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Unintended Consequences: The Amazon Effect

The city of Seattle is getting younger and richer. Seattle’s population is growing at a rapid pace, but the demographic of this population growth is having unforeseen negative effects on the region. The effects researched are increased housing cost, increased homelessness, and urban sprawl. Housing cost, percentages of homeless, and amount of urban sprawl are not the only markers of the health of a region, but each of these has seen a noticeable change in the time frame researched, so connections to causes will be easier to draw.

To start with, Amazon is a leading online shopping company that has always been based in Seattle, but only recently expanded operations immensely. These efforts began with the building of a state-of-the-art headquarters in the South Lake Union neighborhood of Seattle in 2010. Amazon is now the largest private employer in Seattle, employing 40,000 Seattleites (“Our Urban Campus”). Seattle started to see a substantial population increase around the opening of Amazon’s South Lake Union headquarters. The opening of Amazon’s headquarters in South Lake Union has increased the population of young, highly paid workers, and the resulting growth has raised the cost of housing due to highly motivated and wealthy buyers, who prefer to live directly within city limits. A higher cost of housing has displaced lower-income residents, while increasing homelessness and enacting a larger urban sprawl than ever before seen in the Seattle area.

The next step is understanding the type of people moving to Seattle, and the desires of this new population. Gene Balk finds, “From July 1, 2015, to July 1, 2016, Seattle had a net gain of nearly 21,000 people — 57 a day, on average” (“Seattle Once Again”). Seattle is one of the fastest growing large cities in America, but more importantly one of the fastest growing young cities. The age range 20-44 made up 45.6% of Seattle’s population in 2010, and 46.5% in 2016. There was an especially big growth in ages 25-34, making up 20.5% of Seattle in 2010 and increasing to 22.2% in 2016 while the age range of 55-59 decreased in this time (“Your Geography Selections”). The younger age group moving to Seattle is bringing with them specific desires from their cities. According to Ilona Serwicka, “Young people tend to prefer having good access to leisure facilities, culture, transport and jobs” (“Why Do People”). Young people need job opportunities more than older people, and Seattle was made up of more 25-34-year old people in 2016 than it was in 2010 (“Your Geography Selections”). Young people are moving to Seattle because of the employment opportunities they desire.

The ages of Seattle’s population growth are the same ages employed by Amazon, which distinguish Amazon as the main employer causing population growth. Differing industries represent different ages. Stephanie Forshee explains, “Boeing's Washington state workforce declined more than 2 percent last year, from 81,939 in 2013 to 80,199” (“Washington State Loses”). Boeing is one of the largest employers in the Seattle area, and a loss of this many jobs should decrease population growth. However, Seattle’s year over year population growth increased from 9,742 between 2011 and 2012, to 11,765 between 2012 and 2013 (“Your Geography Selections”). Population grew at an even faster rate, despite the loss of jobs from Boeing. This is because Boeing is a manufacturing company, and manufacturing jobs are not representative of the jobs attracting people to Seattle right now. U.S. Bureau of Labor Statistics finds the median age of manufacturing jobs is 44.5, versus 34.7 for jobs attributed to electronic shopping (“Employed Persons by Detailed”). Electronic shopping is a blanket term for people employed by websites that allow people to shop online. The age disparity in population growth points to technology jobs like the ones offered by Amazon being the main draw to Seattle, rather than manufacturing jobs offered by Boeing. Continued population growth despite loss of jobs by other employers and industries distinguishes Amazon as the main employer causing this population growth.

Amazon’s new headquarters in South Lake Union has been established as a cause for younger population growth, but how has housing cost changed alongside this growth? Data for home prices to compare alongside population growth in Seattle is crucial. Mike Rosenberg notes the median price of a home is currently over $700,000 in Seattle. This represents a double in median home price over the last five years (“Seattle’s Median Home”). Without any type of context, home prices and population growth are strongly related, but population growth is not the only thing to account for when it comes to cost of housing. There are three main components to factor into the cost of housing: supply of houses, interest rates of mortgages, and the number of eligible buyers. A combination of these factors is working in unison to raise housing costs.

