

AFFORDABLE HOUSING ADVISORY BOARD
GROWTH MANAGEMENT/HOUSING TASK FORCE

THE TASK FORCE'S
REPORT
TO THE
AFFORDABLE HOUSING ADVISORY BOARD

18 October 2006

TASK FORCE MEMBERS:

Hugh Spitzer, Chair of the Affordable Housing Advisory Board
Sam Anderson, Master Builders Association of King and Snohomish Counties
Sam Pace, Washington Association of Realtors
Bryan Wahl, Washington Association of Realtors
The Hon. Mary-Alyce Burleigh, Kirkland City Council
The Hon. Tom Moak, Kennewick City Council
Dave Williams, Association of Washington Cities
Andy Cook, Building Industry Association of Washington
Kaleen Cottingham, Futurewise
Kim Herman, Washington Housing Finance Commission
The Hon. Mary Hunt, Douglas County Board of Commissioners
The Hon. Jayni Kamin, Mason County Board of Commissioners
Arthur Sullivan, A Regional Coalition for Housing
Judith Stoloff, American Planning Association, Washington State Chapter
Paul Purcell, Beacon Development Group
Brian Smith, Washington State Department of Transportation
Stephen Buxbaum, Washington Department of Community, Trade and Economic Development
Leonard Bauer, Washington Department of Community, Trade and Economic Development
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THE TASK FORCE'S PROCESS AND INTERESTS

Governor Christine Gregoire asked the Affordable Housing Advisory Board (AHAB) in July to convene an AHAB task force on the Growth Management Act (GMA) and housing (See Attachment A). The task force was to consist of representatives of AHAB, the Realtors, the residential construction industry, cities, counties, and other groups that are vitally interested in expanding the supply of affordable housing through better implementation of the GMA, including the provision of more tools and incentives.

Among the topics the Governor asked the task force to review were:

- The allocation of infrastructure costs for new housing, including the share of costs imbedded in the price of new housing units versus the share paid by the community at large. The consideration of infrastructure costs was to include discussion of impact fees and concurrency.
- Mechanisms for encouraging communities to meet their GMA housing goals, including those communities' commitments to density. This discussion could include ways in which the state might focus public works resources on those communities that are working effectively to meet those housing goals.
- Discussion of mechanisms to make zoning and building requirements more efficient and flexible while preserving the full range of safety and environmental protections.
- Ideas on how communities might be able to ensure that there is sufficient capacity to accommodate projected population growth when necessary regulations reduce the supply.

The Task Force was encouraged to provide recommendations prior to the 2007 Legislative Session.

AHAB convened a Growth Management/Housing Task Force (Task Force) of 20 members as follows. AHAB members are noted with an * and ex-officio AHAB members with an **.

Hugh Spitzer, Chair*

Sam Anderson, Master Builders Association of King and Snohomish Counties*

Sam Pace, Washington Association of Realtors

Bryan Wahl, Washington Association of Realtors

The Hon. Mary-Alyce Burleigh, Kirkland City Council, Association of Washington Cities

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Heather Ballash, Washington Department of Community, Trade and Economic Development

Hugh Spitzer, Task Force Chair and Chair of the AHAB, convened each meeting. The meetings were facilitated by Jim Reid of the Falconer Group. At the commencement of the first meeting on August 16, Mr. Spitzer urged the group to focus on "do-able" recommendations, such as recommendations that could be forwarded to the Governor and the Legislature this fall and which would have a reasonable chance of being enacted in 2007.

The Task Force met four times. Meetings were held in Bellevue, Washington on August 16, September 6, September 14, and October 9, 2006. On September 6 the Task Force brainstormed a list of ideas for consideration (See Attachment B). The Task Force reviewed those ideas at the September 14 meeting and established three committees to consider ideas that had the most support, plus any other ideas the committees considered worth discussing. The three committees were Funding (chaired by Hugh Spitzer), Planning Tools (chaired by Judith Stoloff), and Land Capacity (chaired by Jim Reid). Each committee met once between the September 14 and October 9 Task Force meetings. The committees reported back with recommendations to the Task Force on October 9 (See Attachment C). In addition to Task Force members, ten other individuals served on the committees¹.

The Task Force recommendations reflect recommendations for consideration in the 2007 legislative session. In addition, because of the complexity and difficulty of the issues and the short timeframe for the Task Force, some recommendations propose longer discussions about vital issues.

¹ The other committee members were Mike Flynn, Bill Riley and Mike Luis (representing the Realtors), Brad Collins of the City of Arlington (representing the Washington Chapter of the American Planning Association), Tim Trohimovich (representing Futurewise), Don Davis (representing the Master Builders Association of King and Snohomish Counties), Harry Reinert and Chandler Felt of King County, and Mayor Jean Garber of the City of Newcastle and Michael Hubner of the Suburban Cities Association of King County (representing the Association of Washington Cities).

THE TASK FORCE'S INTERESTS AND RECOMMENDATIONS

FUNDING - THE TASK FORCE'S INTERESTS AND RECOMMENDATIONS

Task Force members share an interest in increasing the total amount of funding for infrastructure to help expand the supply of affordable housing. In advocating for additional funding to support new growth and development, the Task Force recommends that the State not divert funding sources currently in place to maintain or improve existing infrastructure.

The Task Force proposes to the Affordable Housing Advisory Board (AHAB) the following eight recommendations:

REPROGRAM EXISTING STATE FUNDS and AUTHORIZE NEW LOCAL FUNDING SOURCES

1. In reviewing local government applications for state grants and loans (e.g. Public Works Trust Fund (PWTF²), Transportation Improvement Board (TIB), Community Economic Revitalization Board (CERB), and the Job Development Fund), the State of Washington should award bonus points to applications that help achieve statewide Growth Management Act (GMA) housing affordability goals through mechanisms such as:
 - The use of the grant or loan will enhance the affordability of new housing consistent with Growth Management Act (GMA) plans;
 - Transportation-Oriented Development (TOD) will serve the housing;
 - The local jurisdiction is making progress toward achieving the affordability component of the goals in its housing element;
 - The project adds infrastructure capacity that supports housing affordability (including infill in older areas);
 - A higher density of housing is being encouraged in urban areas – i.e. using zoning tools to increase the supply of housing (see Planning Tools recommendation #3 below);
 - The local jurisdiction is using a local improvement district (LID) or tax increment financing (TIF) to help finance infrastructure for affordable housing in conjunction with the state funding;
 - Infrastructure is being financed that will help create low-income housing;

² The Task Force believes that there would be limited application of these criteria to the PWTF because of that funding source's focus on maintenance and upgrades of existing infrastructure rather than expansion of infrastructure to accommodate growth. Funding for new growth could come from the Growth Management Infrastructure Account.

- Helps improve the jobs-housing balance;
 - In rural and small communities (e.g. thirty-two distressed rural counties and the cities within them), the provision of infrastructure will also help stimulate economic growth.
2. Create a Growth Management Infrastructure Account (GMIA) to provide funding for local infrastructure projects that help achieve statewide GMA housing affordability goals.

A. Allocation of funds from the GMIA will be based on the degree to which:

- The use of the grant or loan will enhance the affordability of new housing consistent with Growth Management Act (GMA) plans;
- Transportation-Oriented Development (TOD) will serve the housing;
- The local jurisdiction is making progress toward achieving the affordability component of the goals in its housing element;
- The project adds infrastructure capacity that supports housing affordability (including infill in older areas);
- A higher density of housing is being encouraged in urban areas - i.e. using zoning tools to increase the supply of housing (see Planning Tools recommendation #3 below);
- The local jurisdiction is using a local improvement district (LID) or tax increment financing (TIF) to help finance infrastructure for affordable housing in conjunction with the state funding;
- Infrastructure is being financed that will help create low-income housing;
- Helps improve the jobs-housing balance;
- In rural and small communities (e.g. thirty-two distressed rural counties and the cities within them), the provision of infrastructure will also help stimulate economic growth.

B. The GMIA will be funded through a variety of sources, including:

- i. Reallocation of a portion of the existing State Real Estate Excise Tax (REET)³
- ii. Reallocation of a portion of the state sales tax on construction. Reallocation could be based on:
 - Anything above the rolling 10-year average of collections;
 - Collections above projected revenues in the revenue forecast; or
 - A fixed fraction/share that captures a rise in revenue.
- iii. The State Capital Budget.

³ The State should consider any impacts on the current allocation of REET to the PWTF and other existing state infrastructure funds. These funds should be “held harmless”; in other words, the existing REET allocation to the PWTF should not simply be reallocated to the Growth Management Infrastructure Account.

3. Provide dedicated and consistent funding for counties and cities to produce the buildable lands analysis through the State's General Fund Budget. (See Land Capacity recommendation #1 below.)
4. Authorize a voter-approved local option regular property tax using the unused portion of the state regular property tax levy within a specified county or city. The funding may be used either for school construction or for other purposes for which GMA impact fees are currently imposed, such as fire-fighting facilities, roads and parks. This funding source would replace GMA impact fees in counties and cities where it is levied.
5. Eliminate the "replacement rule" that requires counties and cities to pay from public funds for low-income housing impact fee exemptions (RCW 82.02.060(2)).
6. Update Washington State's tax increment financing legislation so that it is more closely tied to achieving statewide GMA goals, including GMA housing affordability goals.
7. Provide a partial property tax exemption for affordable rental or for sale units for households at 50% of median income or less (per RCW 84.36.560).

