



**B R I E F L Y**

Homeowners may benefit when the areas in which they live incorporate, but new cities in King County likely will make it more expensive for growing businesses to draw new employees from outside the region.

To protect their property values, homeowners have pushed for incorporation as a way to stop the county from zoning their communities for more apartments. Since the decade's start, 10 new cities have formed in King County.

As a result, land and therefore housing prices will rise even faster than they have been in the greater Seattle area. Growing businesses will have to pay prospective employees more, since they may refuse to move here if they cannot afford to buy homes for their families.

If it becomes too expensive to do business here, growing firms may elect to move elsewhere.

## Housing Prices to Rise Faster

An unexpected consequence of Washington's Growth Management Act has been the proliferation of new cities in King County during the 1990s, and in one respect that bodes ill for growing local businesses, according to a visiting Dartmouth University economist.

Land and therefore housing prices likely will rise faster. Growing businesses will have to pay more to attract prospective employees from other regions, or else sticker shock will deter them from moving here, said William Fischel, an expert on local-government control of land use.

As the cost of doing business here climbs, growing firms may decide to expand elsewhere, Fischel predicted at the June 16 meeting of the Seattle Economists Club.

To dampen the surge in housing prices, Fischel said King County's cities should accept greater housing density, and the county should loosen the urban growth boundary, allowing for more growth in adjacent rural areas.

On sabbatical from Dartmouth, Fischel has been teaching at the University of Washington's Evans School of Public Affairs.

The legislature passed the Growth Management Act (GMA) in 1990 to contain urban sprawl and to force counties to plan for orderly growth. Within county-designated urban growth areas, it was expected that unincorporated land would annex to existing cities, Fischel said. But in King County, the GMA sparked an explosion of 10 new cities.

Federal Way and SeaTac incorporated in 1990, Burien and Woodinville in 1993, Newcastle in 1994, Shoreline in 1995, Covington and Maple Valley in 1997, Kenmore in 1998, and Sammamish in 1999.

From a housing-price standpoint, the problem is that the new cities tend to resist greater density, Fischel said. Homeowner activists pushed for incorporations because they wanted to take land-use control away from the county, which they deemed too permissive on development. The activists felt that county zoning allowed for too much density, too close to single-family neighborhoods, and that it over-zoned for apartments.

Almost all of the new incorporations grew out of homeowner concerns that the county and bigger cities did not represent their interests in land-use, Fischel said. Homeowners also wanted to preserve local identity and to gain local control over taxes.

Incorporation efforts failed four times in Woodinville, he said, but in 1990 residents opted to incorporate after the county proposed locating a jail in their midst. SeaTac residents supported incorporation because they believed the county police were doing too little to control prostitution along Highway 99.

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Burien residents incorporated to fight SeaTac International Airport's proposed third runway, Federal Way to stop the county from dumping more apartments in their community, and Kenmore to stop the county from imposing higher-density housing.

"One purpose of incorporation is to frustrate in-fill development," Fischel said.

Incorporation brings many benefits, but if new cities are too exclusionary, land prices are bound to rise faster than otherwise, he said. "In the long-run, that's bad for the area, because of economic issues."

Fischel noted that until the 1970s, the biggest difference in regions across the country was wages. Now it's land prices.

In time, rapidly rising land prices will hurt growing businesses in the Seattle area, he said. To draw prospective employees from Cleveland, Microsoft will have to pay them a lot more, so they can afford to buy homes. As a result, the greater expense of doing business here will tempt expanding firms to locate somewhere else, Fischel warned.

Why have homeowner activists rather than, say, chambers of commerce and developers promoted incorporation? Because everything important in their communities affects the value of their homes, which for many owners are by far their biggest assets, Fischel said. Since schools, crime, traffic, taxes and density affect home values, homeowners want as much control of their communities as possible. And they can exert more influence over their city councils than they can the Metropolitan King County Council.

The downside of incorporations is that homeowners are inclined to make their communities too restrictive, to insist on low-density zoning, Fischel said. And that increases metropolitan sprawl.

Another unfortunate side effect of new cities is they exist mainly to look out for the interests of their residents, so they may slight the interests of the greater metropolitan area, Fischel said. Moreover, dealing with regional problems becomes more difficult as more cities form; with more players at the table; agreements are harder to reach.