory dwelling units, and apartment buildings.

Exhibit 42 shows a forecast of needed housing in Island County during the 2016–2036 period. The projection is based on the following assumptions about housing mix:

- Seventy percent of projected new housing demand will be single-family detached and attached housing. Exhibit 1 shows that 78 percent of Island County’s housing is currently single-family detached and attached housing.
- Ten percent of projected new housing demand will be manufactured housing. Exhibit 1 shows that over 11 percent of Island County’s housing is currently mobile or manufactured housing.
- Twenty percent of projected new housing demand will be multifamily with two or more units. Exhibit 1 shows that 11 percent of Island County’s housing is currently multifamily housing with two or more units.

Island County will have demand for 2,174 new dwelling units over the 20 years, 70 percent of which will be single-family housing.

| Exhibit 42. Forecast of Demand for New Dwelling Units, Island County, 2016–2036 |
|-------------------------------|-------------|
| Needed new dwelling units (2017-2037) | 2,174 |
| Dwelling units by structure type                     |          |
| Single-family detached and attached                  |          |
| Percent single-family DU                             | 70%       |
| equals Total new single-family DU                    | 1,522     |
| Mobile and Manufactured                              |          |
| Percent mobile and manufactured DU                   | 10%       |
| equals Total new mobile and manufactured DU          | 217       |
| Multifamily – 2+ du/structure                        |          |
| Percent multifamily 2+ du/structure                  | 20%       |
| equals Total new multifamily 2+ DU                   | 435       |
| Total new dwelling units (2016-2036)                | 2,174     |

The forecast of new units does not include dwellings that will be demolished and replaced. This analysis does not factor those units in the projected demand; it assumes they will be replaced at the same site and will not create additional demand for residential land.
Implications for Housing Element Update

The housing needs identified in this analysis will inform the update of Island County’s Housing Element. However, no amount of analysis or data source is likely to make the distant future completely certain: the purpose of the housing forecasting in this study is to get an approximate idea about the future so policy choices can be made today. That said, the implications of housing needs analysis raise several questions related to housing and land use policies. These questions include:

- How can the County accommodate a broader mix of housing to meet current needs and changing future demand?
- Where is the best location for the broader mix of housing types likely needed in the County?
- What are the barriers to creating more multifamily housing in the County?
- What are the options available to increase the number of affordable home ownership options?
- How can the County best support the need for more affordable housing, subsidized and unsubsidized, throughout the County?

Subsequent work in Task 5, Resources and Barriers, will help identify how these questions can be addressed and inform the update of housing goals and policies in Task 6.