

HOUSING ATTAINABILITY

FINDING A PATH FORWARD FOR HOUSING

AN ISSUE BRIEF BY _____
Master Builders Association of King and Snohomish Counties

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**MASTER BUILDERS
ASSOCIATION**
of King and Snohomish Counties

BACKGROUND

Between 2000 and 2015, King, Snohomish, Pierce, and Kitsap counties grew by 20 percent to nearly 4 million residents. An additional 900,000+ residents are projected by 2040.¹

The Puget Sound region's strong economy and associated job growth have attracted workers and families, creating a high demand for housing. This strong demand, coupled with an ever-tighter supply of housing, has led to skyrocketing home prices, spiraling rents, and a shortage of affordable and attainable housing—especially near job centers.

The latest National Association of Home Builders/Wells Fargo Housing Opportunity Index shows that fewer than half of all homes sold in the Seattle metro area during the third quarter of 2016 were affordable to families earning the median income of \$90,300. The Runstad Center for Real Estate Studies at the University of Washington notes in their Housing Market Summary for the third quarter of 2016 that only about one-third of homes sold in King County were listed below \$500,000 and only three percent were listed below \$250,000.

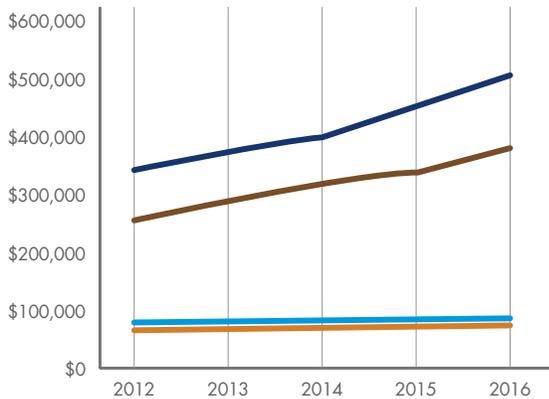
Washington's Growth Management Act (GMA) was adopted in 1990 to address rapid population growth and concerns with suburban sprawl, environmental protection, and other quality of life issues. Among its various goals, the GMA specifically requires the promotion of affordable housing to all economic segments of the population of the state.

PROBLEM

The Puget Sound region faces an overwhelming affordable housing crisis. Rising home prices and rents are making it increasingly difficult for families and job seekers to find homes near employment centers. Despite efforts to add more housing, including an increase in apartment home

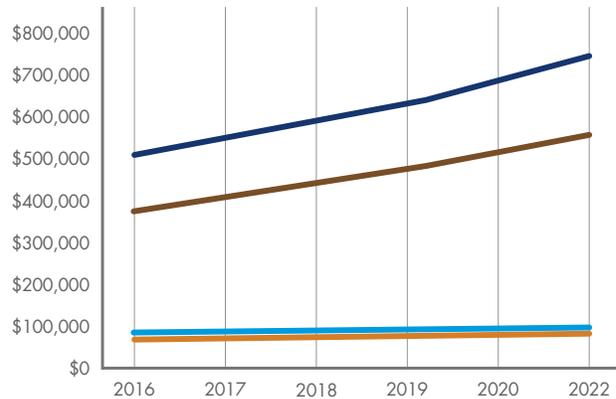
construction in the Puget Sound region, the demand for housing has significantly outpaced supply.² A buildable lot supply shortage, regulatory barriers to housing, and local resistance to growth have exacerbated this situation, further driving up home prices and rents. To attract and retain quality workers, businesses need an adequate supply of attainable housing near job centers. This is a significant quality of life factor for our entire region.