NEW STATE FUNDS

8. Use one dollar of the unused state regular property tax levy to fund school capital costs statewide. Growth management impact fees for schools would be eliminated.

PLANNING TOOLS - THE TASK FORCE'S INTERESTS AND RECOMMENDATIONS

Task Force members share an interest in rewarding communities that accept higher density and provide a variety of housing choices that, as a result, help make housing more affordable.

The Task Force proposes to AHAB the following eight recommendations:

1. Simplify and standardize local development standards and regulations.
 - Provide incentives for local governments to work on common regulations and standards, including:
 - Application process – look at standardizing documentation and process requirements that could reduce permitting timelines
 - Appropriate design standards, such as pedestrian orientation, compatibility and access among adjacent developments; appropriate open spaces, gathering places and adequate landscaping and attractive streetscapes and parking arrangements.
 - Roads standards (street widths, curbs, etc.)
 - Small lots
 - Application processing software
2. Address State Environmental Policy Act (SEPA) issues, such as expanding categorical exemptions or eliminating SEPA review in urban growth areas.
 - Explore a categorical exemption for projects in areas within urban growth areas that are designated by local jurisdictions and are generally characterized by a mix of uses, higher density and access to public services, including transit, if the jurisdiction has done an adequate environmental impact statement (EIS) for the designated area.
 - Explore developing a higher threshold for categorical exemptions for larger projects (e.g. increase the exemption to 20 lot subdivisions).
 - Fund the Planning and Environmental Review Fund (PERF) as an incentive for local governments to do the up front environmental review in a planned action [include additional funding in the state general fund].
3. Provide state funding incentives (existing funding sources) for plans and zoning that require or encourage a diversity of housing choices and types.
 - Provide incentives for the following zoning tools:
 - Minimum densities;
 - Bonus densities for affordable housing;
 - Lot size averaging;
 - Townhomes;
 - Cottage housing;
 - Accessory dwelling units;
 - Mixed-use development;

- Design standards⁴; and
- Allowing attached housing as a permitted use when clustering units to avoid critical areas while not losing unit count (King County, Woodinville).

In addition, incentives for performance-based zoning could be considered but first more education is needed about what it is and how it works.

- Incentives for these zoning tools could include:
 - Getting points on an application for state infrastructure funding for using enough of these tools (see Funding recommendations #1, 2, and 4 above).
 - Authority for increasing categorical exemptions under SEPA in the UGA for using enough of these tools.
4. Allow cities to use the 10-year tax abatement for infill on smaller lots – lot size averaging.
 5. Allow cities to retain the state's 20% of the taxes collected during the abatement period (on the incremental increase in value of land and non-housing improvements) for use with Attached Dwelling Units (ADU) and flex-lot programs.
 6. Provide information on best practices for design standards and review process on CTED's *Affordable by Design* web site.
 7. Provide education for the development community, elected officials, planners and the public on these tools. All of these folks need to work together.
 8. Convene the key interested and affected stakeholders to follow up on the work of this Task Force to explore in more depth the use of planning tools and potential changes to them that could expand the supply of affordable housing.

One topic the Task Force suggests to include in this follow-up process is "beefing up" the GMA housing element. The following are some potential ideas and questions to consider that could be part of that deeper discussion to accomplish this goal:

Consider amending the Housing Element (RCW 36.70A.070(2)) requirements or provide incentives to include items such as:

- Require or provide incentives for a variety of housing types.
- Require more specificity about existing and projected needs.
- Require a plan for implementation that includes some form of monitoring.
- Amend (2)(d) of the Housing Element to "makes adequate provisions for existing and projected needs of all economic and demographic segments of the community."

⁴ The Task Force supports design standards for multi-family, plats, houses within the plats, and very high density development. The Task Force did not support design standards applicable to individual single-family homes or a design review process.

Among the questions the Task Force thinks should be considered in the discussion of these ideas are: (1) Whether a variety of housing types would be promoted in a plan, or whether there would be a requirement to provide them; (2) What more specific information would we need regarding existing and projected needs for housing in a plan?; (3) What type and specificity of information would be appropriate and beneficial to monitor - e.g. how the plan is working or what housing types are being built? What would be the cost of monitoring?; and (4) What are the expected outcomes for making adequate provisions for existing and projected needs of all demographic segments of the community?

Another idea that could be part of this follow-up process is:

- Any comprehensive land use plan change that increases capacity and also increases the economic value of the property must include provisions for affordability consistent with the local economy (application of this requirement should be limited to projects of a minimum size and density based upon the local need for affordable housing and the economy).

Finally, the Task Force generated a list of ideas for using planning tools more effectively to help expand the supply of affordable housing. Those ideas (see Appendix B to this report) should also be reviewed and discussed as part of this follow-up process.

LAND CAPACITY - THE TASK FORCE'S INTERESTS AND RECOMMENDATIONS

The Task Force is interested in ensuring that local governments and other interested parties have as much useful information as possible to develop strategies and take actions that expand the supply of affordable housing. Task Force members are also interested in ensuring that if the State imposes requirements on local governments, the State supports them with sufficient funding to accomplish those mandates – applicable to both current land capacity analysis obligations and any new ones in the future.

Prior to consideration of any new planning or analysis requirements that the legislature adopts for the 2012 “Buildable Lands Reports”⁵, they first need to take into account and be informed by the Department of Community, Trade and Economic Development’s (CTED) assessment of the 2007 Buildable Lands Reports (due by December 2007). With that in mind, the Task Force proposes to AHAB the following four recommendations:

1. The legislature needs to provide dedicated and sufficient funding to the “Buildable Lands Counties“ to develop and produce the 2012 Buildable Lands Reports already required by statute, as well as any new required information on land capacity for development.
2. Provided that funding in #1 is made available by the Legislature, the 2012 Buildable Lands Reports should include information that enhances the description of development potential of land. For example, the Buildable Lands Reports could include a tiering of levels of analysis, such as information that:
 - Identifies, in more and better detail, which lands are suitable for development. That information could identify:
 - Buildable lands *currently* suitable for development with current infrastructure capacity: Land with currently available infrastructure and remaining capacity sufficient to accommodate residential and commercial build-out at densities allowed by the jurisdiction’s existing comprehensive plan and zoning.
 - Buildable lands *potentially* suitable for development with funded infrastructure capacity: Lands not currently suitable for development because of inadequate infrastructure, but for which a jurisdiction has included in its six-year capital improvement plan/capital facilities plan (CIP/CFP) and ten-year transportation improvement plan (TIP) infrastructure projects for which full funding has been identified or secured. When built, such planned projects would make available infrastructure with sufficient remaining capacity to accommodate residential and

⁵ The “Buildable Lands” program and reports is a reference to the requirement in RCW 36.70A.215 for the six fastest growing counties and the cities within them in Western Washington (King, Snohomish, Pierce, Kitsap, Thurston and Clark – the “Buildable Lands counties”). These counties and their cities are comparing anticipated growth with actual development in answer to two basic questions: (1) Do local governments have enough suitable land to accommodate expected growth for 20 years? And (2) Are urban densities being achieved in urban growth areas?

commercial build-out at densities allowed by the jurisdiction's existing comprehensive plan and zoning.

- Buildable lands zoned and planned for urban development, but not currently served by urban services or expected to be served by publicly-financed urban services in the CIP/CFP or TIP six year plans. This category would include potentially buildable land that would be suitable for development if key infrastructure is provided for by public or private entities within the 20-year planning period.
 - Assesses the impact of existing regulations on land capacity and availability.
 - Identifies the availability and capacity of land (in terms of density) to meet the existing and projected need for single family and multi-family housing.
3. The Task Force recommends that the Washington State Department of Community, Trade and Economic Development (CTED) be required (outside of its reporting requirements for "Buildable Lands" under RCW 36.70A.215) to report to the Governor and Legislature annually information detailing the net change in the number of housing units and the number of jobs by jurisdiction. This information should be provided for each county within a Metropolitan Statistical Area, and where available, for each city. The first report, which could be available to the Legislature when it convenes in 2008, could also include a summary for the period from 1990 (the inception of the GMA) to 2006.
4. The Task Force recommends that a longer-term process be convened in which key stakeholders further explore issues related to the impacts of land availability and capacity on the affordability of housing, and recommend strategies for ensuring a sufficient supply of buildable land is available to achieve affordable housing goals. Some of the recommendations should also address issues of land capacity and availability in eastern Washington and rural communities, even though they are not buildable lands reporting counties.

Possible topics for inclusion in this process: a) "no net loss" of land capacity; b) the feasibility of including in the 2012 Buildable Lands Reports information about market feasibility forces; c) the relationship between growth management and housing affordability; d) buildable lands-type programs and evaluation processes in other states; e) review of buildable lands methodologies used by the six buildable lands counties; f) an assessment of the buildable lands program as a tool for helping to ensure achievement of housing affordability goals and illuminating the relationship of supply and demand for housing.

