REALTOR®

Economic Development

Background:

Overall, Washington's economy is booming. In 1998, Washington was the only state in the nation to record personal income growth in double digits (11.2 percent). This achievement is impressive evidence of the dynamism of the state's leading-edge industries. Yet, many in the state have not enjoyed a share of these gains. For some, in certain remote and rural areas, economic stagnation or decline marks the scene. For others, in fast-growing regions but employed in less-favored sectors, the costs and pressures of daily life have increased as a result of economic expansion while incomes have not kept pace.

Washington has dramatic regional disparities in growth, income and job creation. Washington has a large gap between economic "hot spots" and areas of low growth or decline. Some lagging industries and struggling communities are located in thriving regions, and there are successful, world-class businesses in remote areas. Indeed, almost every part of the state has its own unique mix of characteristics.

Washington has shifted from a resource-based economy to a manufacturing and information-based economy. Central Puget Sound is the global center of two important industries: aerospace and software. Many rural and coastal counties continue to be dependent on resource-based industries (such as agriculture, food processing, forestry, wood products, and fishing). These counties have not experienced phenomenal economic growth like Central Puget Sound.

The state's economic development policies and programs can encourage economic opportunities. The challenges associated with economic change require both forward thinking and responsiveness to new economic dynamics. Washington State should encourage economic development to maintain a healthy state economy and to increase the standard of living and quality of life for all Washington residents.

Analysis:

Economic vitality has been highly concentrated geographically and by industry sector. Some areas in the state are struggling with severe shortages of trained workforce and lack of land for new business sites. Other areas are in search of economic development based on their lower costs for land, housing and labor, and an uncomplicated regulatory process in rural areas, but lack other important factors necessary to attract business.

Business analysts have concluded that the key driver of growth has been information technology, an industry where Washington has played a lead role. These analysts believe that sustaining this "New Economy" requires strategic investments from government in such areas as education and training, transportation, public utilities, and telecommunications infrastructure. These investments are the public sector's key contribution to the current economic boom.

The purpose of economic development is to increase the standard of living and increase the quality of life for our citizens. The goals are to create or maintain jobs and incomes, and to increase wealth rather than redistribute it. The objectives are for value to be added to private sector goods and services and for individual businesses to be able to: (1) develop their business strategies; (2) increase the skills of their workers or managers; (3) apply advanced technologies; (4) garner necessary infrastructure; (5) access capital; and (6) enhance social capital.

There are certain roles performed by government that remain essential to economic success. Government can bring together diverse interests to develop, articulate and monitor the goals, objectives and indicators related to economic vitality. Further, government provides resources for infrastructure, and sets parameters for growth.

More balanced growth would benefit all parts of the state by easing the growth management challenge in some areas while bringing economic stimulus to others. In a free economy, the private sector makes the final decisions on business location. If a less concentrated pattern of growth is desired, incentives may be required.

However, there is often a more basic problem: the shortage of funds in many small communities to finance the planning and infrastructure requirements of the Growth Management Act. Overcoming this gap would contribute to “community readiness” for economic development.

State policy makers must address a number of important issues for economic development to prosper throughout the state, including: quality of life, housing, infrastructure, land available for development, regulatory environment, and tax and fiscal policy issues.

Quality of Life: The new economy depends on attracting and holding key talent - people whose skills and knowledge enable them to live wherever they choose. Balanced growth, environmental preservation, livable cities and family-wage jobs are taking their place as essentials to quality of life. They are essential ingredients in any strategy for economic vitality. Today, advocates for growth need to include quality of life protection and enhancement as a key to the sustainability of their future efforts.

Housing: Private developers construct the bulk of housing. Yet, government’s role is large. Each jurisdiction determines the availability and use of land to develop, and in doing so, controls the housing supply relative to demand, which in turn, affects the housing prices. Further, public involvement, quality of life, environmental protection/preservation, transit orientation and other well-intentioned policies have had major impacts on housing costs, along with significant economic consequences. Extensive regulatory and permit procedures also drive up housing costs. Many jurisdictions are failing to plan for, and therefore, are not enabling the development of sufficient residential units to accommodate demand. Housing availability and affordability is crucial to economic vitality because the lack of it exacerbates transportation gridlock, adversely affects employee performance and, causes key workers and even companies not to locate in specific regions. Efforts to reduce barriers to ensure housing affordability is increasingly recognized as an essential part of a successful economic strategy.

Infrastructure: Transportation, public utilities and telecommunications systems provide support structures essential to the functioning of the economy. Transportation is a growing concern. The state must work to minimize gridlock, traffic congestion, long commutes and loss of productive land. Other investments in infrastructure are crucial to business expansion. In some cases, water supply, wastewater and storm water systems are critical limits to growth. Financing these local public works projects is essential to support economic vitality.

