

Chelan-Douglas Trends e-Newsletter #2 2018:

Welcome:

Welcome to the latest edition of the Chelan Douglas Trends Newsletter. This newsletter highlights a sample of information from various Trends indicators illustrating how that data can be used. The Trends website was developed through a lengthy public process resulting in a website that provides relevant data in one location in an easily accessible format. The information is gathered from various sources and compiled in a format that makes it easy to compare our region to other jurisdictions and the state as a whole. The variety of indicators provide a vital data resource for community residents and those looking to relocate their business or home to this beautiful area of the state. Not only is this data easily accessible, it can be downloaded and used for various purposes to tell your story or answer your questions. The ability to easily access this data is a tremendous benefit for my job whether it's for housing and land use planning, supporting data for grant applications or general information for the City Council. I hope you will take the time to search through the Trends indicators and familiarize yourself with this important data tool.

Lori Barnett, Community Development Director, City of East Wenatchee

Indicators in the News:

How Much is Washington State Taxing and Spending?



Curious to know how much the state is spending on college education? Parks? Public health and safety? State and local governments have responded to the demand for transparency by posting more and more information online; however, people with a strong background in internet research were the only ones able to find that information – until now.

The [State and Local Government Snapshot](#) is the most comprehensive and compact view of local government data spanning across the U.S. The tool, created by the U.S. Census Bureau, is a nifty innovation allowing an average American the ability to evaluate the decisions made by our elected representatives on how they are collecting and spending tax dollars.

Digging into the tool, you quickly see that the data available includes all 50 states and can be switched from: only local government, only state government, or a combination of both state and local government. Variables include a variety, such as employment of local and government sectors, expenditures cation, health & welfare, public safety, etc.) and for revenues (property tax, sales tax, utilities, etc.).

Digging even deeper into one of the options - property tax revenue for all local and state governments combined in Washington State, you can read that the 2015 total was \$10.1 billion. Digging deeper yet, looking at the per capita property tax revenues during 2015, you learn that Washington came in at \$1,411, compared to \$1,457 in California, \$1,510 in Montana, \$1,406 in Oregon, and \$965 in Idaho. In

sum, state and local government revenue in Washington State during 2015 was about \$73.6 billion and nearly \$3.1 trillion in all of the U.S.

This is but one example that is available from the U.S. Census State & Local Government Snapshot. After a few minutes of changing a few dropdown menus and highlighting different information tabs, you will know a lot more about tax revenues and expenditures - and have fun doing so!

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A Day in the Life of Americans - This is How America Runs



Apart from the lengthy and detailed scientific method, it is still part of the human experience to try and simplify complicated things in order to help make sense of them. Simplifying the complicated is part of the beauty of data visualizations.

One informative and fun example shows what Americans are doing at any given time throughout a standard 24-hour day. What are typically considered standard working hours from 8am to 5pm are also the best time for leisure and sleep activities for many people, but for how many people in America and exactly at what time are engaging what activities?

Thanks to [Nathan Yau and FlowingData.com](#), we can find out we are doing collectively as part of American society throughout a typical weekday. Based on the U.S. Census Time Use Survey, Yau created a simulation of 1,000 dots that represent of sample all of America and what we are doing throughout the day by activity and time.

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Incarceration Rates for Each U.S. State - Compared to Other Countries



Crime statistics, by nature, can be a little fuzzy, since they are based on crimes that law enforcement know about. To “know” of a crime, the crime needs to receive an official response from law enforcement. In the minimum, law enforcement must acknowledge it having occurred to officially count in crime statistics.

There are crimes that are almost always reported, like motor vehicle theft and arson, as well as crimes like arson that the authorities will discover on their own as part of an overall public safety response to a hazardous situation. There are also crimes that while common, like petty theft out of people’s yards or vehicle prowling, are not consistently reported to law enforcement.

One unfortunate and perhaps the extreme example are rapes. The [Rape, Abuse & Incest National Network](#) (RAINN) estimates only 310 of every 1,000 rapes are reported. Unless law enforcement

somehow learns of a rape on their own without it actually having been reported to them, these inevitably are crimes that will not be counted in any official crime statistics.