As part of this recommendation, the Task Force also recommends that:

- This process should commence after the *draft* Buildable Lands Reports are submitted to CTED in June 2007.

- The parties involved in this process should include those that served on this Task Force as well as any other interested and/or affected stakeholder groups, such as representatives of public and private utilities. A particular effort should be made to include representatives of all buildable lands counties and of eastern Washington and rural communities.
- Two immediate steps the group should take are: 1) agree on the problems to be addressed and resolved; and 2) identify the common interests that any recommendations must achieve. Regarding the first step, the group may request that an “outside, independent” party conduct research and analysis and present to the group its findings. The parties involved in this process would have to agree on that neutral party or consultant.
- Once these first two steps have been taken, all potential solutions need to be “put on the table.” For example, changes to existing laws as well as incentives are, broadly speaking, worthy of consideration.

CHRISTINE O. GREGOIRE
Governor



Attachment A

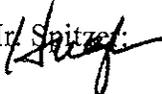
STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

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July 18, 2006

Hugh D. Spitzer, Chair
Affordable Housing Advisory Board
1111 Third Avenue, Suite 3400
Seattle, WA 98101

Re: Task Force on Growth Management Act (GMA) and Affordable Housing

Dear Mr.  Spitzer:

I recently received the enclosed letter from Washington Realtors that was also addressed to Senate Majority Leader Lisa Brown and House Speaker Frank Chopp. In that letter, the Realtors emphasize the need to maintain an adequate supply of affordable housing through better implementation of the Growth Management Act.

One of the Realtors' suggestions is to convene a work group to develop recommendations on increasing housing supply within Washington State. This is an excellent idea. I believe that, because of its statutory role as an entity representing the broad spectrum of members of the housing industry, the Affordable Housing Advisory Board (AHAB) is the appropriate body to sponsor such a work group. Consequently, I would appreciate it if you would convene an AHAB task force on GMA and housing, involving representatives of AHAB, the Realtors, the residential construction industry, cities, counties, and other groups that are vitally interested in expanding the supply of affordable housing through better implementation of the GMA, including the provision of more tools and incentives.

Among the topics that such a work group could review are:

- The allocation of infrastructure costs for new housing, including the share of costs imbedded in the price of new housing units versus the share paid by the community at large. The consideration of infrastructure costs should also include discussion of impact fees and concurrency.
- Mechanisms for encouraging communities to meet their GMA housing goals, including those communities' commitments to density. This discussion could include ways in which the state might focus public works resources on those communities that are working effectively to meet those housing goals.



Hugh Spitzer
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- Discussion of mechanisms to make zoning and building requirements more efficient and flexible while preserving the full range of safety and environmental protections.
- Ideas on how communities might be able to ensure that there is sufficient capacity to accommodate projected population growth when necessary regulations reduce the supply.

It would be very helpful for this work group to provide recommendations prior to the 2007 Legislative Session. I recognize that this is a tight timeline, but I very much appreciate your willingness to assist us in reviewing these critical issues.

Sincerely,



Chris Gregoire
Governor

Enclosure

cc: Speaker Frank Chopp
Senator Lisa Brown
Senator Darlene Fairley
Senator Jim Kastama
Representative Mark Miloscia
Representative Geoff Simpson
Terry Sullivan, President, Washington REALTORS®
Juli Wilkerson, Director, Department of Community, Trade and Economic Development

ATTACHMENT B

Categorization and consolidation of brainstorming ideas from 9/6/06 meeting

Note: Ideas that present opportunities for private/public partnerships are highlighted with an asterisk (*).

Incentives

Funding incentives

State infrastructure grants and loans

- Increase rewards for more housing production or more affordable housing production, such as bonus points for state grants and loans. Where possible, target state and federal funds where they will benefit housing opportunities. Include any or all of the following criteria for bonus points or eligibility for these funds (including brownfield redevelopment funding):
 - Housing affordability requirement – must demonstrate a clear public benefit for housing affordability
 - Urban centers
 - Densification in urban areas
 - Balancing jobs and housing growth
 - Rural state highways

State planning funds

- Provide state funding for local governments to do environmental review up front so that developers and homeowners don't have to pay and can waive fees for affordable housing (Planning and Environmental Review Fund).
- The state should assist localities and the private sector in developing planned infill communities that include needed low-to-moderate income housing. The state should help pay for some upfront planning, permitting, infrastructure, and mitigation in return for more say over the design and make-up of the community. This could be funded by a trust or revolving fund.
- Provide funding for cities and counties to do the buildable lands analysis.
- Regulatory provisions and expedited processes for affordable housing and encouraging infill - provide funding for local governments to adopt regulatory provisions and/or expedited processes for affordable housing and infill in urban areas, e.g. any one or combination of the following (they can be voted on as separate ideas):
 - Expansion of use of State Environmental Policy Act (SEPA) categorical exemptions
 - Zoning tools – lot size averaging, flag lots, accessory dwelling units, townhomes, small lots, cottage housing, etc.
 - Mixed-use development; co-location of housing with public facilities (libraries, schools) or commercial developments (grocery stores) – make these an outright permitted use rather than conditional.
 - Use of TDRs: make transfer of development rights (TDRs) from rural to urban areas work.
 - Performance-based zoning – e.g. floor area ratios (FARs).
 - Inclusionary zoning.

- Alternatives for dealing with stormwater that are less land intensive and provide more land for housing.
- Flexible short plats
- Form-based zoning
- Relaxed parking ratios
- Design review
- Provide for mobile home park preservation – economic incentives to keep them.

State project funds

- Provide funding for land trusts or land banks to purchase land for affordable housing – land would be publicly held and the cost would remain fixed.
- Provide incentives such as state funds for development to help share the risk for building innovative housing types.

Local planning options

- *Find parts of the development review process that could be made consistent across jurisdictions (resource: ARCH has achieved this in its work with cities on the eastside of Lake Washington)
- *Eliminate barriers to small housing, such as explicitly eliminating covenants and regulations that set minimum house sizes beyond that necessary for health and safety issues.
- *Preserve historic buildings and avoid moving them.
- Ensure industrial zoning doesn't compete with housing.
- Provide for mobile home park preservation – regulations to preserve them.
- Require house size diversity in new developments.
- Adopt any of the list of regulatory provisions and expedited processes for affordable housing and encouraging infill noted above.
- Require new employers to contribute to new housing if there is insufficient housing available.

State Requirements

Funding requirements

State funds

- Allocate more of the state's revenues to supporting infrastructure for growth. For example, allow the Public Works Trust Fund to be used for projects that accommodate new housing growth, not just those that retain and rehabilitate infrastructure for existing developments to maintain levels of service (requires statutory change).
- Establish a capitalized Growth Management infrastructure account for projects that expand infrastructure capacity.
- Create a job development fund program and supplement Public Works Trust Fund (Note: a job development fund was created in CTED's budget for the 05-07 biennium).
- Address the problem that, if a city does not adopt the best available science, it is ineligible for funding.

- Create a one percent for affordable housing fund - assess a one percent fee on all state and local capital projects to assist in the construction of low- and moderate-income housing.
- Require measures for long-term affordability of state investment.
- Explore the need to amend the constitutional limits that restrict use of state resources to assist middle-income homebuyers such as firefighters, bank tellers, secretaries, and other service workers (amend Gift of Public Funds provision).
- Increase funding for the Housing Trust Fund.
- When state assistance is used for home-ownership purposes, the state and owner should share equity increases.

Local funds

- Change or eliminate impact fees; provide local government with more broad-based funding sources such as REET.
- Improve the impact fee assessment process and calculation – assess impact fees at the time of occupancy instead of assessing them up front.
- Make impact fees roughly proportional to the impact to individual houses (reversal of *Drebick* decision).
- Require jurisdictions experiencing growth to impose impact fees.
- Require cities to pay for infrastructure for affordable housing projects that meet affordability goals rather than the developer having to use affordable housing project funds for infrastructure.
- Tie infrastructure funding more closely to the severity of need and planning – e.g. fund street repair for the streets in the worst condition or that are undergoing planned redevelopment and revitalization.
- Create a statewide requirement for a set-aside with the 10-year tax exemption for affordable housing.
- Remove legal barriers to using existing tools for infrastructure financing (e.g. Local Improvement Districts, tax increment financing).

Private funds

- *Broaden access to bond markets and other markets for housing infrastructure.
- Require a business coming into a community to pay for infrastructure.

State planning requirements

Revise plan and regulation requirements:

Countywide planning policies/regional planning

- Tie growth projections to actual demand resulting from job creation. Directly involve Employment Security as a primary player in the development of growth forecasts. Monitor the accuracy of those projections and when they prove low, require timely adjustments to comprehensive plans (within two to three years).
- Review the requirements for Countywide Planning Policies – beef up the requirements for housing policies.
- Expand the ability to create Regional Transportation Improvement Districts to other counties.

- In Central Puget Sound, replace countywide planning with regional planning.

