
I. Highlights - - - - 2005

Puget Sound Economy: On the Upswing

After three years of economic winter, signs of spring were evident everywhere in 2004. The economic downturn had begun abruptly in early 2001, and continued for three difficult years. A sequence of events, including the February 2001 earthquake, Boeing's headquarters move to Chicago, and the dot-com bust triggered the region's worst recession in 30 years. The recession culminated with a reduction in force at Boeing totaling 26,000 jobs. Altogether, the King County economy lost almost 85,000 jobs, or 7% of our year-2000 employment. The unemployment rate increased from barely 3% in 2000 to 6.8% in 2003. The rest of the nation started recovering from recession by 2002, but we struggled until 2004. As a result, population growth slowed to a trickle when the job opportunities were everywhere but here.

During 2004, the situation has started to improve. King County has gained back about 50,000 of the lost jobs, to a total of 1,160,000 jobs. Unemployment stands at only 4.6 percent as of July, 2005. However, some of the new jobs are lower paying than the jobs lost during the recession. There are now far fewer manufacturing jobs, with their high wages, than in 1998, the peak when there were 160,000 jobs. Income and wage data verify that "real" wages (accounting for inflation) have been flat since 2001, and real wages for the lowest-paid workers have lost ground despite legislated increases in minimum wage.

Three years of economic downturn profoundly affected the demographics of King County. The April 2005 State population estimates for cities and counties show only modest increases in population during the last four years. From 2001 to 2004, there is evidence that more people moved out of King County than in, and evidence that families with one or more members out of work looked elsewhere for employment. Many cities in King County showed a slight decline in population for the first time in decades. King County's April 2005 population is estimated at 1,808,300 – only gaining 34,000 in three years – the smallest increase since 1983. Besides the sluggish economy, other factors are contributing to the slowing growth. Notably, the flow of immigration from overseas has dipped somewhat. Many immigrant households, who depend on two or more workers to make ends meet, may be struggling because they are more likely to have lost jobs in this difficult economy. House prices remain high, unlike the situation 20 and 30 years ago when an economic downturn lowered average house sales prices.

Yet, the King County economy is gathering strength after struggling through the worst recession in 30 years. According to the State estimates, the population is starting to grow again, in King County and most of its cities. In downtown Bellevue and downtown Seattle, office vacancy rates have begun to come down, and construction has resumed. The massive Lincoln Square development in Bellevue is nearing completion, years after being proposed, then stalled. Unemployment has come down a full point to less than 5%. In July 2005, aerospace employment in the Puget Sound region stood at 64,000, with about 39,000 of that in King County. Although well below its record employment levels, the aerospace sector continued to provide high wages to local workers – interrupted only briefly by a strike of aero-mechanic workers.

Manufacturing industries other than aerospace were also hit hard by the recession, and now employ 66,000 workers in King County, down 15% from their robust 2001 numbers. Computer and electronic products were particularly hard-hit. In software, Microsoft remains strong, and some other parts of high tech continue to expand despite the shakeout of a few companies. Educational and health services have begun to grow, and are now about 6 percent above their 2001 level. Retail, wholesale, information industries, and professional services, however, are still struggling to return to pre-recession employment levels. Thus the complete picture is mixed, with some bright spots and many industries poised to grow in coming years.

Population of 30 Largest US Counties, 2004

Rank, 2004	County and State	Population, 2004	% Change, 2000-2004	Rank, 2004	County and State	Population, 2004	% Change, 2000-2004
1	Los Angeles, CA	9,937,739	4.4%	16	Santa Clara, CA	1,685,188	0.2%
2	Cook, IL	5,327,777	-0.9%	17	Clark, NV	1,650,671	20.0%
3	Harris, TX	3,644,285	7.2%	18	Tarrant, TX	1,588,088	9.8%
4	Maricopa, AZ	3,501,001	14.0%	19	New York, NY	1,562,723	1.7%
5	Orange, CA	2,987,591	5.0%	20	Bexar, TX	1,493,965	7.3%
6	San Diego, CA	2,931,714	4.2%	21	Suffolk, NY	1,475,488	4.0%
7	Kings, NY	2,475,290	0.4%	22	Philadelphia, PA	1,470,151	-3.1%
8	Miami-Dade, FL	2,363,600	4.9%	23	Middlesex, MA	1,464,628	-0.1%
9	Dallas, TX	2,294,706	3.4%	24	Alameda, CA	1,455,235	0.8%
10	Queens, NY	2,237,216	0.4%	25	Bronx, NY	1,365,536	2.5%
11	Wayne, MI	2,016,202	-2.2%	26	Sacramento, CA	1,352,445	10.5%
12	San Bernardino, CA	1,921,131	12.4%	27	Cuyahoga, OH	1,351,009	-3.1%
13	Riverside, CA	1,871,950	21.1%	28	Nassau, NY	1,339,641	0.4%
14	KING, WA	1,777,143	2.3%	29	Allegheny, PA	1,250,867	-2.4%
15	Broward, FL	1,754,893	8.1%	30	Palm Beach Co, FL	1,243,230	9.9%

Source: US Census 2000, and Census Bureau estimates, 2005.