One criminal justice statistic that has zero or very little ambiguity associated with it is the number of people incarcerated because it is as simple as counting heads.

What is less often available is a breakdown of the incarceration rate by individual state, comparing them to incarceration rate of countries across the globe. But just such a breakdown has been calculated by the [Prison Policy Initiative](#).

During 2018, there are approximately 698 incarcerated people in the U.S. per 100,000 residents. In many ways, especially when compared to more oppressive forms of government, like China, Russia, Saudi Arabia, and Iran, it can appear contradictory to the U.S. being heralded as one of the freest societies in the world.

More locally, during 2018, Washington State has had the 11th lowest incarceration among all states, at a rate of 480 per 100,000 residents, versus the U.S. rate of 698. For purposes of comparison, the incarceration rate per 100,000 residents of China was 118, Russia was 413, Saudi Arabia was 197, and Iran was 284.

To be fair, most people who commit crimes are not forced to do so, aside from perhaps a few people who might have stolen things like food or water to survive. People have the freedom to commit crimes or not to, and both decisions have their own unique set of consequences. But it is difficult not to see the unfortunate irony in the U.S. having the highest incarcerated population in the world. Perhaps the old song speaks to the truth when it claimed “Living so free is a tragedy, when you can’t be what you want to be.”

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Indicators in Action:

Cost of Living Is Affordable in Combined Counties by Scott Richter and Dr. Patrick Jones

Yogi Berra once said “A nickel ain’t worth a dime anymore.” While intended to be funny, the truth is nickels and dimes provide different consumer purchasing power across different parts of the U.S. So, how do we really know how much it costs to live in any given area?

The Cost of Living Index, or more formally known as the Metro Area Regional Price Parity (RPP) provides some answers.

According to the source for this indicator, the [Bureau of Economic Analysis](#) (BEA), RPP’s “measure the differences in price levels across states and metropolitan areas for a given year...cover[ing] all consumption goods and services, including rents.”

Price levels are determined by using the estimated average consumer costs for goods and services calculated by the Consumer Price Index (CPI). Since there are only 38 CPI areas in the U.S., the CPI score of the [Seattle-Tacoma-Bellevue MSA](#) is used to create a weighted CPI score for Chelan & Douglas Counties. Next, the weighted score is merged with U.S. Census

American Community Survey (ACS), housing costs specific to Chelan and Douglas Counties. Although a very brief explanation, the end result is an RPP score for the combined counties.

[The RPP methodology](#) is standard and is used to calculate an RPP score for nearly 90% of the U.S. That is, it covers all the metropolitan statistical districts in the U.S. The standard methodology allows for the direct comparison of all areas where RPP scores are calculated.

The RPP methodology is designed for urban and metro areas, helping to explain why 10% of the country, which are generally very rural and sparsely populated areas, do not have RPP scores

calculated or them.

More specifically, the RPP captures consumer costs in three categories: *Goods*, durable and nondurable consumption goods; *Services-Rents*, rents paid by tenants and an imputed rental value for owner-occupied dwellings; and *Services-Other*, services consumption products.

100 always represents the national RPP average. This allows RPP scores across the U.S. to be expressed as a percentage of the national average. In 2016, the San Jose and San Francisco MSAs registered the highest scores, at 213 and 190, respectively. Conversely, Beckley, West Virginia put up the lowest cost of living, at 78.8. How to interpret the numbers? At 97.3,

the highest RPP score in the series for the two counties (2008) was 97.3% of the MSA national average. Or, one could interpret the result as the cost of living in the two counties 2.7% below the national average.

With those introductions, let's take a look at the look at the specifics of [Metro Area Regional Price Parity \(Cost of Living Index\)](#) indicator on the Chelan-Douglas Trends website.

One quickly sees for Chelan & Douglas Counties

combined, a lower cost of living prevails than for Benton & Franklin Counties combined and especially for King and Pierce Counties combined. Additionally, the value for Chelan & Douglas Counties combined has sat well below the

national average and has done so throughout the series.