Comprehensive plans

- Require planning for 50 to 100 years regionally.
- Ensure that the housing goal is parallel to other goals. For example, pass legislation in response to Growth Management Hearings Board decision that housing is not second to other goals and is not just aspirational.
- Include a requirement in the housing element to determine the income levels for which housing is being produced and the barriers to producing housing at the other income levels.
- Require that the comprehensive plan designations and zoning match the densities and housing types needed to provide for housing affordable to all income groups.
- Include a requirement in the housing element that each jurisdiction shall provide the opportunity to accommodate its regional fair share of affordable housing for low income people, special needs housing, and moderate and middle income buyers.
- Include a requirement in the housing element that each jurisdiction must develop plans and programs, and identify sites, to accommodate a “fair share” of its region’s new growth of all kinds of housing, affordable and market-rate housing alike.
- Match housing types and densities with expected employment and the incomes they will generate. Provide for a jobs housing balance based on reasonable commuter sheds unless such a balance is not possible within the existing urban growth area.
- Balance housing and job capacity, not just targets, on a subregional basis/market area (not city by city) for those jurisdictions who choose to plan for employment growth.
- Give Puget Sound Regional Council authority to review and certify housing elements as it does for transportation elements.
- Expand capital facilities planning horizon from six to twenty years.
- Align comprehensive plans, capital improvement plan (CIP) and transportation improvement plan (TIP) more closely by ensuring that the latter are instruments for implementing the former or by making their timeframes identical or more similar.

Possible recommendations:

- Continue and expand state technical assistance with the capital facilities template.
- Include a statement in the GMA requirement for capital facilities and transportation planning that they must be for 20 years.
- As part of a performance evaluation, assess the impact of infrastructure availability on the production of housing.
- Strengthen criteria for infrastructure spending under local capital facilities plans so it goes to urban areas experiencing housing and employment growth.
- Eliminate state concurrency requirements.

Development regulations and codes

- Require counties and cities to adopt regulatory provisions and expedited processes for affordable housing and infill noted above.
- Adopt a no net loss of housing policy for adoption of critical areas, zoning and other ordinances – Require evaluation of new regulations for their impact on housing and jobs and require reallocation if there is a negative impact to housing.
- Adopt a state “smart code” that is specific to housing rehabilitation (e.g. New Jersey). The current International Building Code focuses on new construction.

- Eliminate minimum lot size requirements and adopt clear standards for minimum urban densities. Appropriate targets should be set to increase average densities over time so they support transit (at least seven units per acre), make efficient use of infrastructure, provide affordable housing, and conserve open spaces.
- Ala the “next available unit”, create a next available development requirement – if a community isn’t meeting its housing goal, the next housing development must be affordable.
- Require policies and regulations to preserve existing manufactured/mobile home parks.
- Pass legislation stating that the state’s science is not de facto best available science and that local governments can use science other than the state’s science.

Buildable lands

- Give CTED independent review authority of infrastructure planning in Buildable Lands counties and cities to ensure it is sufficient to meet infrastructure needs.
- Tie growth projections to demand created by job growth and monitor it for compliance. Amend RCW 36.70A.215(4) (“Buildable Lands” requirements) to require the definition of “land suitable for development” to include an analysis of the following:
 1. Is the infrastructure available (and the remaining capacity) sufficient to accommodate projected growth?
 2. Market factors based on actual market factors that serve to limit housing
 3. New and proposed restrictions (critical areas, shorelines, Endangered Species Act, buffers, downzones, etc.)
- Have CTED do an independent, substantive, multi-county evaluation of the substantive sufficiency of the analysis in the Buildable Lands reports (not just a compilation and publication of the results).

Performance measures

- Create performance standards for the housing goal under GMA.
- Require performance measures to be developed by cities and counties that are consistent.
- Create performance measures for the economic development element.
- Create consequences for not meeting the housing element requirements – put teeth in the housing element.

Streamline permitting

- Create more SEPA categorical exemptions, e.g. create a categorical exemption for 20-lot subdivisions.
- Eliminate SEPA review in urban growth areas.

Use Transfer of Development Rights (TDRs)

- Cascade Agenda – Cascade Land Conservancy’s rural village concept: promote this concept at the state level to protect rural and agricultural land with concentrated housing.
- Endorse the Cascade Agenda and recommend how to apply it to expand the supply of affordable housing.
- Allow urban village nodes in rural areas in exchange for transfers of development rights that are coupled with affordable housing in the transfer of development right receiving and/or sending site.
- Balance riparian buffers in agricultural lands if the landowner uses transfer of development rights.

- Develop strategies to transfer development rights from rural to urban areas.

Other ideas

- Require sewer and water utilities, whether publicly or privately owned and operated, to file a standardized report with CTED on their current capacity and plans for capital facilities improvements in adopted CIPS over the next six years. CTED will compile the information and make it available to local governments for their comprehensive plans.
- Require sewer and water utilities not operated by a city or county, whether publicly or privately owned and operated, to adopt Capital Facilities Plans that will provide infrastructure to support city and county adopted comprehensive plans.
- Increase the urban growth area to lower property costs.
- Require a market-based analysis of whether or not affordable housing incentives are sufficient to offset the size of subsidies.
- Define “blight” in statute to protect existing low-income housing from being wiped out in favor of higher end homes.
- Change development capacity.

Tax changes

State

- Allocate the gas tax to cities to reflect the growing burden of urbanization the cities have taken on - revisit why counties get/have control of using gas taxes when most of the urbanization is in cities.
- Create the option for the state to utilize unused regular property tax levy (“assessment gap” between one percent limit on increases and constitutional cap of \$3.60 for every \$1000 of assessed value) to capitalize a fund for infrastructure.
- Impose an excess income and salaries tax.
- Pass two constitutional amendments:
 1. Amendment to waive the one subject rule legislation to eliminate any tax that includes a replacement tax; and
 2. Amendment to eliminate and create replacement taxes.
- Waive the state sales tax on new construction materials for affordable housing.
- Create a scaled business tax reduction for assistance with housing – not just ownership.

Local

- Change or eliminate impact fees for a more broad-based funding source.
- Decrease school bond voting requirements to 50 percent plus one.
- Allow local governments to utilize unused regular property tax levy (gap between 101 percent and inflation) to increase property taxes dedicated for infrastructure.
- Consider allocating things like the state’s sales tax collected on new construction to pay for infrastructure in the communities from which it came. Could supplement impact fees.
- Allow counties and cities with moratoria to use the sales tax on gas for infrastructure.
- Allow counties and cities to impose user fees or tolls for infrastructure.
- Allow counties and cities to impose street utility taxes.

- Make the Real Estate Excise Tax (REET) “two” assessment available for housing.
- Expand authority to use the .08 sales tax rebate to the nine other counties to fund infrastructure within urban growth areas.
- Provide for a local option REET with the same uses for the first and second quarters.
- Replace impact fees with REET “three”.
- Expand multi-family ten-year tax exemption to all cities in the Buildable Lands counties for low-income or market rate housing at the jurisdiction’s discretion.
- Pass the streamlined sales tax quickly so communities won’t have to chase sales taxes.
- Have a fair share housing excise tax to provide incentives to local governments and offset impact fees in areas providing low-to-moderate income housing, perhaps in combination with an increase in the affordable housing recording fees.
- Provide a tax incentive to build condominiums at a reasonable price (condominium insurance issue).

***Education by state/locals/developers/realtors/builders**

- *Provide effective education regarding the need for infrastructure funding.
- *Educate elected officials and communities on affordable housing and density – all parties are responsible for a common message.
- *Educate builders and buyers to think outside of what they always build.
- *Provide CTED training to builders, elected officials and planners around the state about planning for a variety of housing types, narrow streets, etc. Help facilitate discussions between architects and builders and elected and appointed officials of smaller, rural counties and cities.
- *Educate elected officials about the impact of new regulations on housing, such as fire requirements for sprinklers and street widths.

State technical assistance

- Provide optional audit services to local governments to review permitting processes for infill areas.
- *Provide assistance for cities to develop regional uniformity or a general permit process of on-line permit applications (Snohomish County model and work being done by Kirkland and neighboring municipalities). Could provide a modular approach to land use regulations that locals can chose from to provide consistency for builders.
- Provide state assistance for better coordination of planning among counties with a regional approach to housing, jobs, master planned developments, etc. (e.g. Hood Canal Coordinating Council governance study for three counties and two tribes on Hood Canal.)
- Help cities with pedestrian-friendly planning.

Economic development

- Support job growth in Eastern Washington where there is affordable housing and infrastructure. For example provide state incentives for industry to set up satellite plants in rural areas – jobs/housing balance.

- Provide infrastructure funding to rural counties to attract business in their urban growth areas.
- Encourage regional industry clusters.
- Stop spending public funds on economic development unless it is tied to a housing plan – quit providing funding in Central Puget Sound (Note: state funding from CTED economic development programs is currently limited to rural counties by statute – very little, if any, funding is available for the Central Puget Sound counties).