King County Population Exceeds 1.8 million

The 2000 US Census counted 1,737,034 persons in King County on April 1, 2000. This number is an increase of nearly 230,000 or 15 percent above the 1,507,319 counted a decade earlier. The county has gained another 71,000 persons since 2000 to an April 2005 estimate of 1,808,300.

King County, with nearly one third of the State's population, is Washington's growth and economic engine. The County added 230,000 people, or nearly one fourth of the State's growth, during the decade. Highlights about King County population and growth include:

- The rate of population change was slightly slower in the 1990s (15%) than in the 1980s (19%).
- More than 90 percent of the growth during the decade occurred in Urban-designated western King County, with the result that most of the population is still located in the western third of the county.
- Seattle continues to hold nearly one third of the County's total population, and Seattle gained more than one fifth of the Countywide growth during the decade.
- South King County had the biggest share of the County's growth, more than half, and the South remains the largest of three subareas with more than 630,000

King County Geography

King County, covering 2,130 square miles, is the size of Delaware, but much more geographically diverse. It extends from Puget Sound in the west to 8,000-foot Mt Daniel at the Cascade crest to the east. King County contains a wide variety of landforms including saltwater coastline, river floodplains, plateaus, slopes and mountains, punctuated with lakes and salmon streams. Lake Washington, covering 35 square miles, and Lake Sammamish with 8 square miles are the two largest bodies of fresh water. Vashon Island in Puget Sound and Mercer Island in Lake Washington provide different island environments – one rural, one urban.

King County has a variety of land types or land uses including urban residential, intensive commercial and industrial areas, farms and woodlots, commercial forest, rock and glacier.

Thousands of years ago, ice-age glaciers formed the north-south trending shapes of our lakes and hills, making east-west travel more difficult than north-south travel. Four major river basins with salmon-bearing streams are separated by steep-sided plateaus whose slopes are subject to landslides and erosion, complicating the construction of homes, businesses and roads.

King County Demographics

With more than 1,808,000 people, King County is the largest county in Washington State and the 14th largest in the nation. The County has more population than ten States including Montana and Nebraska. As a populous large

residents. The South King County population growth was somewhat surprising because housing construction had lagged behind the Eastside during the decade.

- The Eastside and South King County each grew at similar rates, about 20% over the decade.
- Seattle’s growth rate increased during the 1990s after turning around a 30-year decline in the mid-80s; it seemed remarkable for a central city to gain after years of population loss. Seattle has continued to gain population since 2000.
- Urban centers in Seattle and Bellevue showed the most dramatic growth, while smaller centers in Renton, Kent, Auburn and Kirkland gained substantial numbers of new residents.
- Rural portions of King County mostly grew at a relatively slow rate. The Rural-designated areas gained only 20,000 persons to a 2000 population of about 136,000 or 8% of the county total. Communities such as Vashon Island, Hobart and the Snoqualmie Valley (outside the cities) grew more slowly than had been predicted early in the 1990s.

Race and Ethnicity: Beyond total growth numbers, the other major story of the 2000 Census is the increase in diversity in King County. The Census found that fully 27 percent of King County residents now are persons of color. Non-Hispanic whites are the slowest growing racial group, growing by 1.5%. Between 1990 and 2000, the Hispanic or Latino population more than doubled to 95,000 persons, now 5.5% of the population. The Asian population increased almost 70% to 187,000 persons. The African- American population grew less rapidly, about 23%. The Native American population remained about the same at about 15,000, although another 17,000 persons reported themselves as partly Native American, reporting more than one race.

Seattle became somewhat more diverse, but the dispersion of persons of color outside Seattle was the more interesting trend. At 17 percent Asian, Bellevue had the highest Asian percentage. South King County experienced the most dramatic increase in diversity, with minority populations doubling and tripling in several communities. Tukwila has the largest percentage of minorities, 46%. Burien, SeaTac and Federal Way have large Pacific Island communities as well as black, Latino and Asian populations. Data from the 2000 Census on the foreign-born population reveal that much of the increase in diversity is due to immigration, especially from Asia. Countywide, the foreign-born population nearly doubled from 140,000 to 268,000. School district data on languages confirm the sense that South King County communities have large immigrant populations.

Age: The baby boom is maturing into middle years with the age category 45-54 growing the most rapidly at 59%. The senior population as a whole is not growing rapidly, although the over-85 population increased by 44%.

The number of preschoolers is stable at 105,000, hardly growing during the decade. Population of children (under 18) remained at about one fourth of the total, with most of the decade increase among older children.

Households: King County gained 95,000 households during the decade to a Census total of 710,900. As in 1990, King County has more single person households than family households consisting of a married couple with children. The

county with a major central city, King County comprises the majority of its metropolitan area, the “Seattle-Bellevue-Everett” metro area of more than 2.5 million persons. King County exhibits growing diversity: 73% of the population is non-Hispanic white, 11% Asian or Pacific Islander, 5% African-American, 1% Native American and 5.5% Latino. We also have an aging population with a median age near 36. More than 181,000 persons, 11% of the population, are now over age 65. King County’s population has grown by 20% since 1990, a modest rate compared with Sunbelt metro areas and nearby Puget Sound counties. However, given the large population already here, the growth numbers are significant. The increase in County population since 1990 – 301,000 -- is equivalent to the total current population of the cities of Bellevue, Federal Way and Shoreline together. King County is forecasted to grow by an additional 240,000 persons (13%) to about 2,048,000 in 2022.