More precisely during 2016, the RPP score for Chelan & Douglas Counties was 95.2 (4.8% below the national MSA average). The BEA source shows a bit of variation in the components: *Goods* were nearly equal to the national metro average, at 99.4. Yet, *Services-Rents*, which includes actual rents the computed rent cost of home ownership, came in at 89.1. A surprising result? Perhaps. Census data point so rents, not home prices, as the likely source of this relative standing, as indicator [6.2.4](#) shows. *Services-Other* registered 94.

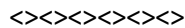


The 2016 finding of 95.2 compares to 97.1 in Benton & Franklin Counties and 110.5 in King & Pierce Counties. So, the area is slightly less expensive than the metro due south of the Greater Wenatchee area, and not surprisingly, considerably less expensive than the central Puget Sound area.

A further surprise might be that the RPP score for Chelan & Douglas Counties has decreased over the series while both benchmarks increased. Not included in the series but offered here to help with perspective, the RPP for all

the metros in Washington State during 2016 was 105.5.

So, in the eyes of those who tally for the federal government, the two counties have enjoyed a relatively low cost of living – and one that has been slowly but steadily decreasing over the past nine years. This is food for economic development thought, for sure. But the trend also represents one more reason for choosing to live and work in Chelan and Douglas Counties.



Labor Force Participation Rate High by Scott Richter and Dr. Patrick Jones

While the second headquarters of Amazon is projected to create as many as 50,000 high-paying jobs to a large metro area, a parallel question for the local economy would be: If the two counties were to add 1,000 jobs, where would the workforce come from? With [unemployment low](#), could potential workers who are currently not in the labor force be persuaded to apply?

According to the [U.S. Department of Labor, Bureau of Labor Statistics](#) (BLS), “The labor force is the sum of [employed](#) and [unemployed](#) persons. The labor force participation rate is the labor force as a percent of the civilian noninstitutional population.”

More precisely, the civilian labor force counts people in America ages 16 and over who are eligible to work legally in the U.S. and are either employed, or unemployed but actively looking for a job. The non-institutional population, who the U.S. Census considers “primarily ineligible, unable, or unlikely to participate in the labor force,” excludes members of the Armed Forces

on active duty; people incarcerated in prisons, jails, and detention facilities; people living in mental institutions, and homes for the indigent or aged. The pool of potential workers starts at age 16 and has no upper age, according to convention.

Examining the graph for the [Total Civilian Labor Force & Labor Force Participation Rate of Population Ages 16+](#) indicator on the Trends website, we see that 2017 was the fourth consecutive year with an annual increase of the labor force from the previous year and was the highest civilian labor force total since 2009. 2017 was also the first year to exceed the Great Recession civilian labor force number, implying that it has taken eight years to rebound fully.

Throughout the series, the labor force participation rate was higher in the combined counties than in the state and stands in contrast to the [decreasing national civilian labor force rate](#). There are likely several reasons for the high rate in the two counties. One of them is undoubtedly the presence of the Latino workforce, adding numbers while the baby boomers have been subtracting them from the economy.

While having similar civilian labor force rates from 2000-2009, the individual counties of Chelan and Douglas started to diverge a little from 2010-2017 with Chelan County coming in at a few percentage points above Douglas County.

Heidi Meyers, Vice President / Team Leader, Corporate Banking with Washington Trust Bank in East Wenatchee and Chair of the North Central Workforce Development Council said, "There is some interconnectedness our higher than state average participation rate, but much lower than state average wages."

Using data from the Trends site, Myers said "There is work here in our counties, but the earnings are less. In an agriculture / construction / health care based economy, people will take the jobs available, and patch together incomes to feed their families. They are participating in the labor force but level of compensation is lacking."

When asked to consider how the Great Recession might have affected the decreases in the civilian labor force evident in the decreases beginning in 2010, Meyers said, "While the recession may have ended nationally and even statewide in 2009, the effects were only beginning to be felt here in north central

Washington, particularly in the housing bubble burst and the drop off in construction work."