Overall approach

(considerations to keep in mind as we develop recommendations)

- Provide financing strategies and incentives for jurisdictions having trouble meeting housing goals because they don't have the infrastructure (rather than making them less eligible for funding for failing to meet housing goals).
- Clarify who is responsible for infrastructure development and spread funding responsibilities more broadly.
- Ensure correlation between infrastructure and mandates with funding to pay for implementation of the mandate – fund mandates.
- Look at the big picture of all planning activities and how they impact housing.
- Identify recommendations that are statewide and those that are specific to certain counties.
- Recognize that housing affordable to households earning 50 percent or less of the county median require all of the following: (i) available land a suitable densities, (ii) public funding, (iii) reduced infrastructure costs, (iv) measures to ensure they remain affordable.
- Advocate for the federal government to return to its historic role of funding affordable housing.
- When state assistance is used for home-ownership purposes, the state and owner should share equity increases.
- Provide local governments with flexibility – one size does not fit all (e.g. a 51% voting requirement for schools would always pass in Douglas County at a cost to landowners)
- Find ways to help smaller communities with affordable housing to build infrastructure at a lower cost.
- Provide incentives for doing a package of the actions discussed.

Miscellaneous

- Encourage reduced real estate sales commissions by supporting web-based services.

ATTACHMENT C

AFFORDABLE HOUSING ADVISORY BOARD GROWTH MANAGEMENT/HOUSING TASK FORCE

THE COMMITTEES' REPORT TO THE TASK FORCE

7 October 2006

On 14 September 2006 the GMA/Affordable Housing Task Force established three committees to review, discuss and recommend strategies for expanding the supply of affordable housing in Washington State. The three committees were Funding, Planning Tools and Land Capacity.

This report presents the interests and recommendations of each committee for review by the Task Force at its final meeting on Monday, 9 October. Following that meeting, the Task Force will present its consensus recommendations to the Affordable Housing Advisory Board on the morning of Wednesday, 18 October 2006 at the Doubletree Hotel near SeaTac International Airport.

The Funding Committee

THE FUNDING COMMITTEE'S CHARTER

Recommend strategies to the Task Force to strengthen use of existing funding and/or to generate new funding sources that will expand the supply of affordable housing and public infrastructure that supports the development of housing.

THE COMMITTEE'S MEMBERSHIP

The Funding Committee included Task Force members Hugh Spitzer of the Affordable Housing Advisory Board (AHAB), Kirkland City Councilmember Mary-Alice Burleigh, representing the Association of Washington Cities (AWC), Mason County Commissioner Jayni Kamin, representing the Washington Association of Counties (WAC), Andy Cook, who represented the Building Industry Association of Washington (BIAW), Paul Purcell, a member of the AHAB, Kim Herman of the Washington Housing Finance Commission (WHFC) and Heather Ballash of the State's Department of Community, Trade and

Economic Development (CTED). The other committee members were Mike Flynn and Mike Luis, who represented realtors, and Brad Collins of the City of Arlington, who represented the American Planning Association (APA).

COMMITTEE MEMBERS' INTERESTS

The primary mutual interests of the Funding Committee members were expressed as follows: *expand the supply of affordable housing* and *provide adequate funding to add capacity to local infrastructure to support housing growth and development*. These two interests were stated or echoed by all the committee members at the beginning of the meeting. Additional interests that also appeared to guide the members as they discussed potential solutions and recommendations included: *provide incentives and rewards to local governments* to help expand the supply of affordable housing; *spend funds for infrastructure strategically* to serve affordability; *assist small and rural communities* in achieving affordable housing goals by helping them apply for grants and loans; and *address all forms of housing*, not just new development.

THE COMMITTEE'S RECOMMENDATIONS

The committee reviewed and discussed seventeen ideas for achieving the interests listed above. At the end of the two-hour meeting, the committee reached agreement on eleven recommendations. They are:

REPROGRAM EXISTING FUNDS

1. In reviewing local government applications for state grants and loans (e.g. PTWF, TIB, CERB, LIFT, Job Development Fund), the State of Washington should award bonus points to applications that demonstrate that:
 - the use of the grant or loan will enhance the affordability of new housing consistent with Growth Management Act (GMA) plans;
 - Transportation-Oriented Development (TOD) will serve the housing;
 - the local jurisdiction is making progress toward achieving the affordability component of the goals in its housing element;
 - the project adds infrastructure capacity that supports more housing (including infill in older areas);
 - a higher density of housing is being encouraged in urban areas – i.e. using zoning tools to increase the supply of housing (see Planning Tools recommendations);
 - the local jurisdiction is using a local improvement district (LID) or tax increment financing (TIF) to help finance infrastructure for affordable housing in conjunction with the state funding;
 - infrastructure is being financed that will help create low-income housing;
 - housing is being matched with jobs;
 - in rural and small communities (e.g. thirty-two distressed rural counties and the cities within them), the provision of infrastructure will also help stimulate economic growth.

2. Reallocate a portion of the State Real Estate Excise Tax (REET) to fund a Growth Management Infrastructure Account. Funds from that account should be made available for projects in which the proponents demonstrate that:

- the use of the grant or loan will enhance the affordability of new housing consistent with Growth Management Act (GMA) plans;
- Transportation-Oriented Development (TOD) will serve the housing;
- the local jurisdiction is making progress toward achieving the affordability component of the goals in its housing element;
- the project adds infrastructure capacity that supports more housing (including infill in older areas);
- a higher density of housing is being encouraged in urban areas – i.e. using zoning tools to increase the supply of housing (see Planning Tools recommendations);
- the local jurisdiction is using a local improvement district (LID) or tax increment financing (TIF) to help finance infrastructure for affordable housing in conjunction with the state funding;
- infrastructure is being financed that will help create low-income housing;
- housing is being matched with jobs;
- in rural and small communities (e.g. thirty-two distressed rural counties and the cities within them), the provision of infrastructure will also help stimulate economic growth.

The State should consider any impacts on the current allocation of REET to the Public Works Trust Fund and other existing state infrastructure funds. These funds should be “held harmless;” in other words, the existing REET allocation to the PWTF should not simply be reallocated to the Growth Management Infrastructure Account.

3. Reallocate of a portion of the state sales tax on construction activity to local jurisdictions (where collected) to use for infrastructure projects that increase capacity necessary to accommodate growth and provide affordable housing opportunities. Reallocation could be based on:
 - anything above the rolling 10-year average of collections;
 - collections above projected revenues in the revenue forecast; or
 - a fixed fraction/share that captures a rise in revenue.
4. Fund a Growth Management Infrastructure Account through the State’s Capital Budget. Funds from that account should be made available for projects in which the proponents demonstrate that:
 - the use of the grant or loan will enhance the affordability of new housing consistent with Growth Management Act (GMA) plans;
 - Transportation-Oriented Development (TOD) will serve the housing;
 - the local jurisdiction is making progress toward achieving the affordability component of the goals in its housing element;
 - the project adds infrastructure capacity that supports more housing (including infill in older areas);
 - a higher density of housing is being encouraged in urban areas – i.e. using zoning tools to increase the supply of housing (see Planning Tools recommendations);
 - the local jurisdiction is using a local improvement district (LID) or tax increment financing (TIF) to help finance infrastructure for affordable housing in conjunction with the state funding;
 - infrastructure is being financed that will help create low-income housing;
 - housing is being matched with jobs;
 - in rural and small communities (e.g. thirty-two distressed rural counties and the cities within them), the provision of infrastructure will also help stimulate economic growth.

5. Provide permanent funding for counties and cities to produce the buildable lands analysis through the State's General Fund Budget.

NEW STATE FUNDS

6. Use one dollar of the unused state regular property tax levy to fund school capital costs statewide. Growth management impact fees for schools would be eliminated.

NEW LOCAL FINANCIAL RESOURCES

7. Authorize a voter-approved local option regular property tax using the unused portion of the state regular property tax levy within a specified county or city. The funding may be used either for school construction or for other purposes for which GMA impact fees are currently imposed, such as fire-fighting facilities, roads and parks. This funding source would replace GMA impact fees in counties and cities where it is levied.
8. Eliminate the "replacement rule" that requires counties and cities to pay from public funds for low-income housing impact fee exemptions (RCW 82.02.060(2)).
9. Update Washington State's tax increment financing legislation so that it is more effective. Amend the existing LIFT program to award bonus points to projects that meet the criteria in recommendation #1 (above).
10. Decrease school bond voting requirements to 50 percent plus one.
11. Provide a partial property tax exemption for affordable rental or for sale units for households at 50% of median income or less (per RCW 84.36.560).

The Planning Tools Committee

THE COMMITTEE'S CHARTER

Recommend strategies to the Task Force that balance the efficiency and flexibility of zoning and building requirements with the need to provide for safety and environmental protection.

THE COMMITTEE'S MEMBERSHIP

The Task Force members serving on the Planning Tools Committee are Judith Stoloff, representing the American Planning Association (APA); Kennewick Councilman Tom Moak, representing the Association of Washington Cities (AWC); Arthur Sullivan of A Regional Coalition for Housing (ARCH) and Heather Ballash of the Washington State Department of Community, Trade and Economic Development. In addition, the committee was served by Bill Riley and Mike Luis, representing realtors, Tim Trohimovich, representing Futurewise, Don Davis of the Master Builders Association of King and Snohomish Counties, and Harry Reinert of King County.