There is at least one issue that Amazon has not directly influenced in Seattle: supply of homes. While there are too many people for the available homes, building more homes seems an easy solution. However, zoning is a big deal in Seattle that has led to a lack of housing. Dan Bertolet asserts, “The root cause of Seattle’s soaring housing prices, leading to displacement, monster commutes, and community disruptions, is a shortage of housing; to keep prices down for everybody, we need more homes of all kinds. Building market-rate homes is good for affordability” (“Seattle’s Flawed Plan”). More homes being built would result in lower prices. The city of Seattle has laws restricting the proximity that homes can be built to businesses, how closely houses can be built to each other, and even how many people a house can realistically hold. According to Danny Westneat, “The draft report notes that “Seattle (single-family) zoning has roots in racial and class exclusion and remains among the largest obstacles to realizing the city’s goals for equity and affordability” (“Get Rid of Single”). A lessening of restrictions regarding multiple-family homes will greatly reduce housing costs. With the addition of triplex homes, more families can fit onto a single-family zoned lot. Amazon has not directly influenced supply of homes, and zoning needs to be considered into housing costs.

In addition to zoning, interest rates on mortgages are another big factor that Amazon has not influenced. SFGate explains, “The sales of homes rise as more consumers are able to take out a low-cost loan” (“How Interest Rates”). When interest rates are low, more houses are sold. People feel more comfortable spending a lot on houses if their mortgage’s interest rate isn’t too high. More money will be spent paying down principal rather than interest during the term of the mortgage. Many people jumped on the opportunity to buy a home with interest rates decreasing starting in 2010. It was the first year on record that Freddie Mac offered mortgages at less than 5% interest on average (“30-Year Fixed”). Interest rates can fluctuate dramatically from year to year, and even month to month. Rates are still low now, so they need to be considered at least an additive effect to any more prevalent ones. Interest rates have not been influenced by Amazon but are important to the demand, and therefore, cost of housing.

Nonetheless, the number of motivated buyers is heavily influenced by Amazon providing jobs at its South Lake Union headquarters. It has already been established that Seattle’s population growth is young. An important distinction about this demographic is its rates of home buying. NAR asserts, “One consistent finding for the last four years of reports has been that buyers 36 years and younger (Millennials/Gen Yers) is the largest share of home buyers at 34 percent” (“Home Buyer and Seller”). Home buyers in the rest of the country are most represented by the ages moving to Seattle in droves. If home buying trends stay the same, because Seattle’s population growth is made up of many people 36 years and younger, it can be assumed that these people are looking to buy a home. People who work at Amazon’s headquarters and need housing are also more motivated home buyers than the rest of Seattle because of their income. A senior software engineer makes $123,996 on average at Amazon, which is 8% above the national average for this position. This is the most reported position at Amazon’s headquarters, with more than 3,078 people reporting salaries within the $123,996 average range as a senior software engineer (“Amazon.com”). Most Amazon positions are in computer programming, which is a very well-respected profession in Seattle. Computer programmers and human resource managers are the most highly paid positions in the Seattle area, at $57.51 an hour and $59.74 an hour, respectively (“Seattle Area Economic Summary”). The important difference is how well these job titles are paid in the rest of the United States. Computer programmers make an average of $40.95 an hour in the rest of United States, versus $57.51 an hour in Seattle (“Seattle Area Economic Summary”). Working in Seattle represents a 30% increase to wages within a programmer’s profession. Human resource managers make essentially equivalent wages in the rest of the country, so there is little motivation to stay in Seattle just for their profession. Amazon employees are motivated buyers who have a reason to live in Seattle.