The number of housing units in King County is growing as fast as our population. The Census counted 742,000 houses, apartment and condo units and mobile homes, an increase of 95,000 units (15%) since 1990. The increase in housing since 1990 is almost evenly divided between single family including mobile homes (+49,000) and multi-family (+46,000 new units).

Household size has stabilized after declining in the 1970s and 1980s, and is now estimated at 2.39 persons per household. Slight declines in household size are anticipated in coming years, to about 2.30 by 2020. Housing prices, both rents and purchase prices, trended upward in the

number of married couples without children exceeds the number with children. Single parent households are a smaller percentage of the population in King County than nationally – and smaller in Seattle than in the suburbs. After decades of decline, average household size has stabilized at 2.39, essentially the same as the 2.40 in 1990. Average household size continued to decline in many Eastside communities, while remaining stable in Seattle and actually increasing in several South King County cities.

Housing: The 2000 Census reported 95,000 more housing units than existed in 1990 – a total of 742,200. About 447,000 units or 60% of the housing stock consists of single family, including both detached houses and attached townhouses. The number of multifamily units, apartments and condominiums, increased to 275,000 or 37% of the housing stock, up from 35% in 1990. Between 1990 and 2000, the home ownership rate increased one percentage point to 59.8% from the 58.8% of 1990. Fully 425,000 households in the County own their home, an increase of 63,000 from 1990. The increase is encouraging, although the national and State rates went up more – about three percentage points. Increasing house prices and immigration of many low-income persons during the decade dampened the rate of increase here. Median value of single family houses increased 69% from \$140,000 to \$236,900 in 2000. The increase outstripped inflation and the growth of income, and meant that many households are paying a large share of their income for housing. Average rents increased through 2002, but declined significantly in 2003 – 2004.

Educational attainment: King County is a highly educated community in which more than 90% of the adult population have graduated from high school, and 40%, or 475,000 people, have a college education. An additional 280,000 have attended college but do not have a degree. Educational levels are even higher in Seattle, where 47% of adults have a college degree. Data from the American Community survey indicate that since 2000, educational attainment has increased even more. However, the most recent data on high school graduation shows that only two-thirds of King County public school students graduate “on time” with their class. Graduation rates are a serious issue for almost every district in King County.

Languages and Country of Origin: The Census reported 63,000 persons over age five (3.9% of the population) who do not speak English well or at all. This number is more than twice the corresponding number in 1990, reflecting the significant amount of immigration that occurred in the last decade. Almost half of this linguistically isolated population speak Asian or Pacific Island languages, including Chinese with 37,300 speakers; Vietnamese with 24,100 – triple the 1990 number; Tagalog with 21,200; and Korean with 16,300 speakers. The diversity of European languages also increased greatly, especially Russian which multiplied six-fold to 11,300, and Spanish which now has more than 69,000 speakers.

Between 1990 and 2000, the foreign-born population nearly doubled to 268,300 – 15% of the King County population. Immigrants to King County came from literally all over the world, with Mexico (29,300), China (26,800), Vietnam (25,900), and the Philippines (24,300) sending the most people. King County has 7,200 residents from the Ukraine and 5,500 from Russia – both big increases from the 1990 Census. Since 2000, all of these numbers have increased as immigration has continued, although at a somewhat reduced rate after 2001.

1990s: median house price rose 69% from \$140,100 to \$236,900 in 2000, and median rent increased from \$509 to \$758.

King County Economy

Employment growth is a driver of King County's population and housing growth. More than 1.1 million workers are employed within the borders of King County, at nearly 65,000 business establishments. With more than 40% of Washington State's jobs and payroll, the County is truly the economic engine of Washington and the Pacific Northwest. With a 2001 payroll exceeding \$53 billion, the King County economy is larger than that of several US states. The US Census reported King County's median household income at \$53,157 in 1999, well above the state and national medians.

During the 1990s, the number of jobs grew faster than population and housing, from 900,000 in 1990 to nearly 1,200,000 in 2000. Most workers at these jobs live in King County, but an increasing number commute in from Snohomish, Pierce, and other counties. Manufacturing employment has remained strong despite the ups and downs of aerospace, our largest sector. The composition of the economy is shifting from the traditional manufacturing and resource bases to high tech, services and trade, both local and international. The computer services industry now employs as many as aerospace, although it, too has lost ground.

Unemployment was at historic lows near 3% for several years, but the King County economy remains quite cyclical and has lost more than 50,000 jobs since the end of 2000.

