

## Kate Koch - Why the lower population projection is important

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To the Whatcom County Council:

There are several reasons why it is critical to Whatcom County's future fiscal stability that the Planning and Development Service (PDS) use the lowest possible **population projection** for their Comprehensive Planning process and the Urban Growth Area (UGA) sizing exercise scheduled to be completed by June of 2009. What follows are just a few of the arguments in favor of a smaller, more conservative and prudent projection.

First of all, economists predict that over \$2.8 trillion dollars of US mortgage-backed securities (and \$2 trillion *more* in Europe) will ultimately have to be written-off by banks. However, less than half of that amount has been written-down to date, although nearly all of the US investment banks and most of the largest US commercial banks are already technically insolvent and reliant on government subsidization. Hundreds if not thousands of US banks are now predicted by these economists to declare bankruptcy or be "nationalized" during 2009. For example, Bank of America's liabilities exceed its assets by 10% or \$210 billion dollars, while at \$7.35 per share BofA's total market capitalization is only \$47 billion dollars. During the Great Depression when people moved from state to state they were usually seeking employment and they did not buy houses with mortgages upon their arrival. I suggest that Whatcom County should prepare itself for a similar situation by planning for the lowest population growth rate during these historically unprecedented times. The more the economy unravels the sicker the banks will get simply because of more credit card, retail and business loans defaulting, not just mortgages. County planners should not ignore the rational economic foundation which must support their population projection.

Secondly, nationally, commercial and retail real estate space is predicted to decline by 36% during 2009. The local real estate market is extraordinarily overbuilt as evidenced by Bellingham's recent ranking as the 5th most overheated real estate market in the country, and Birch Bay's status as the fastest growing region of our County. There are 3.6 million empty homes across the US and Whatcom County is no exception in this regard. A higher population projection acts to increase real estate speculation and investment and therefore increases the rate of devaluation that is occurring due to the law of supply and demand. Whatcom County should coordinate its Growth Management Act (GMA) planning process by supplementing the Port Authority's Waterfront District projection of \$319 million dollars in taxpayer expenditures. What population there is available should be directed to offset that huge pending financial obligation as opposed to competing against that development project's financial success by directing population into the unincorporated Birch Bay area of the County instead.

Thirdly, 64,000 corporations filed for bankruptcy in 2008 while this number is projected to increase by over 50% in 2009. Unemployment is over 7% and climbing; more than 3.6 million people have recently lost their jobs, greater than 600,000 in one month. *A credit-crisis induced recession is far worse than a normal economic recession.* In Whatcom County the average company has only three (3) employees. Small companies are less equipped to deal effectively with extended economic downturns than large companies. Small firms have less cashflow, fewer convertible financial assets, less overall liquidity, and substantially restricted access to credit. Additionally, Whatcom County's economy has recently been over-invested in the residential real estate sector (estimated at 28% of jobs) as evidenced by the large numbers of residences "in inventory." For example, there are 85 existing homes and seven foreclosures in the Semiahmoo subdivision alone. Therefore, this economic downturn will be far more disruptive in Whatcom County than apparently is understood by the 2031 "technical

advisory group" and the "coordinating council" because, as paid city staff, many of these people often have an economic self-interest in the outcome of the decisions that they make, and since building permit fees represent a material portion of their compensation. In contrast, the data if analyzed objectively simply does not merit a large population projection in a period of such documented economic stagnation.

Fourth, since Whatcom County has just passed through the largest real estate "boom" in its history, and has only recently begun the "bust" phase of this currently accelerating recession, projecting a repeat of the past historical experience for the next 20-year planning cycle would be illogical as well as fiscally irresponsible. There will be far fewer houses built or sold over the next twenty years and at much reduced price levels than the previous period represented. It is just common sense. Property devaluations of 40% or more can be witnessed locally. Therefore, the tax revenues (both sales taxes and property taxes) will manifestly generate significantly less revenue for both cities and counties during the next two decades. The rapidity of that decline is thoroughly evidenced by the ever-growing number of states experiencing massive deficits due to this same phenomenon; Washington is at \$6 billion dollars and counting.

In summary, banks will never again lend as irresponsibly as they did in the past, the over-supply of residential, retail and commercial property in inventory precludes a repeat performance of the last 20-years, so many of our corporate economic engines that must sustain population growth are now bankrupt, that the affect of this massive property devaluation is crippling to all governmental budgets be they city, state or county. Therefore, I sincerely hope that you will properly conclude that the past County policy of promoting urban sprawl has now become an as-yet-un-booked liability, but the day of reckoning is approaching. Please instruct the PDS to use the lowest OFM population projection allowable for Whatcom County's Comprehensive Plan and its UGA sizing purposes. Thank you for getting personally involved in this decision.

Sincerely,

Lincoln Rutter

Cc: County Executive, Planning Commission, Planning and Development Staff, Tax Assessor, Fire Chief and Sheriff

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