

**STRATEGIES:
OPTIONS/ALTERNATIVES/ARGUMENTS
AUGUST 2000**

**SITUATION ANALYSIS:
WASHINGTON STATE'S GROWTH MANAGEMENT ACT**

BACKGROUND

Washington State's Growth Management Act (GMA) was enacted in 1990 and 1991. The Washington State Legislature found that "uncoordinated and unplanned growth, together with a lack of common goals expressing the public's interest in the conservation and wise use of our lands, pose a threat to the environment, sustainable economic development, and the health safety, and high quality of life enjoyed by residents of this state."

An Act Relating to Growth (SHB 2929), enacted in 1990, established the primary requirements of the GMA. An Act Relating to Growth Strategies (RESHB 1025), enacted in 1991, modified the GMA and established several additional requirements, including the provision for a countywide planning policy and establishment of Growth Management Hearings Boards. Additional amendments to the GMA were enacted in each subsequent year up to 1997. See Attachment "A".

The GMA fundamentally changed growth management in Washington State by rearranging the responsibilities for managing growth. A blend of state and local control now exists, with stringent state requirements and procedures that direct county and city growth management actions. These are enforced by state sanctions for local governments that fail to adhere to the GMA process. Regional Growth Management Hearings Boards ensure compliance by local county legislative authorities with state dictates. Finally, state agencies must comply with local comprehensive plans and development regulations adopted under the GMA.

A county is required to plan under all GMA requirements if the county meets either of the following criteria:

- The county has a population of 50,000 or more and the county's population increased by at least 17 % in the past ten years; or
- The county has a population of less than 50,000 and the county's population increased by at least 20 % in the past ten years.

The basic requirements for counties and cities planning under the requirements of the GMA are as follows:

- Each county and city must designate and adopt development regulations protecting five different types of critical areas;
- Each county and city must designate and adopt development regulations conserving three different types of natural resource lands;

- The legislative authority of a county must adopt a countywide planning policy to guide development of comprehensive plans using a process agreed to by the cities located in the county;
- Each county must designate urban growth areas including both interim and final urban growth areas;
- Each county must adopt a comprehensive plan; and
- Each county must adopt development regulations implementing its comprehensive plan.

The GMA includes 13 planning goals to guide the development of these comprehensive plans and development regulations. Counties and cities must include public participation when developing their planning policies, comprehensive plans and development regulations.

Counties must designate urban growth areas. Growth is encouraged inside these areas through higher permitted densities. Outside urban growth areas, only rural, non-urban growth can occur with a few exceptions. The Washington State Office of Financial Management (OFM) projects a 20-year population growth range for each county to use as a basis for its urban growth areas. Counties may design urban growth areas to accommodate any level of urban growth within this range of projected population.

The GMA specifically provides for coordinated comprehensive and transportation planning over regional areas.

Counties and cities planning under the requirements of the GMA are granted additional revenue sources to finance capital facilities, including the authority to impose development impact fees and an additional real estate excise tax. The state also provides financial and technical assistance to counties and cities to help them meet the requirements of the GMA.

Of note is the requirement that development regulations be consistent with a comprehensive plan. This provision of the GMA in part reverses common law and statutory decisions that hold a comprehensive plan is only a guide for zoning, that a zoning ordinance is not required to be consistent with a comprehensive plan, and that a zoning ordinance prevails over a conflicting comprehensive plan.

Attachment “B” summarizes these planning requirements, and shows the phased development of these requirements and authorities running from the GMA.

ROLE OF THE WASHINGTON ASSOCIATION OF REALTORS®

The Washington Association of Realtors® (W.A.R.) fought enactment of the GMA and the subsequent Referendum 547, a more stringent growth management initiative that was taken to the polls in 1990 by the environmental community and soundly rejected. However, the increasing public calls for stronger government planning to address traffic caused the Legislature to act. It took a special session of the Legislature to pass the bill, despite support by the Governor, most state and local government officials, the press and the environmentalists.

W.A.R. leadership, along with the Association of Washington Business and builders, testified against the enactment of the GMA in the House, where the bill was first introduced, but did not actively lobby against House passage. Opponents understood all along that the House, controlled by Democrats, would pass a bill. The opponents' strategy was to try to defeat the bill in the Republican-controlled Senate. However, once the bill passed the House, Senate Republicans feared being labeled pro-growth by Democrats in the upcoming elections and decided that they too had to pass a bill. When W.A.R. realized that a bill would pass during the session, W.A.R. and their coalition partners turned their efforts to ensuring passage of a bill most favorable to their interests. They worked to delete the worst provisions of the proposed legislation and to ensure that a provision on an adequate supply of housing was included in the GMA. W.A.R. succeeded in including language requiring "densities sufficient to permit the urban growth projected to occur in the county or city for the succeeding twenty-year period". W.A.R. also got language added to encourage availability of affordable housing in the planning goals and require the identification of sufficient land for affordable housing in the housing element of comprehensive plans. W.A.R. was also successful in addressing private property rights and economic development concerns, and defeating a provision eagerly sought by advocates of the GMA that would have repealed the "vested rights" doctrine. In Washington, once a completed application for a development project is accepted, the applicant's rights are vested. The major loss suffered by the opponents of the legislation was in not capping impact fees and not watering down concurrency requirements.