Income: Median household income is the most widely used single measure of income. The 2000 Census reported that median household income was \$53,157 in 1999, up 47% from the 1990 Census. Inflation reduced the “real” increase to about 3% - still an increase in contrast to the “real” decline during the 1980s. The median, however, does not portray the breadth of the income distribution. More than one third of King County households reported more than \$75,000 income, and almost one third reported incomes under \$35,000. Every community and every ethnic group has households with high and low incomes. However, there is still an income disparity by race. The median for African-American households is \$35,172, a third less than the overall median; Native American and Hispanic households reported similar incomes. Data from the 2000 Census and the American Community Survey (ACS) point to a bisected pattern of income change: the numbers of well-to-do households (over \$100,000 per year) are increasing rapidly, the numbers of poor households (under \$25,000) are also increasing, but the middle class is shrinking. Just since the 2000 Census, King County has lost 17,700 middle class households making \$25,000 to \$75,000 while gaining almost 30,000 households in the highest bracket.

Poverty: King County’s population below the poverty level increased even as the overall income increased. The 2000 Census reported that 142,500 persons or 8.4% of the population were below poverty thresholds in 1999, a slight increase from the 8.0% of the 1990 Census. An additional 192,000 persons reported incomes below 200% of the official poverty thresholds, still very low income. In the recession that has occurred since the 2000 Census was taken, the numbers of poor persons have increased dramatically: the 2004 ACS data estimates that 10.4% of King County households are below the poverty level.

Commute data: More than 900,000 King County residents reported commuting to work in 2000, 106,000 more than a decade ago. 69% of these commuters drove to work alone, a smaller share but a larger number than in 1990. Almost 10% took public transportation, a larger share than in 1990. Bus ridership increased nearly 25%. From 1990 – 2000 average commute time went up by two minutes to 26.5 minutes, but had declined to about 25.0 minutes according to the 2002 US Census survey. The majority of King County households had two or more vehicles, but 66,000 households or 9.3% had no vehicle available.

Average Wages: The Washington State Employment Security Department reports average (not the more meaningful median) wages paid to employees covered by unemployment insurance. The average King County wage for 2002 was \$47,900, about the same as in 2000. However, it is instructive to separate the approximately 35,000 software employees in King County from the remaining 1,068,000 workers. This three percent of all King County workers, at Microsoft and 400 other packaged-software companies, took home 12 percent of the County’s total payroll, about \$6.5 billion including stock options. That was an average of \$186,000 each in 2002. The remaining 97 percent of workers averaged \$43,400 in 2002, still up a healthy 7.8% from \$40,200 in 2000. In 2003, the average wage for all workers was \$49,000, with all non-software employees earning an average of \$45,700.

King County Jurisdictions

Governmentally, King County is divided into 40 jurisdictions. As of 2005, there are 39 cities ranging in size from Seattle with 573,000 and Bellevue with 116,000 to Skykomish and Beauv Arts with fewer than 400. Since the 1990 Census when Federal Way and SeaTac were new, eight new cities have incorporated, shifting 160,000 people into city limits. Several older cities have annexed large communities. King County’s 39 cities cover 379 square miles or 18% of the County’s total land area. Each city has a mayor and city council.

Unincorporated King County, the territory outside any city, now has about 364,000 people or 20% of the County’s population, on 82% of its land area. Most of that population resides on the Seattle-sized portion within the Urban Growth Area designated by Growth Management. The unincorporated population is 176,000 smaller than it was at its peak in 1989 before the current spate of incorporations began. A very diverse area, unincorporated King County ranges from urban communities such as White Center, Kingsgate and Fairwood to tiny rural communities, to farmland, commercial forest, national forest and wilderness area with almost no residents. The County is governed by a home rule charter providing for a County Executive and 13-member Council. Beginning in 2006, the County Council will be reduced to nine members.

Housing Affordability: a Multifaceted Issue

One of today's most debated topics is the price of housing and housing affordability. The 2000 Census reported a median single family house value in King County of just under \$237,000, which seems out of date only five years later. The Central Puget Sound Multiple Listing Service (MLS) reported a spring 2005 median of \$336,000 and an average price of more than \$400,000. It is popular to say "King County housing prices are out of control and Growth Management is responsible for it." However, housing affordability is actually a more complex set of issues than one sound bite or price index can convey. There is a whole cluster of housing issues, related to different segments of the housing market. Trends for house sales and apartment rentals are going in opposite directions. Average rents have actually declined in King County since 2002, while average single family house prices have gained more than 10% each year even during the worst of the Puget Sound recession. The context is important: prices are rising just as fast in the nation as a whole, and more rapidly in some markets such as California. However, the most rapid price increase here occurred during 1989-1990 before the Growth Management Act was adopted.

The housing market is complex because it involves both supply and demand factors. The demand side has been driven by the lowest interest rates in decades, encouraging many rental households to buy their first house or condo. As a result, home ownership rates have increased markedly, reversing a long trend of decline. Meanwhile, current home owners are upgrading to larger, more expensive houses before interest rates go up. High incomes are another demand factor: despite the recession, King County households have among the nation's highest average incomes. It is probable that average income dipped during 2002 and 2003, but has now started to increase again. Together with low interest rates, rising income has dramatically improved the affordability of home purchase for most King County residents. Creative financing has also allowed more marginal buyers to purchase a house, although there is danger for families with adjustable rate mortgages when interest rates ultimately rise. This means that demand will continue to put pressure on house prices as our population continues to increase.