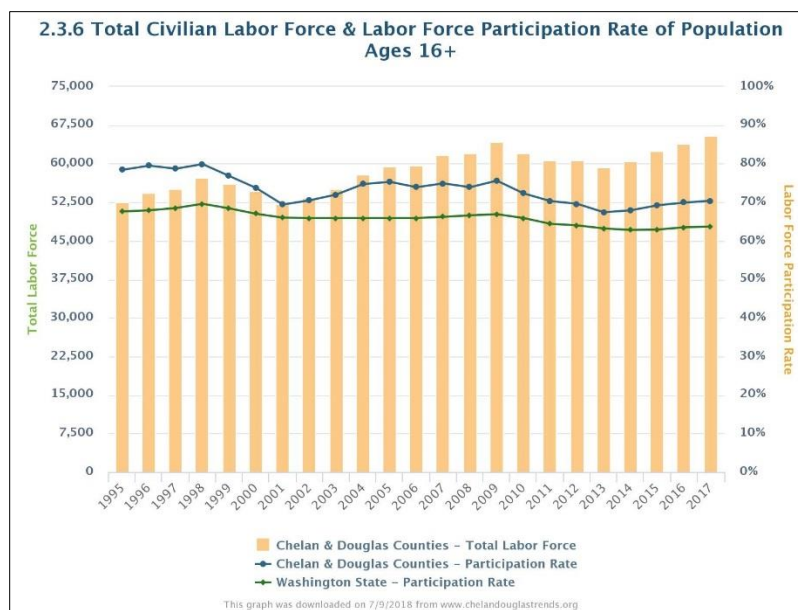
Myers uses data on the Trends site to show in other indicators how the effects of the Great Recession hit in North Central Washington a little later than in most places, also true for when recovery started taking hold. Looking at the [Assessed Value of Taxable Total Property & Annual Growth Rate](#), as well as the [Total Number of Residential Building Permits & Number per 1,000 Residents](#), Meyers points out

in each of these indicators, there was "no real improvement until 2013" which was generally later than the benchmarks.

While having a high civilian labor force participation rate is an excellent precursor for

the future local economy, developing and expanding the skills of the current workforce will help prepare for future demands.

"Our Workforce council is looking deeply into incumbent worker training programs, which will seek to upskill people already employed, but perhaps under skilled and consequently underpaid. This will be a partnership program with employers to identify and fund training opportunities that will serve employers needs for skilled workers, and also increase wages for workers", said Meyers.



Fair Market Rent: Different Than What Renters Actually Pay

by Brian Kennedy and

Dr. Patrick Jones

The housing market. It seems that everywhere you look, housing prices are climbing upward, pricing people out of the market. With such shifting dynamics, all of which are increasing pressure on rent, what is deemed a fair market rent and what should a typical household expect to pay? These are valid questions that the U.S. Department of Housing and Urban Development (HUD) try to address by creating estimates of “fair market rents” for all the metro areas in the nation.

HUD’s fair market rent estimates reflect the local rental market conditions as to the costs of gross rent that a typical household can afford. Using a variety of sources, U.S. Census, American Community Survey, and random digit dialing, HUD compiles the distribution of rents (excluding subsidized and low income housing) and sets the fair market rent at 40th percentile. [Indicator 6.2.7](#) depicts the household income level required so that the fair market rent doesn’t exceed 30% of the household budget based on the number of bedrooms in the rental unit. It doesn’t reproduce HUD’s rents, but they can be found in the “Download Data” section.

The graph from Indicator 6.2.7, shown below, displays the income needed to afford the fair market rent for both one and two bedroom rentals. For one bedroom rentals, Chelan and Douglas Counties fall in the middle of the comparison counties: Benton (Tri-Cities) and Walla Walla. The annual income needed to afford a one bedroom rental sits at \$24,320, up by about \$3,160 since 2008, resulting in a cumulative annual growth rate of just 1.4%. That is significantly lower than the growth rate of the other locations: Benton County leads the group with a growth rate of 2.1% and Walla Walla County at 2.7%.