Also, more money can be thrown around on housing by computer programmers working at Amazon than by any other profession, pricing people out of homes in previously undesirable neighborhoods. Once nicer homes are sold due to lack of supply, computer programmers at Amazon turn to less in demand areas. Prices may have started low, but even the supply in these less desirable areas is running out. Programmers at Amazon have objectively more reason to stay in Seattle, so they have no issue using the extra money from their wages to overpay on a home. This is well observed in neighborhoods like South Park in Seattle. South Park is a crime-riddled neighborhood that has seen its home prices rise dramatically since 2010. Zillow finds the current median home value in South Park is $390,100. This is up from a low of $172,000 in 2012 (“South Park Seattle WA Home”). There are few reasons to live in South Park except for a lack of homes in the area a buyer wants to live. South Park has nearly double the total crimes per 100,000 people as the state of Washington, and 1,500 more than the city of Seattle (“South Park, Seattle, WA, Crime.”). This is one of the few areas that low-income residents of Seattle should be able to afford to live, but it has been taken over by highly-paid employees of Amazon that don’t mind bidding high to live close to Amazon’s headquarters. Once in bidding wars, perspective buyers who are lower-income may soon realize they cannot afford the home they are bidding on. Without a down payment of 20% on a house, it is sometimes required that perspective borrowers purchase mortgage insurance, which is a barrier to entry for lower and middle-income home buyers. When housing prices rise, so do property taxes. People who could afford to live in South Park when houses were cheap probably can’t afford to live there now. Amazon employees are driving up the prices of previously undesirable neighborhoods due to their ability to overpay. This drives lower-income residents of Seattle out of neighborhoods they could previously afford, increasing urban sprawl and homelessness.

Furthermore, it appears that increased housing cost caused by Amazon’s South Lake Union headquarters has a relationship with urban sprawl. It may appear that the Amazon headquarters has not affected urban sprawl. Gene Balk finds the suburbs of Seattle which make up King County grew slower than Seattle itself for the first time in 100 years in 2010. This trend has continued for the six years of data since (“Seattle Added More”). Some may use this data to support the idea that computer programming jobs led in large part by Amazon have not increased urban sprawl. However, the demographics of those who occupy computer programming jobs need to be accounted for. It has been established that computer programmers enticed to work at Amazon’s headquarters are young, well-paid, and prefer to live in the city. They are extremely motivated to live in Seattle to reap the benefits of their marked-up wages, whereas other professions are not so heavily tied down. People employed in other professions are therefore more willing to commute from farther distances to be rewarded with a lower cost of housing. Other professions generally have a higher median age, aren’t necessarily paid well enough to live directly in the city of Seattle, and are even being priced out of King County suburbs overall. Cities like Burien, Des Moines and Kent are near Seattle, and were already at the top of many underpaid professions’ price ranges before Amazon showed up. Burien is essentially unaffordable for the average professional. Zillow finds the median home price in Burien is $399,300 in 2017, up from $198,000 in 2012 (“Burien WA Home”). Cities outside of Seattle along the light rail public transit system have seen especially big increases in housing costs. The light rail is an efficient way to commute into and out of the city of Seattle. This has led to a gradually widening sprawl of Seattle, with cities outside of King County receiving large population increases since 2010. This is a hierarchy of housing. Computer programmers live right in the city of Seattle, and the less well-paid professions live farther and farther away. Home prices in Tacoma reflect this very well. Zillow acknowledges Tacoma is 30 miles from Seattle, and has seen its home prices rise from $157,000 in 2012 to $261,100 currently (“Tacoma WA Home Prices”). Tacoma has now become the only city close to Seattle that most people can reasonably afford on a salary that doesn’t pay above national averages. The commute is well worth the savings in housing cost. Urban sprawl is being increased farther in distance, due to increased housing costs in all neighborhoods of Seattle and surrounding suburbs.

Moreover, increased housing cost and urban sprawl are closely linked causes of rising homelessness in Seattle. Seattle’s homeless issue has gotten worse over time. Vernal Coleman notes, “The number of people living without shelter in Seattle also rose” (“King County’s Homeless”). There are many without permanent residences in the Seattle area, and one cause may be the costs associated with having to commute from surrounding areas. Seattle Office of Housing declares that transportation makes up 16% of spending for low-income families, more than healthcare or food (“Seattle Office of Housing”). Low-income families must live farther away from Seattle due to high housing costs, but are now spending a larger portion of their money on transportation. Because those who are low-income are spending more money on transportation than healthcare, all it takes is one drastic medical emergency to make them homeless. Urban sprawl, high housing cost, and homelessness have a very intricate relationship. Department of Commerce states, “After examining potential drivers of the upward trend, it appears the increase is overwhelmingly caused by growing rents pushing people living at the margins into homelessness” (“Why is Homelessness Increasing?”). As expected, when housing costs go up, people near poverty may be pushed over the edge. The rental market is hit particularly hard because renters are building no equity by making payments each month. Rent is a dead-end payment, whereas a mortgage is returning value to the borrower over time. Both urban sprawl and increased cost of housing have led to a higher percentage of homeless people.

