

Tale of Three Cities

Housing supply and affordability are threatening the economic vibrancy of three West Coast cities

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Common Ground; Similar Challenges



Common Ground; Similar Challenges

San Francisco, Vancouver & Seattle are 21st Century icons of prosperity:

- Pacific Gateways with enormous trade and commerce with Asia
- Thriving metropolitan areas located amid stunning natural beauty
- Diverse populations, including significant overseas influx
- Robust economies creating jobs & wealth

Common Ground; Similar Challenges

But there are challenges ahead

- Uncertain time for Asian trade and investment
- The concentration of wealth is creating rapidly growing economic disparity
- And each region is facing serious impacts from the shortage of affordable housing for rent or purchase
- Deep cuts in environmental stewardship threatens local quality of life

Common Ground; Similar Challenges

Housing poses a major challenge

- Housing supply is wildly out of sync with demand
- The demand has steadily - and in some cases, rapidly - driven up the cost of housing
- The income to afford market rate housing (rent or own) is displacing all but the wealthy and those making 6-figure tech salaries



\$1.5 Million





So How Expensive Is It Here?

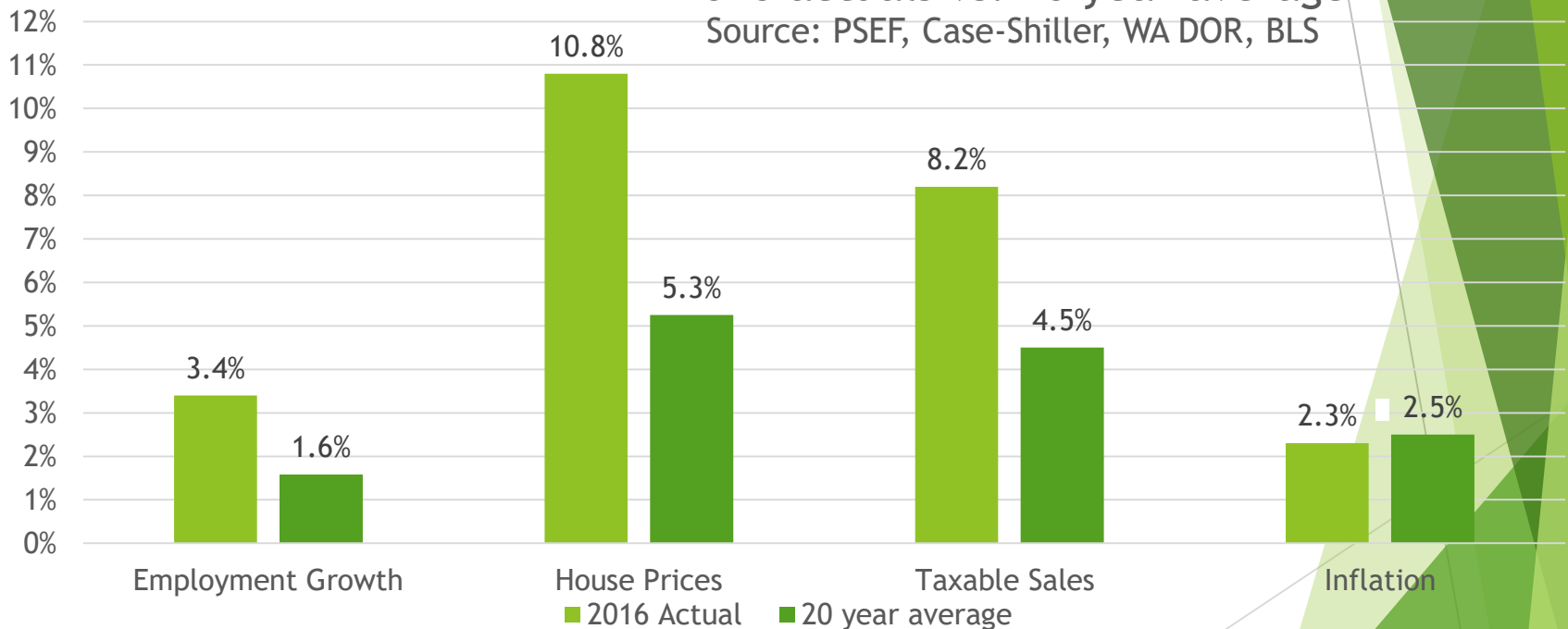
- Seattle Median Home Price: **\$722,000** Up 11% in the last 12 months. Required income for an average Seattle House: \$140,0000
- Average Rent is **\$2,195** a month. Required income for an average Seattle apartment: \$80,000
- Average Salary for a Seattle Teacher: \$63,000