On the supply side, land supply is indeed limited. The 2002 Buildable Lands Report found there is a sufficient land supply with capacity to accommodate growth through 2022, but not at the low densities prevailing in the past. Land prices are an element of house prices, and land limits are an important constraint, but so are rising lumber prices and labor costs. Builders are responding to these constraints with a greater variety of housing types, and using land efficiently with compact subdivisions and townhouse designs. Few large parcels of vacant land remain in the Urban area, so the design of new communities must be creative. Jurisdictions in King County are responding with new Growth Management tools: comprehensive plan changes, zoning changes, incentives to builders, and infrastructure design. These tools are allowing builders to offer a wider variety of housing types, at differing prices, to meet families' differing needs.

Meanwhile, rental prices have remained fairly stable, the lowest in years, and affordability for most renter households is quite good, except for the lowest income groups (those households below 40% of median household income). Households making less than \$25,000 face an uphill struggle to pay rent without exceeding 30% of their income. The number of these low-income households is increasing, while the proportion of middle-class households is declining since 1990 and especially since 2000. The relative affordability of rental housing may not last much longer, as there is recent evidence that the apartment building sales prices have begun to increase.

Dramatic Shift of Population from Unincorporated King County into Cities

One of the most profound demographic changes of recent years has been the change in jurisdiction of large numbers of King County residents. In the eleven years between 1989 and 2000, nearly 330,000 persons "moved" from unincorporated areas into city limits, through incorporation of ten new cities and numerous large annexations. More than that, this change in jurisdiction shifted the focus of energy and development activity into cities for the first time since World War II. In 1989, almost 41 percent of King County residents lived in unincorporated areas, where the majority of King County growth and development was occurring. At almost 600,000 population, unincorporated King County was the largest jurisdiction in

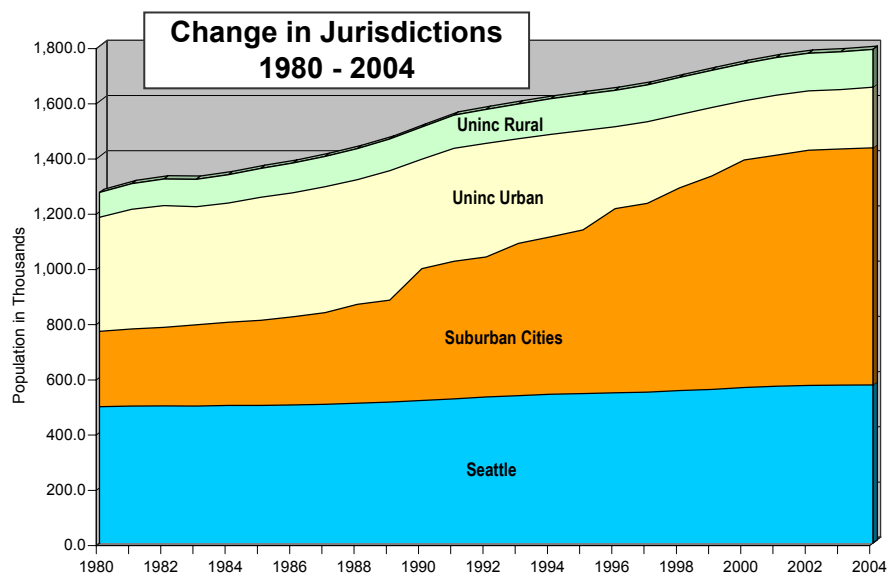
Washington State, and certainly where the action was. Seattle had been losing population for years, and many suburban cities were barely holding their own.

In 1989 – '90, two new cities formed – the first incorporations since 1961. Creation of the cities of Federal Way and SeaTac in February 1990 initiated a trend of city building that is still underway. A total of ten new cities formed during an eleven year period, shifting a quarter million people into city limits. During the same period, another 70,000 persons annexed into existing cities. Several older cities, notably Des Moines, Lake Forest Park, and Kent, doubled or tripled their population through annexation. Other cities, including some of the new ones, added more modest populations through numerous small annexations. In 1999, Sammamish incorporated as the tenth new city in a little more than a decade, moving another 30,000 persons into the “incorporated” column. At the end of the decade of incorporation, the 2000 US Census counted just 350,000 people in unincorporated King County – barely 20 percent of the County total of 1,737,000. Some unincorporated communities had grown during the decade, but much of the growth had been annexed away. By 2004, less than 20 percent of the new residential growth (measured by permitted new housing units) was occurring in unincorporated areas. The suburban cities outside Seattle contain 48% of the County’s population, and more than half of the development activity.

Why did such a dramatic shift occur? There were several reasons. The primary motivation was the desire for local control over land use, growth, and public safety issues. Then in 1990 and 1991, the State Growth Management Act boosted the incorporation movement by stating that cities, not counties, were appropriate entities for providing services to urban development. That encouraged annexation of nearby urban neighborhoods by existing cities. The Growth Management Act also required the designation of Urban Growth Areas, providing concrete limits to city expansion. The presence of an Urban Growth boundary and the recognition of cities set the stage for infilling older communities that had been skipped over during an earlier era of building on the fringe. Finally, residents of a few communities considered annexing to an adjoining city but chose to incorporate instead – again, a matter of local control.