Telecommunications performs a central role in today's economy and government is increasingly active in encouraging and facilitating the extension of telecommunications infrastructure. In the information age, telecommunications has joined transportation and utilities as essential infrastructure. High-capacity networks extension to rural and remote areas is essential if these regions are to share in future growth. Traditionally, the state role has focused on regulation to minimize consumer costs. However, deregulation best promotes competition in urban corridors. But since private investment is heavily concentrated in these areas, continued regulation may still be required to ensure universal service and to encourage investment in other parts of the state.

Buildable Lands: Regulatory restrictions, environmental constraints, and community resistance have drastically decreased the supply of land available for development. This action is causing available land to be difficult to find and has driven up the cost to the point that many businesses are unable to expand or are unwilling to move into the state. A sufficient land supply is necessary to accommodate projected growth.

Regulation: To promote economic vitality, regulation must serve clear goals and must be applied in a consistent and timely manner so those regulated do not bear the added cost and delay of a burdensome process. Variations in the efficiency and predictability of regulation have become an important element in measuring competitive advantage. The challenge is to assure that government provides expedited procedures and time frames to meet the fast-tracking goal within the parameters of other regulatory requirements.

Producers of goods and services should not be regulated by price controls, subsidies, over-burdensome paperwork or excessive bureaucracy. Government should stimulate, not discourage, individual initiative, thereby allowing the private sector to prosper and expand.

Tax and Fiscal Policy: The free enterprise system is the most efficient method of producing and distributing wealth, and government power must be limited for the free market to function effectively. Free markets are based on opportunity, initiative, incentives and competition. Competition increases the quality of products at more affordable prices. Increased business investment produces more jobs, higher wages, better working conditions, and a higher standard of living for all citizens.

As taxes increase, businesses and consumers have less disposable income. Business is left with less money, giving them little choice but to increase prices charged to consumers, and/or reduce the number of employees and investments in their business. This leads to a poor economy with no available jobs and the need for more government programs.

Businesses need real tax relief that will improve the economic climate. Reduced taxes create economic prosperity, increased investment, new jobs, and expanding government revenues. Increased incentives are often needed for businesses making investments in economically distressed counties.

REALTORS® support measures offering B&O tax credits equal to wages paid for newly created positions and expenses of training newly hired employees, and exempting small businesses from paying B&O taxes in distressed areas. Businesses making significant investments in economically distressed counties should be eligible for sales tax exemptions and B&O and property tax credits.

Conclusion:

In developing the state plan, regional economic, political, and cultural differences should be recognized and the special challenges facing distressed urban and rural communities should be acknowledged. The plan should set priorities, concentrate resources on those priorities, and rely on partnerships and alliances with local communities and organizations.

In a dynamic free-market system, economic vitality depends upon a strategic framework concentrating efforts with the greatest effect by using public-private partnerships to leverage capacity where resources are limited and by not intruding in areas that are being effectively addressed by the private sector.

Booming sectors often face challenges (shortages of trained workforce and developable land) as severe as struggling ones (access to capital and markets). State efforts should focus on removing roadblocks, since both types of constraint dampen economic vitality.

Washington's communities must have a high quality of life and the capacity to respond to economic development and infrastructure needs quickly, efficiently, and flexibly.

Planning, coordination, and certainty in decision-making help maintain the quality of life we must be capable of offering the highly-skilled workforce our economy needs. This quality of life is linked to growth, traffic congestion, business activity, affordable housing, quality education, expansion of existing businesses, and recruitment of new businesses.

REALTORS® help sell the benefits and important aspects of each community. Many of our members are involved in community economic development councils, chambers, and other organizations interested in attracting economic development. REALTORS® have experience in highlighting the key selling points of communities, and understand what makes a community attractive to potential commercial and industrial development.

REALTOR® experience has taught us there are four key elements to providing a strong foundation for economic development, and attracting business to Washington State:

- **Enhancing the high quality of life that we enjoy throughout Washington. The low cost of living, the pristine environment, public health and safety, affordable and available housing, and a qualified workforce, balanced by the desire to accommodate economic development, are critical to drawing business to the state.**

- **Ensuring a sufficient amount of buildable land with applicable development regulations, while providing an integrated planning process with coordinated and predictable permitting procedures, will provide important incentives to encourage economic development.**

- **Infrastructure investments are necessary to attract new business. Local jurisdictions need the ability to provide water, sewer and roads to support new business investment.**

- **Tax incentives are an effective method to encourage business to locate in areas, providing the community with economic development and job creation tools.**

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