During the legislative debate on the GMA, W.A.R. argued that:

- The GMA was not needed. Traffic congestion was the real culprit.
- Planners were trying to repeal the law of supply and demand.
- Restricting growth affects housing costs, the ability for economic expansion and the ability to freely use property, and it depletes the amount of buildable land available to accommodate growth.
- Increased government costs will be necessary to implement the GMA's growth management planning mandates (resulting in increased costs to government/taxpayers, unfunded mandates, and the inability of communities with small to no planning staffs to implement policies).
- The GMA would result in the loss of local land use control (through state mandates and GMA Regional Hearings Boards).

In hindsight, W.A.R.'s lobbyists believe that more trust and better coordination amongst opponents to the GMA would have been helpful, but not necessarily decisive to the outcome. They also believe that W.A.R. should have spent more money on both educating the public and press on the real causes of growth and traffic congestion, and on studies to back up W.A.R.'s legislative arguments. W.A.R.'s lobbyists think that they and other opponents to GMA should have been more assertive during the legislative debate and hammered home the fact that traffic congestion was a direct result of the State's failure to build any new highways or public transit since the 1960s, and not a failure of local planning policy. REALTORS® also feel that they could have done a better job explaining the negative impact on housing prices and availability, and urban sprawl, and linking a state jobs-to-housing ratio policy to successful growth

management. Finally, W.A.R. believes that they should have pressed for more clarity, performance measures and enforcement mechanisms in the GMA.

Since the enactment of the GMA, REALTORS® have continued to offer successful amendments to the GMA. These include providing for and clarifying rural development procedures, the creation of industrial land banks, a buildable lands inventory process, and the ability to challenge local land use decisions through the courts, rather than or in addition to the GMA Regional Hearings Boards.

During the 1990s, REALTORS® have also supported other amendments that have been vetoed. These amendments would have: expanded industrial land banks; required the election and/or ratification of GMA Hearings Board members; made the process of expanding of urban growth areas more flexible; eliminated impact fees and concurrency requirements; integrated the GMA with the State Environmental Policy Act and the Shorelines Management Act; and provided for more state infrastructure investment to accommodate projected growth for the next twenty years.

ANALYSIS OF THE GROWTH MANAGEMENT ACT

Vice President Gore has called the GMA the best example of growth management in the country. However, the perspective of W.A.R. is decidedly different. From viewpoint of W.A.R., the GMA has had disastrous economic consequences resulting from too much centralized planning, flawed population projections, inadequate infrastructure investment, no real mechanism for accountability, resistance to change, and too much emphasis on process versus substance.

W.A.R. believes that a housing crisis exists in many parts of Central Puget Sound (King, Kitsap, Pierce, and Snohomish counties) that has made homeownership only a dream for many citizens, documented with figures from surveys of homeownership rates in Washington State compared to the U.S. as a whole. In 1997-1998, homeownership rates in the U.S. were 66%, contrasted with Washington State's 63%, King County's 59% and Seattle's 48%. Additional support for W.A.R.'s claim appears in a recent report from the National Association of Realtors® (NAR), which shows that only seven of the nation's 124 metropolitan areas have higher residential real estate prices than Puget Sound.

While the GMA was enacted back in 1990, the Legislature did not require adoption of comprehensive plans until 1994. With delays in the implementation of the comprehensive plans and the grandfathering of a multi-year supply of developable lots, Washington State officials feel that the actual impacts of the GMA are just beginning to be felt. Some officials argue that because so little data has been gathered on the GMA's impacts on housing affordability and urban sprawl, it is still too early to draw conclusions about the success or failure of the GMA. The *Seattle Times* reported in March 2000 that houses in King County were more affordable in 1998 than at any time in recent history. The article concluded that the combination of lower interest rates, higher household incomes, and home prices made housing less affordable in the 1980s and increasingly affordable in the 1990s.

The GMA was designed to accommodate projected population growth over the next twenty years by concentrating higher density development in urban areas. But W.A.R. feels that the OFM forecasted growth has widely missed the mark, and many counties are not even meeting the unrealistic density and population targets established under GMA.