At the same time as the incorporation movement, the older cities gained renewed energy and began growing vigorously. Under the Growth Management Act, a dozen major Urban Centers were designated, all in cities. Several of these Urban Centers have demonstrated remarkable success, with a combination of public and private investment turning around downtowns that had been skipped over. At least three designated centers have experienced renewed activity in recent years, and more renewal in other centers is planned or underway. The Urban Center growth has acted as a catalyst to more general city development: Now, nearly 80 percent of new residential housing units are constructed in cities. Almost all commercial activity is in cities – unincorporated areas now contain less than four percent of countywide jobs.

Governmental structure is changing to respond to this new configuration of growth. There is a renewed spirit of cooperation, mitigating the earlier competition between the county and its cities. King County government has been in the urban services business, but is now moving to divide its services between “local”, mostly to Rural areas that cannot incorporate, and “regional” services to residents of the entire County. However, nearly 220,000 residents still live in Urban unincorporated King County – a population which would be Washington’s second-largest city if it were all in one place. This Urban but not city population is scattered among dozens of neighborhoods in western King County, some of them “islands” completely surrounded by cities.



Many of these remaining Urban unincorporated islands are claimed by an adjacent city as part of its future territory, also known as “Potential Annexation Areas.” Others remain unclaimed or have been passed over during earlier annexations and

incorporations. As budgets become tighter for all governments, the cost to County taxpayers of providing urban services to these remaining neighborhoods is rising, and threatening to compromise King County's ability to provide regional services to all King County residents. In order to minimize service costs, it is imperative to annex the remaining Urban communities into adjacent cities, or for those areas to incorporate as new cities. The intent is that unincorporated King County will consist of only Rural and Resource areas, so the County government can focus on providing countywide "regional" services such as transit, health, courts and jail services.

Ten Years of Growth Management

The year 2004 marks ten years since two major Growth Management plans were adopted in King County. The Growth Management Act (GMA), enacted by the State in 1990 and 1991, required comprehensive plans for each jurisdiction and for whole counties. The King County Countywide Planning Policies (CPPs) were initially adopted in 1992 and significantly amended in mid-1994 as an umbrella set of policies guiding growth in the entire county. The CPPs provided for an Urban Growth Area (UGA) and Urban Centers and set ambitious growth targets for each jurisdiction. The CPPs also specified that a Benchmark Program would monitor the success of the broad countywide policies. Later in 1994, the King County Comprehensive Plan was adopted, delineating the Urban Growth Area, Rural and Resource areas, and providing growth policies for unincorporated communities of King County. Together, these two Plans have helped shape a new kind of metropolitan county better suited to 21st Century growth.

The Benchmark reports, companion reports to the AGR prepared under the auspices of the CPPs, analyze the success of King County's growth management policies over the last ten years. Chapter 2 of this Annual Growth Report summarizes the most recent Benchmark information, showing progress in the following arenas:

- Accommodating the total population forecasted by the State;
- Focusing of development into the UGA and out of Rural areas;
- Growth of designated Urban Centers in cities of King County;
- Preservation of Resource areas, farm and forest land and critical areas including a major agreement to protect forest land in September 2004;
- Rehabilitation of habitat for salmon and other wildlife;
- Increased residential densities in Urban areas;
- Improved home ownership and rental affordability

Ten years ago, the 1994 Annual Growth Report described a pre-Growth Management King County where 13 percent of building permits and 15 percent of lots in new residential subdivisions occurred in Rural areas of the county. The 1994 AGR also portrayed a sprawling metropolitan county dominated by activity in unincorporated areas, where 47% of new residential construction and 57% of new lots occurred outside of city limits. This growth in rural areas and development of unincorporated areas, ill-suited to serve urban land uses, were among the factors that gave rise to the GMA.

Urban Center redevelopment actually began before adoption of the 1994 Plans, but speeded up with the impetus of Urban area investment and limits on Rural sprawl. Centers in Seattle, Bellevue, Kirkland, Redmond and Renton have attracted significant residential as well as business activity, although other designated centers in south King County have struggled to attract a share of development.

Growth Targets for the 21st Century

The Countywide Planning Policies (CPPs), adopted to implement the State Growth Management Act (GMA) in 1994, set “growth targets” for households and jobs. Each target was the amount of growth to be accommodated by a jurisdiction during the 20-year Growth Management planning period. The residential targets were expressed as a range of households and jobs for each jurisdiction to accommodate between 1992 and 2012.

The GMA requires a ten-year update of Growth Management plans. During the decade since the first set of targets was adopted, the jurisdictional changes described above have shifted much of the County’s population into cities. Then in January 2002, the Washington State Office of Financial Management (OFM) published a new set of population forecasts for whole counties, out to 2025. These changes prompted an 18-month process in King County to develop new growth targets by jurisdiction. New targets for the period 2001 – 2022 were prepared, and adopted in September, 2002.

