



## WASHINGTON ASSOCIATION OF REALTORS®

Government Affairs - Issue Paper

### *Quality Growth Brings Economic Prosperity*

#### **Improving Our Quality of Life**

Ten years after the legislature adopted the Growth Management Act, Washingtonians continue to grapple with the effects of growth and economic development. Without question, the state's economic prosperity has spurred population growth. And that increased population has, in turn, generated increased economic activity. Prosperity cannot flourish without growth.

As the Washington Research Council reports, "population increases and business growth feed each other. As businesses locate and expand within an area, they need people to fill the jobs they create. As population grows, more opportunities are created for new and expanding businesses catering to the larger number of people, and the cycle of growth continues."

#### **No Prosperity Without Growth**

- Businesses create jobs that support workers and their families. Together, workers, their families, and the businesses that employ them create wealth.
- Increased income results in increased spending – for residential and commercial real estate and other property; for consumer goods, and for business production or services.
- Tax revenues allow people to work together to accomplish objectives too big for a few to do by themselves.
- Working often through government, we are able to build and maintain schools, parks, utilities, roads, and many other services that benefit everyone.
- Income and taxes, together with a large enough population, make it possible for communities to support a variety of recreational and social activities and facilities.
- Residents and visitors support art museums, aquariums, zoos, several professional team sports, the opera, theaters, universities, world-class hospitals and health care resources, retailers/shopping centers, restaurants, and night life venues.
- In economic terms, willingness to pay for costly environmental measures increases with respect to income. The prosperity that economic growth brings also provides people with the discretionary time and money to share with others.

*"Population expands fastest where jobs grow (and stagnates or declines in ailing economies)."*

**– Real Estate Development: Principles and Process**

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Increased wealth leads to increased consumption, as well as support for community development and shared resources, and a demand for more people to fill jobs in a flourishing economic market. Increased income results in increased spending—for residential and commercial real estate and other property; for consumer goods; and for business production or services. Businesses create jobs that support workers and their families. Together, workers, their families, and the businesses that employ them create wealth. Increased tax revenues generated from the economic activity allow government to build and maintain schools, parks, utilities, roads, and provide other services that benefit everyone.

Washington has experienced spectacular growth in the last decade. Personal income is up; unemployment is down. Economic growth has allowed more and more people to live the American Dream and become homeowners in better communities with safe streets and good schools.

However, housing prices have skyrocketed in response to unprecedented demand and new regulatory restrictions. Population growth also challenges the transportation system. As a result, Seattle-area congestion now ranks as the second worst in the nation.

Recent surveys show that people readily cite the economic benefits and new jobs as reasons to support growth. But, they list traffic congestion and environmental issues as concerns about growth. While the public is aware of growth's potential benefits, their current experience with traffic makes them hesitant about more development. In the past, new development had a positive connotation. Growth spelled more jobs, better communities, and greater opportunities for all residents. Today, citizens' reaction to new development is often negative. When the nexus between general growth and our personal well-being was broken, people began to doubt the value of further economic growth.

Focus groups cited restricted growth for threatening our economic prosperity. Potential companies that could increase the tax base and provide jobs for a community may choose not to locate in a specific area because of a lack of ability for employees to live in that area. *"We can't get enough people to work in our company because they can't live in this community because we can't build any more places for them to live. I think you're rolling the dice as to whether or not you are going to kill your community by doing that. If it's not growing, it's going backwards."* Another noted, *"If you say you cannot grow, it's sort of like saying you're going to die economically."*

Anti-growth policies are unrealistic. The population continues to increase and must be supplied with new housing, jobs and services. The slow-growth movement sought to minimize the impact of growth by controlling its timing. But attempting to slow the pace of growth fails to address the nature of growth and development. The issue is not growth versus no-growth or, indeed, whether we should grow. Our challenge here in Washington, where quality of life and environmental integrity are strongly and widely held values, will be to lift the debate to a new level. When an area has been identified as attractive, which Washington obviously has, growth is inevitable. The issue is how we should grow.

Growth goes well beyond more people and more congestion. **Done thoughtfully, quality growth can result in more prosperity, more opportunity, and more inclination on the part of an increasing number of people to help others and improve our community.**

*"Extensive public and private investment, good planning, quality development and construction, desirable location, a sound economic and employment base, and a growing population would ultimately produce a healthy real estate market with rising long-term values."* – **Real Estate Development: Principles and Process**

The Washington Research Council's "Growth in Perspective" series of Policy Briefs on growth provides insight, based on extensive research, about the costs and benefits of growth, as well as the goals, barriers and challenges of growth management, and proven solutions to overcome these barriers.

***Real Estate Spurs Economic Prosperity*** - As federal, state and local governments consider land use controls, development regulations, and other growth management measures that restrict the use of real estate, it would be wise to consider the potential consequences in lost jobs, personal income, and tax revenue. Real estate is the base upon which the state's economy is built. Directly and indirectly, it accounts for a quarter of state employment. Taxes on real estate and real estate related industries provide much of state and local governments' tax revenues.