THE PLANNING TOOLS COMMITTEE'S RECOMMENDATIONS

The recommendations of the Planning Tools Committee are:

1. Simplify and standardize local development standards and regulations (Snohomish County model).
 - Provide incentives for local governments to work on common regulations and standards, including:
 - Application process – look at standardizing documentation and process requirements that could reduce permitting timelines
 - Appropriate design standards, such as pedestrian orientation, compatibility and access among adjacent developments; appropriate open spaces, gathering places and adequate landscaping and attractive streetscapes and parking arrangements.
 - Roads standards (street widths, curbs, etc.)
 - Small lots
 - Application processing software
2. Address SEPA issues, such as expanding categorical exemptions or eliminating SEPA review in urban growth areas.
 - Create a categorical exemption for designated “urban centers” if the jurisdiction has done an adequate EIS [Note: “urban centers” would need to be defined in statutes.]
 - Fund the Planning and Environmental Review Fund (PERF) as an incentive for local governments to do the up front environmental review in a planned action [include additional funding in the state general fund].
 - Create a higher threshold for categorical exemptions for larger projects (e.g. increase the exemption to 20 lot subdivisions)

3. Provide state funding incentives (existing funding sources) for plans and zoning that require or encourage a diversity of housing choices and types.
 - Provide incentives for the following zoning tools:
 - *Minimum densities;
 - *Performance-based zoning;
 - Bonus densities for affordable housing;
 - Lot size averaging;
 - Townhomes;
 - Cottage housing;
 - Accessory dwelling units;
 - Mixed-use development;
 - *Design standards; and
 - Allowing attached housing as a permitted use when clustering units to avoid critical areas while not losing unit count (King County, Woodinville).
 - Incentives for these zoning tools could include:
 - Getting points on an application for state infrastructure funding for using enough of these tools.
 - Authority for increasing categorical exemptions under SEPA in the UGA for using enough of these tools.
 - Allow cities to use the 10-year tax abatement for infill on smaller lots – lot size averaging
 - Provide information on best practices for design standards and review process on CTED *Affordable by Design* web site.
 - Provide education for the development community, elected officials, planners and the public on these tools. All of these folks need to work together.

**Note from AWC: Would like to know more about what is meant by minimum densities, performance-based zoning and design standards before they can agree to support them.*

OTHER POTENTIAL SOLUTIONS THE COMMITTEE DISCUSSED

The following are other issues that the Planning Tools Committee discussed but did not reach agreement on:

1. “Beef up” the GMA housing element. (*AWC questions in italics*):
 - Amend¹ the Housing Element (RCW 36.70A.070(2)) requirements to include:
 - Require a variety of housing types (*Does that mean promote them in a plan or require they be provided? Something else?*);
 - Require more specificity about existing and projected needs (*What does that mean? Can examples be provided?*);
 - Require a plan for implementation that includes monitoring (*of what? Monitoring of how the plan is working, what housing types are being built, at what level of specificity and at what cost?*); and
 - Amend (2)(d) of the Housing Element to “makes adequate provisions for existing and projected needs of all economic and demographic segments of the community.” (*This is a clearer recommendation, but what is the expected outcome?*)

¹ See WAC 365-195-310 for how this could be done.

Note from AWC:

- *AWC is very hesitant to endorse any additional planning requirements for cities and towns. They need to know the expected benefit of any additional planning requirements, what it would cost, when it would be done, and what the additional liability would be. They would like more information and discussion about this idea. See AWC questions in italics above.*
- Any rezone or regulation that increases capacity and also increases the economic value of the property must include provisions for affordability consistent with the local economy (application of this requirement should be limited to projects of a minimum size and density based upon the local need for affordable housing and the economy).

Note:

- *This idea was discussed but is not recommended by the committee as some are opposed to inclusionary housing. There was also concern in the subcommittee that this recommendation needs more detail to assure that it encourages housing production, does not artificially inflate the value of existing housing, and does not discourage buyers by removing the potential for some recapture of increase in value. This idea could be the subject for further long-term discussion pending research of funding to relieve the purchaser of market rate units from subsidizing affordable housing units.*
 - *This may not be an amendment to the Housing Element, but an amendment or addition to another part of the statute.*
2. Align comprehensive plans, CIP and TIP more closely by ensuring that the latter are instruments for implementing the former or by making their timeframes identical or more similar.

Discussion was around the fact that there is a consistency requirement now between the land use, capital facilities and transportation elements that can be appealed. However, the Growth Management Hearings Boards have held that locals are only required to plan for six years for capital facilities and transportation even though it is a 20-year plan.

Possible recommendations:

- Continue and expand state technical assistance with the capital facilities template.
 - Include a statement in the GMA requirement for capital facilities and transportation planning that they must be for 20 years.
 - As part of a performance evaluation, assess the impact of infrastructure availability on the production of housing [Note: this will probably be addressed in the land capacity subcommittee.]
3. Develop strategies to transfer development rights from rural to urban areas

The committee concluded this not an effective tool to increase affordable housing.

4. Endorse appropriate portions of the Cascade Agenda (rural villages, particularly those adjoining existing rural centers) and recommend how to apply it to expand the supply of affordable housing

The committee concluded this not an effective tool to increase affordable housing.

The Land Capacity Committee

THE COMMITTEE'S CHARTER

Recommend strategies to the Task Force that will help identify that there is sufficient land capacity to accommodate projected population growth and achieve GMA housing goals, include those related to density.

Distinguish what can be done by the legislature in 2007 from longer-term issues and solutions. To enable the State to address long-term issues, recommend procedural steps in the process of addressing them, who should be involved in the discussions and a timetable for bringing recommendations that address each issue to the Governor and legislature.

THE COMMITTEE'S MEMBERSHIP

The Land Capacity Committee includes Task Force members Commissioner Mary Hunt of Douglas County, Sam Pace, representing realtors, Kaleen Cottingham, representing Futurewise, and Leonard Bauer and Heather Ballash of the State's Department of Community, Trade and Economic Development (CTED). The other Committee members include Mayor Jean Garber of Newcastle and Michael Hubner, who represent the Association of Washington Cities (AWC), Mike Luis, representing realtors, and Harry Reinert and Chandler Felt of King County.

SOLUTIONS THE COMMITTEE DISCUSSED ON OCTOBER 2ND

Committee member Sam Pace presented to his fellow committee members a package of proposals for their consideration (see attachment). Some were discussed thoroughly while others were not.

With his proposals guiding the discussions, the committee members identified and discussed the following three solutions. *The entire group did not reach consensus on them.*

1. Make CTED a repository for information about local jurisdictions' plans to provide infrastructure.
2. Amend the GMA to require that sewer and water special purpose districts provide infrastructure to support and comply with the comprehensive land use and capital facilities plans of counties and cities.
3. Convene a longer-term process in which key stakeholders jointly: a) explore issues related to the impacts of land availability and capacity on the affordability of housing; and b) recommend strategies for ensuring a sufficient supply of buildable land is available to achieve affordable housing goals.

As part of this recommendation, the committee also recommends that:

- This process should commence after the Buildable Lands Reports are completed in September 2007.
- The process should be informed by CTED's assessment of the Buildable Lands Reports process that is due in December of next year.
- The parties involved in this process should include those that served on the Task Force as well as any other interested and/or affected stakeholder groups. A particular effort should be made to

include representatives of all the buildable lands counties and to ensure balance among the stakeholders involved in the process.

- Once convened, two immediate steps the group should take are: 1) agree on the problems to be addressed and resolved; and 2) identify the common interests that any recommendations must achieve. Regarding the first step, the group may request that an “outside, independent” party conduct research and analysis and present to the group its findings.
- Once there is agreement on the problems to be addressed, all potential solutions need to be “put on the table.” For example, changes to existing laws as well as incentives are, broadly speaking, worthy of consideration.

Committee members suggested that the Task Force may want to recommend to the AHAB that the legislature provide funds to enable CTED to organize and implement this process.

MODIFICATIONS TO THE POTENTIAL SOLUTIONS

Following the adjournment of the Land Capacity Committee meeting on the 2nd, King County suggested modifying the first two potential solutions listed above. Here they are:

Could replace #1 on the previous page:

1. Require sewer and water utilities, whether publicly or privately owned and operated, to file a standardized report with CTED on their current capacity and plans for capital facilities improvements in adopted CIPS over the next six years. CTED will compile the information and make it available to local governments for their comprehensive plans.

Could replace #2 on the previous page:

2. Require sewer and water utilities not operated by a city or county, whether publicly or privately owned and operated, to adopt Capital Facilities Plans that will provide infrastructure to support city and county adopted comprehensive plans.

Furthermore, in the days following the committee meeting facilitator Jim Reid spoke with a number of the committee members and others with an interest in this issue and the committee’s work. Based on those conversations, he developed this “trial balloon” suggestion to see if interests of the parties could be achieved (and then modified it for this report).

Could replace #3 on the previous page:

1. The Task Force recommends that the 2012 Buildable Lands Reports (so this pertains only to the six buildable lands counties) include information that:
 - A. Identifies which lands are suitable for development. More specifically, analyze the availability and remaining capacity of infrastructure needed to accommodate growth. Infrastructure is defined as: a) potable water; b) sewer; and c) transportation. Include in this analysis:
 - Buildable lands **currently** suitable for development: Land with currently available infrastructure and remaining capacity sufficient to accommodate residential and

commercial build-out at densities allowed by the jurisdiction's existing comprehensive plan and zoning.