King County Growth



King County Economic Indicators 2016 actuals vs. 20 year average

Source: PSEF, Case-Shiller, WA DOR, BLS



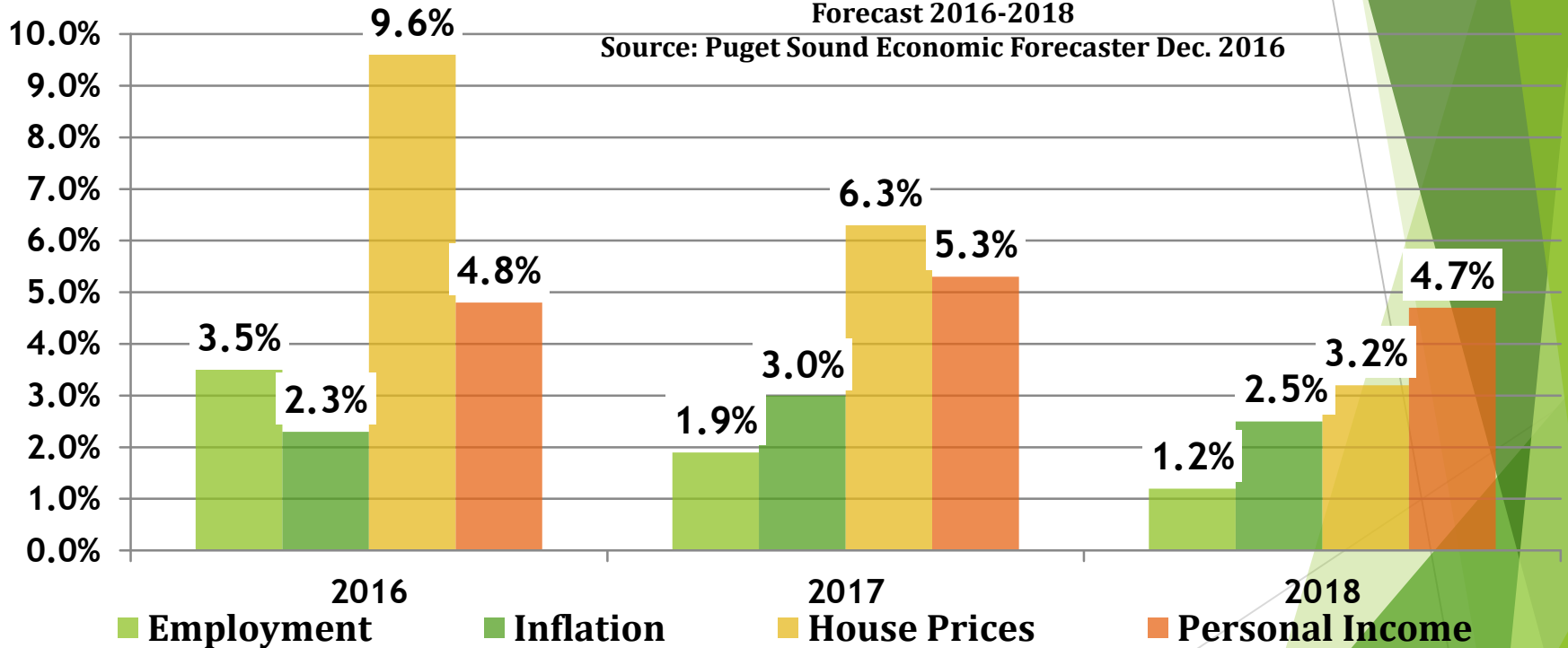
Continued Growth Forecast



Employment, Inflation, Housing & Income

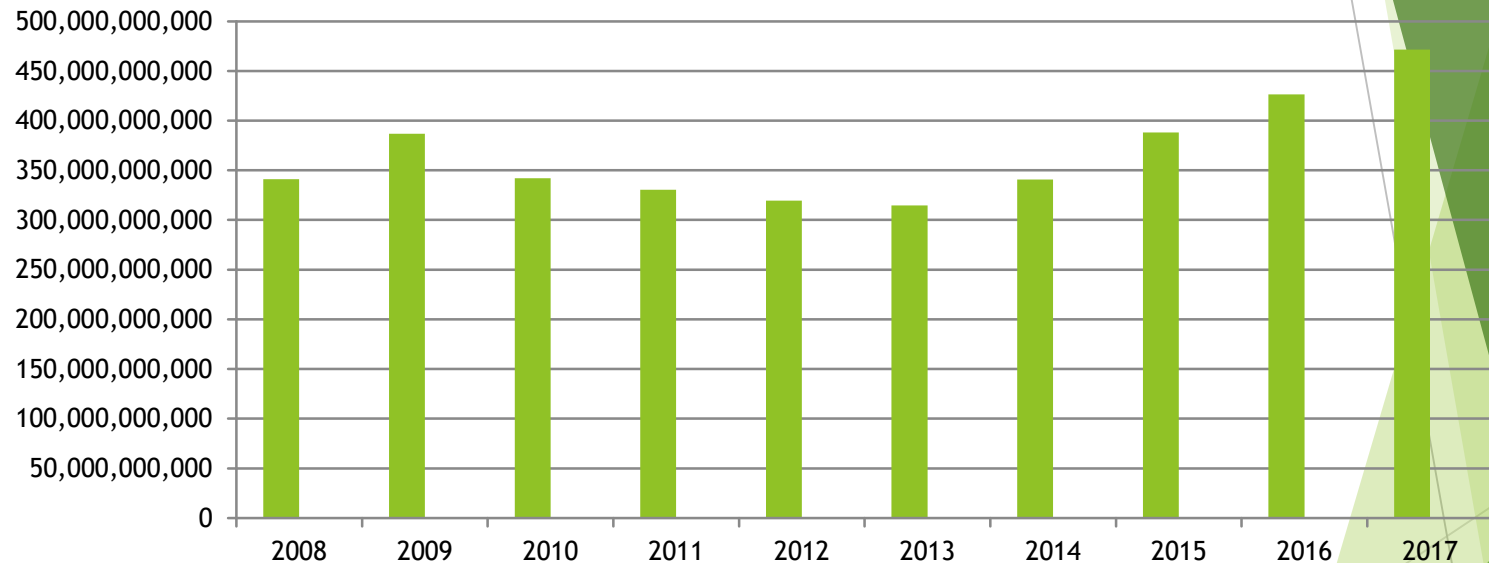
Forecast 2016-2018

Source: Puget Sound Economic Forecaster Dec. 2016



King County Assessed Value

Source: King County Assessor



Yes, Property Taxes Are Up

**Up 30% on Average Countywide Last 5 Years, up 8% Last Year.
Here's Why:**

- Lack of state funding is forcing school districts to ask for more in property taxes for both operations and construction. Many school districts passed huge bond issues last year to build new schools
- The 1% property tax cap is forcing local governments to pass special levies to pay for basic operations, such as parks and human services
- Voters are approving big-ticket new proposals, such as Sound Transit 3
- In some neighborhoods, skyrocketing values created by the real estate market are leading to higher tax bills.



And Now The Legislature Has Chosen to Increase Property Taxes to Fund Schools

- ▶ Under the new “levy swap” system, the state property tax will go up by \$.82 per thousand next year, and voter approved school levies will not begin to go down until 2019. **All of King County will see a significant property tax spike next year**
- ▶ Beginning in 2019, local school levies will be capped at \$1.50 per thousand or \$2,500 districts, whichever is less.
- ▶ 2019 property taxes will be higher than they are today **but** will drop from the 2018 level.