OFM has based its twenty-year population forecast on the wrong predicate for growth according to W.A.R. The housing and employment target ranges were based on estimated population growth that is a dependent factor. It is economic growth, not population growth, which drives demand for both jobs and housing. Job growth stimulates demand for housing. As a consequence of this flawed modeling, housing targets based on OFM forecasted growth have consistently failed to reflect the actual level of economic growth. Absent an adequate supply of housing to meet the demand created by job growth, housing prices in the more populous regions of the state have escalated to the point where the median priced house is far more than the median household income earner can afford.

W.A.R. also points out that local governments have compounded this problem by failing to accommodate the population growth forecasted by OFM, let alone the real growth that will be a consequence of the much higher than anticipated economic growth occurring in many parts of the State of Washington. While the GMA is designed to accommodate projected population growth over the next twenty years by concentrating higher density development in urban areas, many local governments reduced the density of new residential projects due to community opposition to high-density development. Housing targets in countywide planning policies have been pegged to the lower range of forecasted growth. Resistance by residents to higher density, infilling, and moderately priced housing policies has reinforced the decisions of county legislative authorities to adopt unrealistic targets for housing. As a result, the limited supply of developable land in urban areas has been eaten up by low-density development, making it even less likely that local governments will be to accommodate the full range of future housing needs.

W.A.R. attributes the state's inadequate housing supply to state and local policies that have artificially restricted the housing supply, and greater-than-expected economic growth during the past ten years. Between 1994-1999, in King County, housing prices have skyrocketed by as much as 9-12% each year. Rents are increasing at almost the same rate, while the supply of residential properties for sale is down about 25%. The middle class is being forced to outlying areas for more affordable homes, inducing sprawl, traffic congestion, environmental pollution, more costly infrastructure investments, and homelessness. Attachment "C" charts the surge in housing prices in Central Puget Sound from 1989 to 1999.

W.A.R. argues that the greater the number of jobs per housing unit, the more expensive that jurisdiction's housing unit will be. If the demand for housing is accommodated within a jurisdiction, population grows and housing prices increase at a desirable/sustainable rate of 3% to 5% annually. This occurs because the supply of housing is kept in proportion to the demand for housing. However, if the demand for housing is not accommodated within the jurisdiction where the jobs are located, workers must move to neighboring counties and commute to their jobs. This forces sharp increases in housing prices and a corresponding increase in traffic congestion.

An example of this is the situation in King County. King is the 13th largest county in the United States, and the home of Seattle and 34 other municipalities, with over half of the state's jobs.

OFM projected that between 1992-2012, King County would grow to a population of 325,000. However, between 1995-1998, job growth in King County has far outpaced housing growth. King County has taken 120,000 new jobs (73% of the state's job growth), but only 30,000 new housing units (45% of the state's housing growth). Not only did housing not keep pace with economic growth, but the pace of job growth also portends a much higher demand for housing in King County than the OFM twenty-year projections indicate. As a result, housing prices in King County have gone from an average \$166,270 for residential and condominium in 1990 to \$265,111 in 1999.

King County planning policies target a ratio of one house for every 1.8 new jobs. However, during the past four years, King County has added only one housing unit for every 3.8 jobs. As a result, housing prices have escalated to the point where the median priced house in King County is 54% more than the median household income earner can afford. Comparing King County's jobs-housing ratio to neighboring counties underscores that ratio's relation to housing prices. An increase in the number of jobs per housing unit causes a corresponding increase in the cost of housing. In King County, where the jobs/housing ratio is 3.8 to 1, homes are 21% more expensive than they are in Snohomish County where the ratio is 1.5 to 1 and 35.1% more expensive than in Pierce County where the ratio is 1.05 to 1.

Forcing median-income families to live in neighboring counties contributes to the sprawling pattern of land use, traffic congestion and increased demand for infrastructure dollars in the Central Puget Sound. Policies that seek to balance jobs and housing are consistent with the principal of Smart Growth because they reduce regional sprawl and pressure on rural development. In addition, such policies lead to stabilization in the real estate market, thereby improving the housing affordability. Affordable housing near employment centers is critical to reducing sprawl and transportation gridlock, and adequate supply is the key to affordability.

In order to meet the objectives of the GMA (prevent sprawl, manage current growth and plan for future growth), W.A.R. believes that counties and cities must do a better job of balancing jobs and housing. As the twenty-year housing and employment targets have failed to provide adequate housing, a more accurate and timely monitoring and compliance mechanism is needed.

W.A.R. also believes that the urban growth areas (UGA) provision of the GMA is incompatible with the goal of encouraging the availability of affordable housing to all economic segments of the population. This was demonstrated by a 1997 study by the Washington Center for Real Estate Research, "Urban Growth Areas and Lot Price: Clark County, Washington." Earlier research had demonstrated that once urban growth controls are applied uniformly across a jurisdiction, residential lot and housing prices experience significant inflation. The Clark County study verified previous research by determining that an overall lot price increased by 35.5% after implementation of UGA. Based on an average lot price of \$43,282 prior to establishment of the final UGA in Clark County, the countywide price increase of 35.5% after UGA implementation translated into a \$15,365 increase in the price of a typical lot. This increase is sufficient to deny access to new housing to many consumers. In addition, as lot prices increase, builders often feel compelled to build more costly homes on the lots to keep the land component of total housing cost within normal ranges. Further, as higher lot prices impact the overall local housing economy, the price of existing homes usually increases.