MEDIAN HOME PRICE AND HOUSEHOLD INCOME GROWTH³



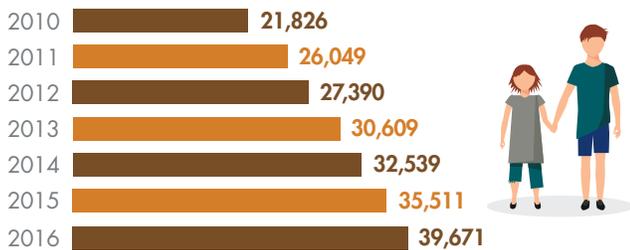
● KING COUNTY MEDIAN HOME PRICE
● KING COUNTY MEDIAN HOUSEHOLD INCOME

PROJECTED MEDIAN HOME PRICE AND HOUSEHOLD INCOME GROWTH⁴



● SNOHOMISH COUNTY MEDIAN HOME PRICE
● SNOHOMISH COUNTY MEDIAN HOUSEHOLD INCOME

HOMELESS STUDENTS IN WASHINGTON STATE



With very few affordable options to live near jobs, many workers are forced into long commutes. For example, Marysville is among the fastest growing cities in western Washington because there's space to build housing and homes are generally more attainable there. However, Marysville is not a big job center, and so one in six people end up commuting more than an hour to work.⁵

Another unfortunate result of the housing affordability crisis is the rapid increase of unsheltered families and homeless children throughout our region and state. In 2010, there were about 22,000 homeless students in the state; by 2016, the number grew to nearly 40,000.⁶

Buildable Land/Lot Supply Shortage

Continued growth has led to the consumption of most of the buildable land within urban growth boundaries established in the 1990s. Much of our remaining land supply is constrained by factors including environmentally sensitive areas, lack of infrastructure, regulations that prevent development, and local resistance to growth. As our population continues to grow, not enough is being done to help ease the Puget Sound housing shortage, jeopardizing housing affordability and attainability.

A disconnect exists between what King and Snohomish counties' Buildable Lands Reports (BLRs), required by GMA, tell us and what homebuilders experience. Homebuilders are frustrated that they can't identify adequate land supply when—per county BLRs—the counties say there is more than enough land to accommodate the estimated population growth for the next 20 years.

Regulatory Barriers

Regulatory barriers to housing, including everything from stormwater requirements to lengthy permit timelines and impact fees, also drive up costs. A 2016 report by Zillow found that cities with the most restrictive land use regulations had rents that were three times higher and offered less construction of for-sale housing compared to cities with the least restrictive regulations. The National Association of Home Builders estimates that, on average, about 25 percent of the cost of a single-family home is directly and indirectly attributable to government regulation.

There are many ways in which regulations limit housing supply and drive up prices. Rules that restrict the height of buildings or density of development constrain inventory and make housing more expensive in the surrounding area. With each stall in a parking garage costing tens of thousands of dollars to build, parking requirements

can impose significant costs on new housing, directly impacting housing affordability by forcing people who buy or rent housing to pay for parking regardless of their actual needs.

Certain environmental regulations, such as critical areas ordinances that impose large no-build buffers or otherwise subtract from our limited supply of buildable land, also place upward pressure on home prices. When fewer housing units are allowed on a given site, this drives up the price of the remaining units.

Additionally, regulations that add time to the homebuilding process impact costs because the delays lead to higher interest and carrying costs for the builder.

In a letter to the Affordable Housing Advisory Board (AHAB) dated January 16, 2017, Governor Jay Inslee asked AHAB to convene a work group to examine how zoning and planning, permitting, development and financing, and construction processes can be improved to increase housing supply. The letter provides a clear directive about the need to remove barriers currently limiting the creation of more affordable housing.

SOLUTIONS

Focus Policy Action on Buildable Land Supply

The MBA advises a critical focus on increasing residential lot supply and housing options in both King and Snohomish counties, including a full range of housing types from multifamily to detached single-family homes. The State Legislature and local governments must adopt viable solutions to increase urban densities and make the GMA work as intended. Instead of resisting our region's expected growth and enacting policies that subtract from our very limited buildable land supply, local governments should work within their communities to expand housing supply and choices for families.

SPECIFIC RECOMMENDATIONS INCLUDE THE FOLLOWING:

GMA/Buildable Lands: The MBA supports taking a fresh look at the tools we use under the Growth Management Act in planning for growth, specifically a comprehensive review of the GMA's housing-related goals and process for measuring buildable land supply. The MBA believes buildable lands reports need to include a more robust market factor that considers whether land is truly buildable when weighed against things like commute time to job centers, local zoning, and development regulations and concurrency.