- Buildable lands *potentially* suitable for development: Lands not currently suitable for development because of inadequate infrastructure, but for which a jurisdiction has included in its six-year CIP/CFP and ten-year TIP infrastructure projects for which full funding has been identified or secured that when built would make available infrastructure with sufficient remaining capacity to accommodate residential and commercial build-out at densities allowed by the jurisdiction's existing comprehensive plan and zoning.
- Buildable lands *theoretically* suitable for development: Lands not currently or potentially suitable for development.

B. Assesses the impact of new regulations on land capacity and availability.

C. Identifies the availability and capacity of land to meet the existing and projected need for the following types of housing: a) single family; b) multi-family; c) government-assisted; d) manufactured; e) senior; f) for low-income families; g) group homes; and h) foster care facilities.

2. The Task Force recommends that the legislature provide funding to the buildable lands counties to develop and produce the 2012 Buildable Lands Reports.
3. The Task Force recommends that the Washington State Department of Community, Trade and Economic Development (CTED) be required to report to the Governor and Legislature annually information detailing the net change in the number of housing units and the number of jobs by jurisdiction (cities and counties) for each buildable lands county. The first report, which could be available to the Legislature when it convenes in 2008, could also include a summary for the period from 1990 (the inception of the GMA) to 2006.
4. The Task Force recommends that a longer-term process be convened in which key stakeholders further explore issues related to the impacts of land availability and capacity on the affordability of housing, and recommend strategies for ensuring a sufficient supply of buildable land is available to achieve affordable housing goals.

A concept or principle that should be discussed by this more detailed examination is “no net loss” of land capacity. In addition, the feasibility of including in the 2012 Buildable Lands Reports information about market feasibility forces should be discussed.

Other questions or topics that could help frame the process might include: 1) the relationship between growth management and housing affordability; 2) buildable lands-type programs and evaluation processes in other states; 3) review of buildable lands methodologies used by the six buildable lands counties; 4) an assessment of the buildable lands program as a tool for helping to ensure achievement of housing affordability goals and illuminating the relationship of supply and demand for housing.

A. As part of this recommendation, the committee also recommends that:

- This process should commence after the *draft* Buildable Lands Reports are submitted to CTED in June 2007.

- The process should be informed by CTED's assessment of the Buildable Lands Reports process that is due in December of next year.
- The parties involved in this process should include those that served on this Task Force as well as any other interested and/or affected stakeholder groups. A particular effort should be made to include representatives of all buildable lands counties.
- Two immediate steps the group should take are: 1) agree on the problems to be addressed and resolved; and 2) identify the common interests that any recommendations must achieve. Regarding the first step, the group may request that an "outside, independent" party conduct research and analysis and present to the group its findings. The parties involved in this process would have to agree on that neutral party or consultant.
- Once these first two steps have been taken, all potential solutions need to be "put on the table." For example, changes to existing laws as well as incentives are, broadly speaking, worthy of consideration.

ATTACHMENT TO LAND CAPACITY COMMITTEE REPORT

Sam Pace's Proposals of 2 October 2006

Buildable Lands: RCW 36.70A.215

I. Have Buildable Lands Reports Account For Infrastructure

Have the 5-year Buildable Land Reports ² account for the *availability* and *remaining capacity of infrastructure to accommodate growth* in determining whether or not land is "suitable for development":

1. Infrastructure to accommodate growth:
 - Potable water
 - Sewer
 - Transportation

2. Following up on Hugh Spitzer's suggestion, include a qualitative analysis of infrastructure *availability*, and *remaining infrastructure capacity* with a three-tiered analysis:
 - A. ***Buildable Lands Currently Suitable for Development:***
Lands with currently available infrastructure (with remaining capacity) sufficient to accommodate residential and commercial build-out at the densities allowed by the jurisdiction's existing comprehensive plans and zoning.

 - B. ***Buildable Lands Potentially Suitability for Development:*** Lands not currently suitable for development because of inadequate infrastructure, but for which the jurisdiction has included in **its ten-year TIP**, or in its **six-year CIP/CFP**, infrastructure projects (for which full funding has been secured or identified) that when built would be make available infrastructure with sufficient remaining capacity to accommodate residential and commercial build-out at densities allowed by the jurisdiction's existing comprehensive plans and zoning.

 - C. ***Buildable Lands Theoretically Suitability for Development:*** Lands not *currently* or *potentially* suitable for development.

² Required by RCW 36.70A.215 to be prepared in each of the Washington's six Buildable Lands Counties: Snohomish, King, Pierce, Kitsap, Thurston and Clark
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II. Have Buildable Lands Reports Account Market Feasibility Factors **(See Attachment "A")**

Expressly authorize the 5-year Buildable Land Reports to include Market Feasibility Factors in excess of the whole cloth 15% limit blessed by the Growth Management Hearings Boards on the basis of the following factors that may affect whether or not properties reach the market during the planning period:

Market Feasibility on a particular project, could include (but are not limited to):

- Unusual engineering and construction costs associated with topography,
- Brownfields or other superfund remediation,
- The cost of extending infrastructure,
- Traffic concurrency mitigations or restrictions,
- Water availability,
- The costs of compliance with development regulations,
- The costs of compliance with site-specific environmental mitigation mandates,
- The potential for appeals of the project,
- Interest holding costs associated with delays in obtaining approvals,
- Lack of certainty about the number of housing units that will actually be approved for construction,
- Higher costs that are typically associate with re-development projects,
- Government exactions,
- Required levels of pro-forma returns necessary to attract debt or equity financing,
- Whether or not development involves the risk of investing in a deteriorating neighborhood,
- For higher density development, whether or not there is access to major employment centers, shopping and leisure opportunities that may enhance or compromise marketability of the units,
- Regulations governing *Historic Properties* and *Historic Districts*,
- Owner expectations and preferences regarding price, operating income and/or rates of return,
- Land owned by government but not used for governmental purposes,
- Adjacent uses,
- CC&Rs,
- Potential for annexations that may result in Comprehensive Plan and Zoning re-classifications that are inconsistent with development requirements, preferences and/or expectations,
- Potential for development phasing moratoria,
- Grand-fathered uses,
- Inconsistency between zoning and maximization of return,
- Parcelization,
- Reductions in the actual built-yields following "cherry picking,"
- New court decisions that affect the potential for development during the planning period, such as a Supreme Court decision limiting the use of exempt wells in urban areas near the Urban Growth Boundary (UGB). This may be especially important if funding to extend the infrastructure is not available.
- The fact that expensive homes with many years left on the mortgage, or recently re-financed properties, are not likely to be re-developed or subdivided to accommodate more homes within the planning period,
- CTED publications disclose a study by the City of Seattle Office of Long Range Policy Planning which found that in some neighborhoods, land zoned for multifamily, but occupied by single-family residences, was not likely at all to convert to multifamily.

III. Have Buildable Lands Reports Account For New Regulations That Reduce Housing Capacity

Have the 5-year Buildable Land Reports account for, and report, reductions in lands suitable for development as a result of new development restrictions, or other regulations, that reduce buildable capacity, including but not limited to: critical areas, shorelines, tree cutting restrictions, endangered species-related regulations, setbacks, buffers, open space requirements, etc.

IV. Jobs/Housing Balance: CTED Report Annually

Have CTED issue a report annually (to be delivered to the legislature, the Governor and the State Auditor) detailing the net change in the number of housing units, and the net change in covered employment, by jurisdiction (cities and counties), in each county planning under GMA. The first such report to be due in 2007, and shall include a delineation, by jurisdiction (cities and counties) for each year from 1990 (when GMA was adopted) through 2006.

V. No Net Loss

When a jurisdiction (city or county) planning under GMA enacts a comprehensive plan amendment, ordinance, regulation or rule that would have the effect of reducing the capacity to accommodate housing in the jurisdiction, the jurisdiction must contemporaneously add back elsewhere in its comprehensive plan the housing capacity that otherwise would have been lost. Such add-backs must be consistent with recently achieved densities in the areas where the lost capacity is being added back.

VI. Have Buildable Lands Reports Include An Analysis of Housing Types Specifically Identified in RCW 36.70A.070 (2)

The mandatory *Housing Element* required by RCW 36.70A.070 to be included in local Comprehensive Plans requires each jurisdiction to:

(2)...(c) "identif(y) sufficient land for housing, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, and group homes and foster care facilities; and (d) makes adequate provisions for existing and projected needs of all economic segments of the community.

Consistent with RCW 36.70A.070 (2), the Buildable Lands Reports should also identify the capacity to meet the existing and projected need for:

- government-assisted housing
- housing for low-income families
- manufactured housing
- multifamily housing
- group homes, and
- foster care facilities

VII. Funding for Jurisdictions To Complete Buildable Land Reports

MARKET FACTORS

An illustration of the serious deficiencies in the BLR Market Factor discount assumptions is reflected in the recent experience of the well-known King County *Housing Partnership*. The *Housing Partnership* was seeking a site for a new infill housing project in King County. In an effort to secure a development site, the *Housing Partnership* inquired of 280 landowners with land listed as vacant or underdeveloped.