The new targets grew out of two principles: that each jurisdiction would take a share of the County’s required growth, and there would be an attempt to balance household and job growth in broad subareas of the County. The methodology removed Rural areas from consideration as locations of growth, and assigned Rural a small share of total household growth – 6,000 new households – to encourage most of King County’s growth to occur within the Urban Growth Area (UGA). The UGA was divided into three contiguous subareas (Seattle-Shoreline; the Eastside; South King County) and a fourth subarea consisting of six Rural Cities with their immediate surroundings. Shares of population and household growth were equated to shares of forecasted job growth in each of the three contiguous Urban subareas. The table on page 36 summarizes the countywide numbers, and page 52 has subarea detail.

See table of new targets on page 66. The table shows 22-year household growth targets for each city and for unincorporated areas within the UGA. In addition, the adopted targets provide for annexation of the entire Urban area by specifying the number of households in potential annexation areas. As cities annex territory, the responsibility to accommodate a specific share of growth goes with the annexation. Before 2022, all of King County will be within city limits except for designated Rural and Resource areas.

The job and household targets were crafted to keep employment and housing growth in balance among the three major subareas. During the 1990s boom, there was much concern about job growth in Seattle and the Eastside exceeding the capability of those areas to accommodate new households. Between 1990 and 2000, King County gained more than 250,000 jobs but only 95,000 housing units and households. Since 2000, with the recession, the relationship has reversed, while housing construction has continued. In the four years – 2000 through 2003, King County lost 81,000 jobs but gained 45,000 new housing units. That brings the 14 year net change to 170,000 jobs and 140,000 housing units – in balance and in keeping with the long range forecasts.

Therefore, in comparing the actual growth to targets, it is important to remember the cyclical nature of Puget Sound growth. Recent permits have exceeded the annualized targets throughout the county. In the next few years, once interest rates return to higher levels, slower housing growth should bring us back to the 20–year forecasted trend. Long range prospects are for steady, moderate growth as opposed to the boom levels of the late 1990s.

Rural areas do not have a growth target, but rather an expectation of minimal growth consistent with the trend since 1999. The intent is to be able to accommodate all growth in the UGA, reducing growth pressure on Rural areas. The Rural area forecast was set at less than four percent of Countywide growth, an average of under 400 units per year. In the years since the target was set, actual building construction in Rural and Resource designated areas was initially two to three times this annualized average. However, as a percentage of Countywide construction, Rural activity has declined: down to 4% of new housing units each year since 2002. This percentage is well below the 13 to 15% of earlier decades, and far less than Rural growth in other Puget Sound counties. Further, the 2000 Census found fewer than 137,000 persons in Rural areas, only 8% of the Countywide population and 9% of the 1990-2000 population growth.

Rate of residential construction remains stable

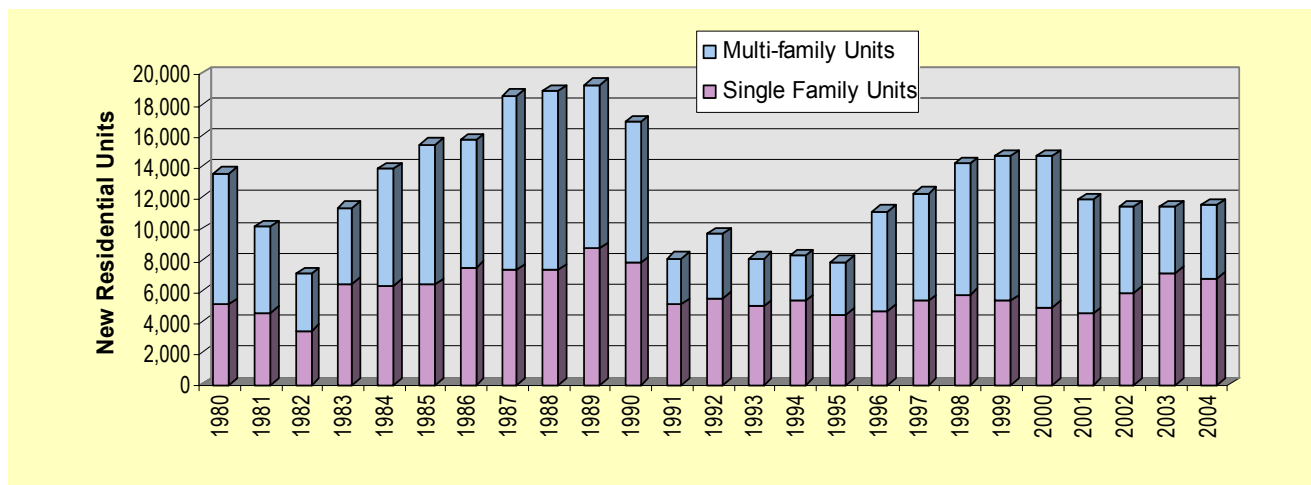
The recession of 2001-2004, so visible in job trends, has barely affected residential construction. Permits for new houses and apartments have continued at around 11,000 new units per year since 2001.