Legislation introduced in the Washington State Senate and supported by the MBA would make changes to GMA Buildable Lands Report requirements to make BLRs more accurate regarding what lands are actually buildable. Among other provisions, the bill, SB 5254, would require consideration of availability of infrastructure, environmental constraints, and development/redevelopment market assumptions. SB 5254 would also provide funding for low-income housing and homelessness programs.

Urban Densities: Cities must do their part to up-zone within their borders to achieve minimum net urban densities and accommodate new growth. One option is to amend the GMA to require Puget Sound Regional Council cities to establish a minimum density in residential zones in their next comprehensive plan updates. Cities and counties could then be held accountable for the growth targets set by local governments.

Transportation in Unincorporated Urban

Growth Areas: Transportation elements of county comprehensive plans must support growth in unincorporated parts of urban growth areas (UGAs). Infill development that accommodates high growth in our largest job centers is critical and must be a part of the solution, including more density and transit-oriented development. But it's not just our major metropolitan cities that need transportation investments; we must also consider the needs of small to medium-sized cities and figure out how to better connect them and, in so doing, create more opportunities for workers and their families to find housing they can afford.

Address Regulations that Limit Supply and Increase the Cost of Housing

The Legislature and local governments should look for ways to limit cost pressures on new housing, including a careful review of the impacts of regulations on housing supply and costs.

Policymakers should seek opportunities to create more efficiencies and flexibility in how regulations are implemented while still meeting their intended purpose. Tools offering this flexibility, such as buffer averaging in critical areas regulations, must be adopted more widely across King and Snohomish counties and the cities within.

SPECIFIC IDEAS FOR REGULATORY IMPROVEMENTS INCLUDE THE FOLLOWING:

Vested Development Rights: Washington state's vested rights doctrine has been deeply eroded, to the detriment of housing affordability and availability. The Legislature should adopt language either codifying the existence and legitimacy of the common law vested rights doctrine or that vesting on specific land development permits take place at the time of complete permit application.

The MBA supports SB 5212, a bill to clarify that a valid and fully complete building permit application for a structure vests to the zoning and other land use control ordinances in effect on the date of the application, including land use control ordinances enacted for the purpose of complying with state law.

Final Plat Process: In many local governments, it can take weeks or months to get a final plat on the agenda of the legislative body, unnecessarily delaying the permit process. Local governments should be able to make the final plat process administrative, similar to that of final short plats. There is no need for a legislative body to approve final plats. The preliminary plat application provides an opportunity to appeal, so removing the final plat approval process would not remove the opportunity for public input or appeal. Eliminating this step would also save staff time associated with preparing the final plat package for council.

The MBA supports SB 5674, a bill to give local governments the option of making the final plat process administrative. The bill would cut down on the amount of time it takes to get final plat approval, bringing greater efficiency to the permit process.

Condominium Construction Defect Liability: The current regulatory environment for condominium construction in Washington state places significant liability on builders, making it prohibitively costly to bring this housing product to market at an affordable price point. The MBA supports lowering regulatory costs associated with building affordable condos without public subsidy. The Runstad Center for Real Estate Studies report, "Incentivizing Condominium Development in Washington State: A Market and Legal Analysis," suggests specific ways we could lower the perceived risk and uncertainty imposed by the Washington State Condominium Act.⁷ These suggestions deserve careful review.

Determination of completeness/Notice to applicant:

The current process for seeking a procedural completeness determination for a project application can sometimes add months to the permit process, unnecessarily driving up soft costs on projects. The Local Project Review Act should be modified to state that an application is complete upon submittal (acceptance of the application by the city/county) where a submittal appointment is required. Making a completeness determination at submittal does not bar local governments from asking for additional information needed to process applications.

Other ideas to help lower regulatory costs of housing and improve affordability include: expanding State Environmental Policy Act (SEPA) exemptions to apply to subdivisions where an environmental impact statement (EIS) has already been done; allowing for subdivision of attached units; reducing or eliminating impact fees when the developer is already providing improvements to local infrastructure; and eliminating the ability to impose impact fees through SEPA (impact fees should only be GMA-based).