And Now The Legislature Has Chosen to Increase Property Taxes to Fund Schools

District Name: Bellevue		Council District: 6 - Claudia Balducci									
2017 MEDIAN Assessed Value	2017 Tax Rate per \$1,000 of AV	2017 Taxes		District Levies	2017 Rate Breakdown	Adj. 2018 Rate Breakdown	Adj 2019	Rate Change			
\$ 640,000.00	8.72	\$ 5,580.79		State Schools	2.03205	2.85000	2.70000	(0.15000)	Includes \$0.82 for added state school fund		
				County-wide regular levy (non-voted)	0.75856	0.75856	0.75856	0.00000	State rate drops to \$2.70 starting in 2019		
				County lid lifts (voted)				0.00000			
2018 MEDIAN Assessed Value	2018 Tax Rate per \$1,000 of AV	2018 Taxes		AFIS (Fingerprint ID)	0.04477	0.04477	0.00000	(0.04477)	Ends in 2018		
\$ 791,000.00	9.60	\$ 7,592.25		Parks/Open Space	0.15029	0.15029	0.15029	0.00000			
				Human Svcs/Vets	0.03964	0.10000	0.10000	0.00000	Up for renewal in 2017 @ \$0.10		
				Children/Family Justice Ctr.	0.05221	0.05221	0.05221	0.00000			
Avg % AV Chg	Avg % Tax Rate Chg	Average % Tax Chg	Average \$ Tax Chg	Best Start for Kids	0.13285	0.13285	0.13285	0.00000			
23.6%	10.1%	36.0%	\$ 2,011.46	Radio Communications	0.06517	0.06517	0.06517	0.00000			
				County-wide Transport levy	0.04966	0.04966	0.04966	0.00000			
2019 MEDIAN Assessed Value	2019 Tax Rate per \$1,000 of AV	2019 Taxes		County bonds (voted)	0.03609	0.03609	0.03609	0.00000			
\$ 887,000.00	9.18	\$ 8,141.73		County Cons. Futures	0.04141	0.04141	0.04141	0.00000			
est 5% av inc				County Flood Zone	0.11740	0.11740	0.11740	0.00000			
				County Ferry District	0.01229	0.01229	0.01229	0.00000			
Avg % AV Chg	Avg % Tax Rate Chg	Average % Tax Chg	Average \$ Tax Chg	Port	0.15334	0.15334	0.15334	0.00000			
12.1%	-4.4%	7.2%	\$ 549.48	EMS (voted)	0.26305	0.26305	0.26305	0.00000			
				CPS Regional Transit Authority (RST)	0.25000	0.25000	0.25000	0.00000			
				Bellevue SD 405 M & O (voted)	1.14563	1.14563	0.92106	(0.22457)	Limit Change to \$1.50 or \$2,500 per student whichever is lower		
				Bellevue SD 405 Const Levy (voted)	0.46988	0.46988	0.46988	0.00000	Bellevue SD student count 20,448		
				Bellevue SD Bond Levy (voted)	1.31330	1.31330	1.31330	0.00000	20,448 x 2,500 = \$51,120,000		
				City General Fund	0.78419	0.78419	0.78419	0.00000			
				City Lid Lifts (voted)							
				Parks/Open Space	0.08202	0.08202	0.08202	0.00000	51,120,000 Request per student ct		
				Fire Facilities	0.12500	0.12500	0.12500	0.00000	55,501,223.858 2017 excess AV		
				Neighborhood Safety	0.15000	0.15000	0.15000	0.00000	0.92106077 Rate for \$10,360,000		
				Library General Fund	0.40118	0.40118	0.40118	0.00000	\$1.50 max rate allowable		
				Library GO Bond (voted)	0.05000	0.05000	0.05000	0.00000	0.92106 LESSER OF		
				TOTAL	8.71998	9.59829	9.17895	(0.41934)			

NOTES:
 2017 rates were left as is.
 Added .82 to the current state rate to isolate potential increase

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King County

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King County

Beyond rising taxes, other problems ...

- Low income seniors are not exempt from special levies
- Property taxes are finite - capped by the constitution. We can't keep relying on voter approved levies forever.
- Using special levies to pay for basic services like schools, human services, and parks is risky, inequitable and unstable.
 - What happens when voters say no?
- The 1% cap is forcing cuts by small counties and King County of services not funded with a special levy, especially criminal justice.
- And finally, rising property taxes adds to our housing affordability problem.



We Need to Start Talking About Washington's Future

Our current system of taxation and service delivery wasn't planned by anyone. It has evolved over time, and it's breaking down. We need to start talking about how to fix it.

I have met with the UW's Evans School, WSU's Foley Institute, and former Governors, and legislators to discuss this critical issue.

I want YOU to be part of the discussion.