This lack of affordable housing has also led to severe human service dislocations. Homelessness has become a real problem for some counties. Drastically increased rents and housing prices have forced citizens to hold on to their homes instead of buying new homes, or forced them to move back to older, more affordable neighborhoods or to rehab inner city rental units.

Since adoption of the GMA, traffic congestion and air pollution has worsened as high housing costs have force residents to move further away from their jobs and public transit. High-density apartment living in a UGA is not a substitute for a house with a backyard. Commuters still prefer their car to transit. REALTORS® argue that the pattern of sprawl along and away from Central Puget Sound is testament to flaws in the GMA.

Because the GMA does not provide for a mechanism to ensure that counties accommodate for actual growth, counties have adopted unrealistic growth targets, inadequately planned for projected growth, imposed moratoriums of inordinate length, used concurrency as means to hold back development, and not funded infrastructure.

Finally, Growth Management Regional Hearings Boards have too frequently usurped local land use decision-making. They have not limited their review to the procedural aspects of the GMA, not adhered to the statutory presumption of validity for local planning decisions; and have permitted too many outside interest groups to participate in the Board's proceedings. Because of the Board's actions in overturning local governments' land use decisions, growth moratoriums have ensued and the development community has been forced to litigate Board's decisions.

Comprehensive planning should provide the building blocks to accommodate residential and commercial growth, and provide coordinated land use development regulations and procedures. Too much centralized planning and excessive restriction of growth can distort real estate markets and cause housing prices to spiral out of control. Depending on how growth management techniques are implemented, they can either be the means to accommodate growth amidst competing interests or to stop growth altogether. The following are lessons from ten-years of experience with the GMA:

- The marketplace, based on economic growth, is the proper predicate for population forecasts.
- A jobs-to-housing ratio policy should ensure the supply of housing is sufficient to meet demand caused by job growth, otherwise housing affordability will suffer.
- Buildable land capacity within designated growth areas should be sufficient to accommodate the projected economic growth and compensate for the loss of buildable land due to public facilities and environmentally sensitive areas.
- Planning and zoning should be better coordinated so that development regulations promote not stymie adequate densities.
- Comprehensive plans should include a housing element that ensures the availability of a variety of housing choices for all economic segments of the population.
- Comprehensive plans should include an economic development element establishing clear strategies to ensure a sustainable economy.

- Performance measures should be delineated to gauge the progress of jurisdictions in accommodating projected growth and forecasts revisited periodically when the planning horizon is 20 years.
- Enforcement mechanisms and accountability measures should be written into acts to ensure that government planners accommodate planned growth.
- Flexible standards to adjust growth boundaries are necessary to accommodate unanticipated economic growth.
- Concurrency requirements should trigger adequate funding of state and local infrastructure in capital budgets to avoid moratoriums in urban growth areas.
- Local authority should be preserved when making local land use decisions.

WASHINGTON ASSOCIATION OF REALTORS® QUALITY OF LIFE CAMPAIGN

W.A.R. has launched a “Quality of Life Campaign promoting quality commercial and residential growth and encouraging economic development throughout the state. Among the many facets of the campaign being undertaken in the second half of 2000:

- Research and information is being collected in order to create policy briefs by year's end.
- A survey is being conducted, results of which will be used to develop an effective message for REALTOR® advocates.
- Focus groups are being conducted throughout the state.
- A public relations firm, charged with focusing the campaign message and providing a five-year campaign blueprint, is being retained.

“Most importantly, the information gathered from these activities will be used to create a toolbox of resources for advocates to use at the local level,” explained W.A.R. Director of Government Affairs Bryan Wahl. “We will help educate local members through in-depth training on the issues and will provide tools including issue papers, brochures, presentation materials, and training workshops to help them be effective advocates when they contact their local council members and commissioners.”

Also included among these supplied tools will be REALTOR®-developed model policies and best practices, recommendations, and analyses of proposed legislation affecting growth. Articles, press releases, fact sheets, speeches and Power Point presentations will be provided to local associations to assist local advocates with lobbying and communications. Clock-hour education courses will concentrate on the effects of government regulations on real estate.

The Quality of Life Campaign kick-off will be held at the Fall Business Conference, Sept. 20-22, in Spokane. For more information, contact Director of Government Affairs Bryan Wahl (bryan.wahl@warealtor.com) at 800-562-6024, x15.