Residential construction increased slightly in 2004 by 137 units to 11,576 new houses and apartment units. Permits for single family construction have stayed remarkably consistent each year since 1993, at about 5,000 – 6,000 new houses in King County except for 2003. Similar to last year, less than one third (31%) of the county's new houses were permitted in unincorporated areas. The cities of Seattle, Issaquah, Renton and Sammamish each permitted more than 400 new houses, while more than 2,100 new houses were authorized in unincorporated areas.

Multifamily construction is often much more volatile, responding to changes in the regional economy. This year, multifamily construction increased to about 4,700 new apartments and condominium units, up 12% (502 units) from 2003. Total new construction is comparable to the mid-1990s, but well below levels of the late 1980s and late 1990s. Seattle completed 2,480 multifamily units, up from last year but well below the boom years around 2000.

With the rise in single family construction, formal platting activity has remained at a high level in 2004. More than 4,000 new residential lots were recorded in subdivisions – down from the 5,300 last year but still well above previous years. The year 2003 was unusual with a very large redevelopment in southeast Seattle. Almost a quarter of the year 2004 recorded lots were in unincorporated King County. The Redmond Ridge Master Plan Development continues to record lots, making Bear Creek the community with the highest number of lots recorded, 271 new lots. There were 253 in Federal Way and 208 in the Tahoma/Raven Heights area. The City of Issaquah among incorporated areas had the highest number of lots recorded with 743, mostly in the Issaquah Highlands Master Plan Development. The City of Maple Valley ranked second with 393 lots and Snoqualmie a close third with 362. Preliminary data for 2005 show a similar rate of development.

Total New Residential Units Permitted Single Family and Multifamily 1980 – 2004



Definitions

King County Growth Terms

Annexation - Adding or taking more land into a city's jurisdiction.

Growth Target - Policy statement indicating an approved number of new households and jobs to be accommodated in a jurisdiction during the 20-year Growth Management period.

Incorporated - Within a city, or the city's jurisdiction. King County contains 35 whole incorporated cities and parts of four others.

Rural Areas - Unincorporated areas outside the Urban Designated Area on which little residential or job growth is planned.

Rural Cities - Cities in rural areas. There are six in King County: Carnation, Duvall, Enumclaw, North Bend, Skykomish, and Snoqualmie.

Subareas - Grouping of King County by geographic areas. See subareas map on page 47.

Suburban Cities - The cities in King County excluding Seattle. Includes rural cities.

Transportation Concurrency - requires that transportation facilities must be available to carry the traffic of a proposed development. A certificate of transportation concurrency is issued when a proposed development meets the county's adopted level of service standards. Concurrency is the first step in the permit process and concurrency approvals are an indicator of future development.

Unincorporated - Outside any city and under King County's jurisdiction.

Urban Centers - Areas located in cities which are meant to accommodate concentrations of housing and employment over the next 20 years.

Urban-Designated Areas - Areas designated for urban use under the Growth Management Act with activities supported by urban services and facilities.

Economic Terms

Affordable Housing - Assumes that no more than 25% of a homeowner's income goes to mortgage payments (exclusive of tax and insurance costs), and that no more than 30% of a renter's income goes to rent payments.

Affordability Gap - The difference between the average home sales price or apartment rental price and the affordable price. See pages 80-81.

Covered Employment - Workers covered by unemployment insurance. They make up approximately 90% of total employment. Covered employment excludes military, railroad, and self-employed persons.

Household - An occupied housing unit; can consist of one person, unrelated persons, or a family.

Income - Wage and salary income; self-employment income (farm or non-farm); interest, dividend, and rental income; Social Security income; public assistance; retirement and disability pensions; and other income.

Mean - Same as average. The sum of observations divided by the total number of those observations.

Median Income - The median divides all households into two equal groups, one half above the median income and the other half below.

Nonagricultural Wage and Salary Employment - Includes all full- or part-time jobs listed by place of work. Excludes self-employed, armed services, private household workers and agricultural workers.

Personal Income - An aggregate measure of income received by all residents of an area. It includes earnings, rents, interest and dividends, benefits, and transfer payments such as Social Security.

Per Capita Personal Income - Personal income divided by the total population of an area.

Real Income - An income figure that has been adjusted to account for inflation to represent dollar value in a given year.

Unemployment rate - The percentage of the civilian labor force that is unemployed and actively seeking employment.

Residential Development Terms

Applications/Recorded Applications - Applications refer to the first step in the subdivision process, and recording is the last step before issuing of building permits.

Formal Plat - A subdivision that creates any number of lots, but typically involves a minimum of five lots (ten in some cities), and requires a public hearing and the approval of the King County Council or city council.

Multifamily - Housing structures with more than one unit. Includes duplexes, apartments, and condominiums.

Redevelopable - Parcels are defined as those that have an assessed improvement value of less than 50% of the total assessed land value.

Short Plat - A subdivision that is limited to four lots (nine in some cities), and is approved administratively by King County's Department of Development and Environmental Services or, when jurisdiction resides in an incorporated area, by cities.

Single Family - Individual housing structures including conventional houses and, unless otherwise indicated, mobile homes.

Subdivision - Land that has been divided into legal lots, or the process of dividing land into lots.

Vacant - Land with no structure, and land with little or no improved value.