Nevertheless, Amazon has taken steps to reduce homelessness. Kaya Yurieff explains Amazon will be using 47,000 square feet of its newest headquarters building as a permanent homeless shelter (“Amazon Will Build”). Homelessness is certainly a complicated issue, and there are many reasons why homelessness has increased in Seattle. However, the argument that Amazon is reducing homelessness is not true under most definitions of homeless. For the research conducted, homeless means not having a permanent residence. Amazon is not providing permanent residences at this proposed shelter, nor do nearly any homeless shelters. Each homeless person will be able to stay the night, and roll the dice on whether they can do it again the night after. This is simply an act of public goodwill by Amazon. Amazon can still be reasonably linked to homelessness. With most of the jobs provided at Amazon’s South Lake Union Headquarters being in computer programming, and computer programming being paid higher in Seattle than the rest of the United States on average, very wealthy buyers are setting the housing market. When nice homes are sold out, undesirable homes are overpaid for. This has in turn made housing unattainable for most Seattleites, who make only modest wages for their professions compared to the rest of the country. Low-income residents of Seattle are having to commute from far distances, increasing their total cost of housing from historical averages. This is a potential catalyst for homelessness. In the end, Amazon’s shelter will only be housing the low-income residents who can no longer afford to live in Seattle due to Amazon’s wealthy employees setting an extremely high barrier of entry to the housing market. Amazon has taken steps to reduce homelessness, but this step does not negate the long-term negative effects Amazon has caused.

It is not simply population growth of Seattle leading to increases in housing costs, urban sprawl, and homelessness. It is a wide-ranging relationship between population growth, profession of population, age of population growth, supply of homes, interest rates of mortgages, and wages of professions nationally versus Seattle. Amazon’s South Lake Union headquarters has increased population growth, but this growth is in the young and wealthy computer programming demographic. Young people are more in the market for homes than older people. Being significantly higher paid than other professions in Seattle has allowed computer programmers at Amazon’s South Lake Union headquarters to effectively set the price of the housing market. Amazon workers are mostly computer programmers who are being paid much higher than programmers in other parts of the USA, leading to a disparity in the desire and ability to live in Seattle among the lower, middle, and upper classes. Most professions do not reflect Seattle’s high cost of living in their salaries, leading to a far flight from Seattle to afford housing. The price gouging of housing has also increased homelessness. When rent prices increase, homelessness does too. Amazon has not affected Seattle zoning laws. Seattle’s zoning laws restrict the adjacency of homes to businesses, leading to an over commercialization of Seattle, and lack of residential areas. These zoning laws also restrict many residential plots of land to only single-family homes. Another factor unaffected by Amazon is interest rates on mortgages. Interest rates are historically low within the timeframe researched, leading to a jump in the demand for the houses. Increases to interest rates on mortgages signify a lower willingness to overspend for homes, lessening the competition of the housing market. When people pay more of their mortgage to just interest, they won’t take out as big of a loan, reducing the amount they will pay for a home. There are more factors to consider than just population growth leading to increased housing cost, and increased housing cost leading to homelessness and urban sprawl.

In conclusion, solutions to the cost of housing, urban sprawl, and homelessness issues need to be looked at with a wide lens. Amazon employees are more highly-paid than employees of other companies because of their most common job title. Computer programming is more well-paid in Seattle than the rest of the country. Why is this the case? The economy of Seattle can only be so strongly built on one industry before it starts to see some bending. If the wages of other industries which are crucial to a successful society aren’t keeping pace, there will be a breakdown in the fundamental economic system. Zoning laws also need to keep pace with Seattle’s rapid growth, as the current laws represent a time in which only nuclear families occupied neighborhoods. The city’s landscape has changed too much to still be zoned for mostly single-family homes. A city council vote and city law ordinance to officially change the zoning laws to allow the building of more multiple-family residences will allow Seattle to increase the supply of homes, decreasing housing cost. Until then, homelessness and urban sprawl will remain at unhealthy levels. Amazon’s headquarters in South Lake Union is perhaps one of the biggest factors to a high cost of housing leading to homelessness and urban sprawl, but the right solutions will address each factor. It is time to act to keep Seattle an affordable, livable, safe city.

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