Only one of the 280 property owners (less than 4/10th of 1%) showed a willingness to sell. The attorney for the Masterbuilders, Bob Johns, in written testimony to the King County Council, observed:

"One further development since the issuance of the Buildable Lands Inventory casts additional doubt on the dependability of that report. As you are aware, the Inventory assumes that approximately 80% of the parcels in the County which are "under-developed" will be re-developed within the horizon of the GMA planning cycle. Under-developed parcels are those which contain some development, but are currently used at densities which are significantly lower than the density allowed by current zoning, theoretically making them prime candidates for redevelopment at higher density.

However, the Housing Partnership recently sent a letter of inquiry to 280 property owners with land listed as vacant or underdeveloped in an effort to locate a site for a new infill project. Only one of the 280 landowners showed a willingness to sell.

This level of interest is obviously inconsistent with the assumption in the Inventory that the vast majority of owners of under-developed land will be willing to sell their property within the foreseeable future. The Buildable Lands Inventory assumption regarding redevelopment rates is not supported by land availability information in the real world.

Under these circumstances, reliance on the Buildable Lands Inventory to support massive increases in buffers and other aspects of the draft CAO that reduce buildable land supplies is unjustified.

The bottom line is that the proposed CAO will have a very negative impact on the supply of buildable land and this impact will translate very rapidly into spiraling house prices, further eroding the ability of middle class and lower income families to afford adequate and accessible housing."

Appendix B of King County's *Buildable Lands Evaluation Report* appears to contain more than 73 different "Market Factor" assumptions. These "Market Factor" discounts are applied to the "net" portion of land remaining after reductions have been made for critical areas, rights of way, and public purposes.

It is important to note that the "Market Factor" discount utilized by the County in the Report is likely to significantly understate the true "Market Factor" discount because it does not include, or even contemplate, the issue of "Market Feasibility."

As distinguished from the very limited focus of the County's "Market Factor" definition (*which recognizes only portions of the personal preferences and plans of the current property owner*), a discount that actually accounts for the realities of the marketplace must necessarily include "Market Feasibility."

Market Feasibility involves both external and internal financial pressures that affect the ability to make a development project "pencil out". **Market Feasibility is affected by the degree to which costs of development enhance or compromise the ability to develop housing within a cost structure that makes the final price of the product competitive with other new or existing properties being offered for sale or rent in the marketplace.**

Issues that may compromise the ability to achieve competitive cost structures, and thus adversely affect Market Feasibility on a particular project, could include (but are not limited to):

- Unusual engineering and construction costs associated with topography,
- Brownfields or other superfund remediation,
- The cost of extending infrastructure,
- Traffic concurrency mitigations or restrictions,
- Water availability,
- The costs of compliance with development regulations,
- The costs of compliance with site-specific environmental mitigation mandates,
- The potential for appeals of the project,
- Interest holding costs associated with delays in obtaining approvals,
- Lack of certainty about the number of housing units that will actually be approved for construction,
- Higher costs that are typically associate with re-development projects,
- Government exactions,

- Required levels of pro-forma returns necessary to attract debt or equity financing,
- Whether or not development involves the risk of investing in a deteriorating neighborhood,
- For higher density development, whether or not there is access to major employment centers, shopping and leisure opportunities that may enhance or compromise marketability of the units,
- Regulations governing *Historic Properties* and *Historic Districts*,
- Owner expectations and preferences regarding price, operating income and/or rates of return,
- Land owned by government but not used for governmental purposes,
- Adjacent uses,
- CC&Rs, ³
- Potential for annexations that may result in Comprehensive Plan and Zoning re-classifications that are inconsistent with development requirements, preferences and/or expectations,
- Potential for development phasing moratoria,
- Grand-fathered uses, ⁴
- Inconsistency between zoning and maximization of return, ⁵

³ Often property owners affirmatively agree not to further build-out or divide the property in the neighborhood and reflect their agreement in Conditions, Covenants and Restrictions of record (CC&Rs) which effectively serve to reduce the amount of buildable land on all affected properties, including the properties of those owners who might otherwise be willing to facilitate re-development. It's unreasonable to expect those CC&Rs will completely cease or change during the planning period, especially with respect to potential in-fill projects.

⁴ In urban areas where medium or low-density residentially zoned land is already occupied by a non-conforming business use that is "grand-fathered" in, it is unlikely that the owner will convert the use to residential if the business use is profitable.

⁵ Sometimes a builder will not use the full-zoning potential of a site. One reason is that the builder believes the project will yield a more secure, or greater, financial return by building fewer units on the site, either through higher value housing, or by being more in harmony with the history of local development patterns. Additionally, the allowed density may simply be excessive and unrealistic, when building and parking codes have to be met, and the local market will not support housing which appears to be too dense.

- Parcelization, ⁶
- Reductions in the actual built-yields following "cherry picking," ⁷
- New court decisions that affect the potential for development during the planning period, such as a Supreme Court decision limiting the use of exempt wells in urban areas near the Urban Growth Boundary (UGB). This may be especially important if funding to extend the infrastructure is not available.
- The fact that expensive homes with many years left on the mortgage, or recently re-financed properties, are not likely to be re-developed or subdivided to accommodate more homes within the planning period,
- CTED publications disclose a study by the City of Seattle Office of Long Range Policy Planning which found that in some neighborhoods, land zoned for multifamily, but occupied by single-family residences, was not likely at all to convert to multifamily.

The County may not possess data on all of these kinds of issues when developing a Market Factor discount, but it has access to the data for many of them. But even if availability of data were a concern, the defensible and reasonable approach must be to add significantly to the "market discount" using an educated estimate to provide a more realistic margin of safety, instead of assuming the only influence in the

⁶ *Parcelization* is a pattern of land subdivision and use in older portions of many cities and suburban areas, characterized by one or both of the following features: the land is already subdivided into urban density/size lots, or small acreage tracts; many vacant or partially used parcels do not have feasible access to the required basic urban infrastructure; and/or the infrastructure network is fragmented, or incomplete. In this situation, the costs of upgrading or extending services can often exceed the potential market value of the finished lots, even with services. Another form of parcelization is sometimes found either combined with the first pattern, or by itself. It is most common where large areas were platted into very small lots, e.g. 25x100 ft. years ago when no infrastructure was required, and very little development has occurred. Typically, ownership of most of the vacant parcels is a "checkerboard" pattern, with people owning one or a few lots, all with differing attitudes and motivation about selling. See: *A POLICY GUIDE - Land Supply: A Critical Issue for Housing*, Roger Almskaar, p. 15.

⁷ The process of seeking out land that presents fewer constraints and uncertainties for development is sometimes referred to as "cherry picking." As the remaining supply of land gets "cherry picked," the potential for actually achieving built densities at the same yield per acre on the remaining land supply tends to diminish. Assuming constant levels of built yields on more difficult to develop properties is not realistic.

marketplace is a portion of the personal preferences and plans of the current property owner.

Part of the reason for the attempt to use an unrealistic Market Factor discount that is seriously disconnected from the realities of the marketplace may be due to a phobia about the potential for excess supply inside the UGB to exacerbate sprawl.⁸

It is the failure to provide adequate capacity for housing that is causing King County's growth to sprawl to other counties to the North and South, as well as sprawling "leapfrog" to the East over the County's rural areas. Failing to utilize a realistic Market Factor discount exacerbates the sprawl GMA was intended to prevent.

At the time the County's *Land Capacity Task Force* first examined the issue of a Market Factor Discount in the early 1990s, the Association of REALTORS® advised the County that a Market Factor Discount of between two and four times the number of units in the projected build-out would be more realistic in order to ensure actual housing capacity was sufficient to meet demand without having excess capacity encourage sprawl. History, and the skyrocketing prices resulting from insufficient housing supply relative to demand, have tended to vindicate the REALTORS® judgment on this issue.

The Market Feasibility issues associated with re-development take on heightened importance because the *Buildable Lands Evaluation Report* indicates at pages 28-30:

- 62.7% of all reported remaining housing capacity is multi-family/mixed use,
- Multi-family residential development is significantly dependent upon redevelopable land,
- 57% of the remaining capacity for housing is in redevelopable land; and
- Redevelopable land tends to be more expensive to develop.

Part of the additional expense associated with redevelopable land can be due to costs of demolition, construction debris disposal issues, likelihood of appeals and delays, parcelization, environmental remediation necessitated by the prior uses of the property and reductions in the allowable built-yield below the theoretical yield anticipated in Comprehensive Plan designations.

⁸ "The GMA requires that local governments aim for and maintain a rational balance among all 13 topics of its broad goals; many cities and counties have over-emphasized environmental protection goals while neglecting others, such as affordable housing and economic vitality." *A POLICY GUIDE - Land Supply: A Critical Issue for Housing*, p. 4.

As the more easily developed properties are "cherry-picked", the remaining land supply is typically more difficult and expensive to develop (or to re-develop). As a result, Market Feasibility becomes an increasingly important issue for "Market Factor" discounts because the reality is that the true market-related discounts encompass far more than just the current property owner's *personal preferences and plans* referenced in the definition of the Market Factor discount utilized by King County in its *Buildable Lands Evaluation Report*.