***Construction Taxes and Fees*** – Taxes and fees derived from new home construction generates considerable revenue for state and local government, about half of which is sales tax. Nearly half of the tax and fee revenue goes to the state, rather than to local governments. Based on the recent construction and sale of a \$250,000 house in Kirkland, it generated nearly \$22,000 in taxes and fees, which included sales tax, Real Estate Excise Tax, business and occupation tax, property tax, impact fees and connection charges. For a community to get a handle on growth, the Washington Research Council urges facilitation of more quality growth through more effective use of capital improvements programs and the one-time tax revenues generated from home construction, especially for investment in infrastructure improvements which foster prosperity and on-going tax revenue.

***Growth Management Effects on Real Estate*** - The Growth Management Act presents several challenges for the real estate development industry. Urban growth boundaries were intended to direct growth into urban areas. However, restrictions on land use in rural areas limits the supply of land, making land in urban areas more expensive. The increased land costs, in turn, increase the cost of housing. Land designated for development within the urban area often faces additional constraints, including: local zoning codes which do not allow for compact development necessary to accommodate growth within the urban area and citizen opposition to additional development in their neighborhood. For communities to ensure affordable housing is available in urban areas, each local government must increase the capacity of buildable land by changing zoning and development regulations.

***Buildable Land*** - As defined by the Growth Management Act (GMA), "buildable land" is designated for growth in urban areas. The challenge is knowing the amount of such land available in a given urban area and the constraints to developing these lands. In Washington, permits are subject to the Growth Management Act, the State Environmental Policy Act, and the Shoreline Management Act, each of which has a different focus, process and set of time requirements. The Research Council reminds readers that Urban Growth Areas need not remain fixed, but must be flexible and change in response to demographic and environmental standards.

***Impact of Regulations and Fees*** - Government regulations on development result in higher prices for homebuyers. A number of surveys and studies have shown that the impact of zoning and other land use controls suggest that local regulations add 20-30% to the cost of housing. Urban growth boundaries, excessive and restrictive development regulations and constraints, impact fees, sensitive area and wetland ordinances, and complicated and prolonged permitting processes contribute to the cost of developing new housing and also inflate the prices of existing housing. A short list of costly development requirements includes: impact fees; park or recreational set-asides; open space lands and critical areas; federal regulatory requirements; local permitting processes; and, multi-jurisdictional authorities and conflicts.

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***Promoting Economic Growth*** - Local governments often set the tone for a community's success in attracting economic growth, or deferring it elsewhere. Government decisions in land use, transportation, and infrastructure affect economic vitality. Local governments should review comprehensive plans, zoning ordinances, transportation plans, environmental policies, infrastructure investments and the permit process to evaluate the extent to which they promote the goals of the community, accommodate growth, encourage or discourage quality development, and are consistent with one another. Local governments should coordinate infrastructure investments with land use plans to accommodate new growth. By laying the proper groundwork—coordinating planning and permit review processes, providing infrastructure, ensuring land availability through zoning ordinances, implementing effective development regulations—a community can set the stage for successful efforts of working with the business community for job retention, expansion and recruitment.

***Infill Development*** - Encouraging infill development is universally accepted as good public policy. Infill development benefits cities by offering housing opportunities and community revitalization. Further, revitalizing a city will benefit its entire metropolitan area and contribute to growth affecting both the city and its suburbs. But in spite of all the advantages, developers of infill housing face a number of impediments. No-growth attitudes and policies, financing and development difficulties make infill development difficult. Cities should work to remove these impediments. Local governments can encourage infill development by establishing the proper regulatory framework, processing permits promptly, providing infrastructure and working to gain community acceptance.

***Transportation and Infrastructure*** - Adequate infrastructure - roads, water and sewer systems, schools - can assure that accommodating the influx of new population works to the benefit of communities in the fast-growing regions of our state. Today, however, Washington faces significant backlogs in necessary infrastructure investment. Research documents substantial need for local government infrastructure investment. In the last decade, Washington State's economy has grown by 50% and its population by 18%, with state projections showing more than one million more in the next decade. To accommodate such significant population growth, well-planned, adequately maintained infrastructure is vital. Without infrastructure investments, communities will inhibit economic activity, compromise the integrity of existing systems, and jeopardize public safety, economic vitality, and our quality of life.

***Balancing Jobs and Housing*** - Imbalances in the location of jobs and housing are an increasing problem in the most heavily urbanized areas of Washington. Jobs and housing imbalances contribute to a deterioration of the regional quality of life, extending commute times and increasing congestion as well as increase the prices of housing near job centers. The number of new jobs has far outpaced the amount of new homes in the Puget Sound region. To maintain economic vitality and our quality of life, local governments must make the regulatory changes necessary to allow the increased production of new housing necessary to meet the demand created by new jobs.

REALTORS® share the public's desire to sustain and enhance the quality of life in Washington. REALTORS® are taking the lead in developing public policy proposals by supporting quality growth and seeking sustainable economic vitality and housing opportunities that embrace the environmental qualities we cherish.