A similar trend can be observed for two bedroom units with Chelan and Douglas Counties again falling in the middle of the group. In absolute terms, the income required to afford two-bedroom units increased by \$5,560 since the start of the trend. This resulted in a growth rate of 1.9%, compared to Benton and Walla Walla Counties increasing at 2.5% and 2.2% per year, respectively.

Fair market rent is an estimate, or guideline, as to what the market should support. However, it doesn’t necessarily reflect what residents are actually paying. The [American Community Survey](#) (ACS), produced by the U.S. Census, calculates an estimate of the median rent paid allowing for a comparison between fair market rent and what renters are actually spending. Monthly fair market rent for a 2 bedroom apartment, the most common size for rental units, sits at \$791 in 2016. This is almost \$40 lower than the median rent estimate produced by the census, which sits at \$830. This would indicate the calculations of fair market rent are slightly lower than what the median renting household actually pays.

The ACS also produces estimates of the median household income for renting households as well. In 2008, Chelan & Douglas Counties’ renting households had a median household income of \$32,940. By 2016, this increased by a little over \$4,000 to \$37,313, representing a cumulative annual growth rate of about 1.4%. Over the same period, fair market rent for a 2-bedroom rental had a growth rate of 1.9% while the ACS estimates for median rent had a growth rate of 1.8%. The implication? Regardless of which measure of rental costs is used, median household income of renters is lagging the growth in rental costs by about 0.5 percentage points per year.

A rental market with rents outpacing income growth can have dramatic impacts on the local economy. Christi Maroney, Executive of the

North Central Washington Association of Realtors, chalks this up in part to “the demand for housing exceeds the supply of housing more than the demand for jobs exceeds the supply of jobs. Therefore the cost of housing will rise more than wages.”

How do increasing shelter costs relate to households budgets? [Indicator 6.2.4](#) shows the number of household paying 30% or more of their income towards shelter costs (rents and any utilities such as electricity and water). Though there have been some fluctuations between 2009 and 2016, the trend line has stayed flat. In 2009, there were 4,812 renting household spending 30% or more of their income on shelter costs, representing about 39.7% of all renting households. In 2016, this showed no statistically

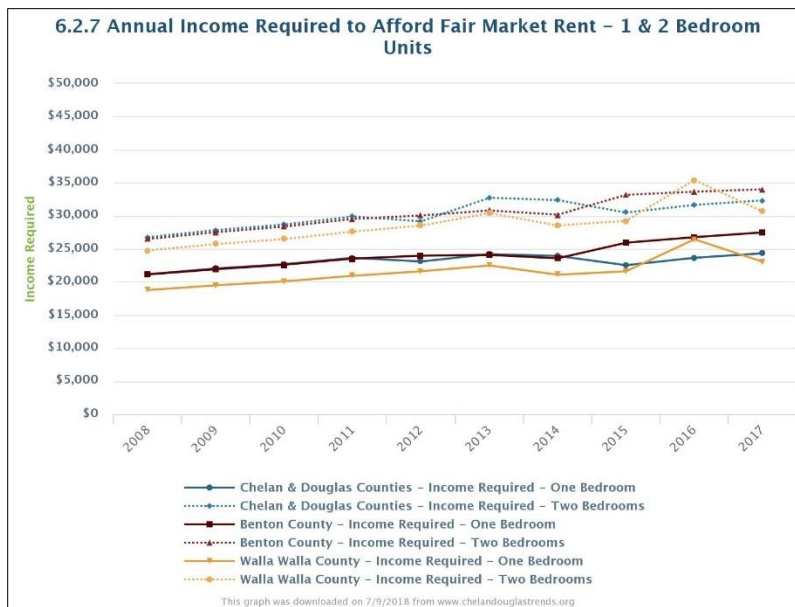
significant change, sitting at 4,775 households or 34.2%. So by this measure, the higher growth rate in shelter costs among renters versus that of renters’ income has yet to make any major impact on the household budget at this time. However, if these diverging trends continue, one would expect this relationship to change for the two counties.