Incentivize More Housing Opportunities Near Job Centers

Instead of imposing housing affordability mandates, which can have the unintended consequence of driving up the cost of housing in the surrounding area, policymakers should consider incentive-based approaches to promoting affordable housing.

The MBA would be supportive of measures to extend the Multifamily Tax Exemption (MFTE) Program and make it more flexible so that it could apply to a broader mix of housing types.

Cities should implement faster permit approvals and other incentives for innovative housing types that help accommodate new growth, such as micro-housing and fee simple townhomes.

Other regulatory incentives that should be considered include a floor area ratio (FAR) bonus, density bonus, more efficient lot coverage rules, reduced parking requirements, internal lot setbacks, and tree ordinance reform.

Stabilize Funding for Housing and Homeless Programs

The MBA supports the state's efforts to stabilize funding for housing and homeless programs so long as the funding is occurring hand in hand with reasonable efforts to increase the supply of housing near job centers, including a mix of housing types from multifamily to detached single-family homes. Our current housing affordability crisis cannot be solved without increasing our overall supply of all housing types to keep pace with population growth.

CONCLUSION

Lack of land supply and other barriers to new home construction have contributed significantly to escalating housing costs and a housing supply shortage. It is a regional issue that is making it increasingly difficult for families and job seekers to find attainable housing near employment centers.

State and local leaders need to make housing supply a top legislative priority. The MBA advises the adoption of viable solutions to increase urban densities and make the GMA work as intended while expanding the full range of housing types the market demands, from multifamily to detached single-family homes. Local governments must do a better job of utilizing existing land supply and infrastructure to meet current and future housing demand.

Furthermore, as state and local leaders continue to look for ways to ease affordability pressures, it is critical that a careful review of the impacts of regulations on housing supply and costs be a part of the solution. State and local leaders should also consider incentive-based approaches to promote affordable housing.

Finally, adequate funding for housing and homeless programs must occur hand in hand with reasonable efforts to increase housing supply.

The MBA stands ready to partner with regional leaders and stakeholders so that by working together, we can address our lack of affordable and attainable housing.

Sources

¹Puget Sound Regional Council, <http://www.psrc.org/data/forecasts/>

²The entire Puget Sound region is slated in 2017 to have its second busiest year in history for apartment construction. The city of Seattle is on pace to see more apartments built this decade than in the previous 50 years combined. Despite this significant increase, the new apartment homes won't solve the housing crisis. Demand for rentals has grown so quickly—with newcomers lured by local jobs and many locals priced out of the homebuying market—that the recently added supply hasn't been enough to stop rents from soaring 43% in the last four years.

Rosenberg, Mike (2016, December 30). Seattle's record apartment boom is ready to explode; what it means for rents. The Seattle Times. Retrieved from <http://www.seattletimes.com>.

³The 5-year average median home price increase in King and Snohomish counties for December YOY is 11.4% and 11.2% respectively. Source: NWMLS. Meanwhile, median household income grew by an average of 3.8% in King County and 2.8% in Snohomish County. Source: OFM & Census Bureau's American Community Survey

⁴Future projections assume an average annual median home price gain in King and Snohomish counties of 8%. Assumes annual median household income growth will average 3.8% in King County and 2.8% in Snohomish County.

⁵McNichols, Joshua (2017, January 4). Tired of commuting, a bedroom community near Seattle takes a risk. KUOW. Retrieved from KUOW.ORG.

⁶Office of Superintendent of Public Instruction

⁷The Runstad Center undertook this study in response to the city of Seattle's July 2015 Housing and Livability Agenda (HALA) report, which suggested the city work with the center "to explore options to stimulate the condo development market, including revising the warranty scheme in the Washington State Condominium Act."

Founded in 1909, the Master Builders Association of King and Snohomish Counties (MBA) has grown to become the largest residential home builders association in the United States. With 2,800 member companies, the Association is dedicated to membership value, government advocacy, financial stewardship and promoting the residential building industry in the Puget Sound region. The Association and its members address many of the concerns and issues affecting the residential housing industry. If you are looking to buy, build, remodel or maintain your home, trust the MBA for industry professional referrals and practical information to get the job done.

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