What seems to be the driving force behind the increase in rents? As Maroney pointed out, this is a supply and demand question. Rents increase as more households are demanding rental units and the rise in supply doesn’t keep up. This relative scarcity puts upward pressure

of rent prices, and another good way to look at the housing market is to check the rental vacancy rate. ACS data in indicator 6.2.1 depicts the overall vacancy rate. In 2016 this sat at an estimated 6.9%. According to Maroney, a healthy vacancy rate is around 5%.

Two different, but similar indicators on the Trends website use a different sources. The Average Monthly Rent & Apartment Vacancy Rates for: [1-bedroom](#) (6.2.2) and [2-bedrooms](#) (6.2.3), both sourced by the Runstad Department of Real Estate at University of Washington). These indicators show the

vacancy rates of 1- and 2-bedroom apartments were 1.7% and 1.0%, respectively, during the fall of 2017. While the Runstad estimates have a significantly smaller response rate (just 36.7% of all rental units



are covered) and aren’t a random sample as is the ACS estimates, their opposing estimates likely can be attributed to differences between the urban center around Wenatchee and East Wenatchee and that of the rural areas throughout the counties.

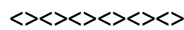
“The rural areas within Chelan and Douglas counties skew the overall vacancy rates upward and that the urban area vacancy rates are extremely low”, said Maroney.

So on the surface, aggregating across both Chelan and Douglas Counties, it would seem that the rental market is performing quite well. Despite the faster levels of rental prices

compared to renters' household income growth, a lower share of renting households is paying more than 30% of their income to rental costs, compared to the state and U.S. Additionally, rental prices, while growing fast, aren't growing as fast as other comparable metro areas such as in Walla Walla and the Tri-Cities.

This assessment; however, doesn't reflect the urban/rural divide as mentioned by Maroney.

While the data looks good in aggregate, the urban centers of Wenatchee and East Wenatchee are still struggling to combat the extremely low vacancy rates. With several large multi-family projects currently in the construction phase and the City of Wenatchee incentivizing developers through property tax reductions to build low income housing, some of this pressure in the urban center should be alleviated going forward.



5-Questions with Mark Kulaas: Wenatchee City Council Member and Land Services Director, Douglas County



1. Can you tell us what are the most critical issues facing you at your day job in Douglas County? And in your view, what are the most pressing concerns the Wenatchee City Council is taking up?

The issues and concerns are parallel, if not the same. We want to create communities, world-class communities that are responsive to current needs at the same time looking forward to leave a foundation that generations yet born can build on.

2. How does data generally inform your response to these issues and concerns?

Data can tell us three things: what was, what is and what might be. When we view data comprehensively across data sets, we can develop hypotheses as to how we got to this point on time and where the community might be trending. This in turn allows the community to answer if that is the desired direction or whether it needs to explore some alternatives.

3. To what degree does Chelan Douglas Trends give insights to your daily decision-making at both jobs?

Trends is a great site to grab information from a variety of data sets. As you click through the individual data presentations you gain a sense of the broader character of your community by considering how one data set might be influenced by or influencing other data. Another benefit of the Trends project is the ability to check the Trends sites for other communities to give you a snapshot of how they are doing and if there are some data sets for comparison with your community.

4. You're a long-time resident of the greater Wenatchee area. Are there any indicators that simply surprise you? Are there any that you think your fellow residents need to pay close attention to?

Not really so much of a surprise as perhaps cautionary are the trends showing in a variety of data that is driven by income disparity. Our community lags the state and the nation in both personal income and household income. The gaps appear to be widening. The ramifications of this affect the public school system, local government functions, housing quality, business growth and general economic vitality.

5. You've worked in the public sector for over four decades now. Over this period, do you think that decision-making has become more grounded in fact?

Certainly technological advances have made access to data much easier. We used to get data every ten years from the decennial census, and even then the data was five years old before it was generally distributed. There is a demand from citizens, policy makers and the courts that local government decisions have at least some basis in fact. Still, data is just data; it only comes alive and is meaningful through analysis. Data is the "science" part of our work; critical thinking is the "art" portion.