

King County's Housing Supply Crisis

Preface

For a copy of the complete report, contact the SKCAR office at 425.820.3277 or 1.800.540.3277 - Email: dcrowell@nwrealtor.com

This report is intended to examine the nature, consequences and solutions pertaining to the housing supply crisis in King County. The Seattle-King County Association of REALTORS® (SKCAR) prepared this report in mid-1997 to enhance public knowledge about the crisis and to lead this region in honest, fact-based planning and decision-making on housing capacity.

The magnitude and breadth of the housing supply crisis extends far beyond the economic interests of REALTORS®. As discussed in the following papers, the consequences of inadequate housing are far-reaching. Enlarging the collective knowledge base is an important initial step in provoking thoughtful discussions that will help elected officials address the crisis.

Seven White Papers examine various aspects of the housing supply crisis:

1. [*The Nature of the Housing Supply Crisis \(The Statistics\)*](#)
2. [*The Market Dynamics of the Housing Supply Crisis*](#)
3. [*Consequences for the Economic Competitiveness of the Region*](#)
4. [*Special Challenges of "Affordable Housing"*](#)
5. [*The Effects of the Crisis for Human Services*](#)
6. [*The Challenges of Providing Infrastructure, and*](#)
7. [*Planning Policy: The Focus Upon Non-Solutions*](#)

Real estate industry experts are forecasting seven percent to 10 percent increases in the cost of housing during 1997 and 1998. Experts in rental housing expect rents will increase eight percent in 1997 and 1998, and another four percent in 1999. Meanwhile, the supply of residential properties offered for sale is shrinking: at mid-year, the inventory in King County was down about 25 percent from the number of listings a year ago.

Economists predict continued job growth and the area's appealing quality of life will accelerate in-migration. Births are outpacing deaths, resulting in a "natural" population increase -- and stimulating more demand for housing. As housing supplies tighten in the wake of a growing imbalance between supply and demand, prices will escalate for both renters and buyers. Workers will face longer commutes and employers will encounter more challenges to recruit and retain a workforce that has access to affordable housing. *For an ever-increasing segment of the area's population, owning a home will be out of reach.*

The Growth Management Act (GMA) intends to avoid regional sprawl. One way the GMA addresses the consequences of sprawl is to create more efficient use of infrastructure dollars and to promote economies of scale through increased densities. Despite laudable intentions, local comprehensive plans and the countywide planning policies were not matched with objective market analysis, prudent fiscal analysis or least-cost planning analysis. Consequently, only a few years after GMA's passage, King County's residents are confronting increased traffic congestion, longer commutes, an expanding backlog of maintenance and improvements, and ongoing threats to air quality. *Without political and fiscal commitments to infrastructure, regional sprawl is magnified.*

Currently, the majority of jurisdictions in King County are failing to meet their housing responsibilities under the GMA and the Countywide Planning Policies. Despite NIMBYism, fear of change, a desire by citizens to insulate themselves from the effects of the crisis, a lack of knowledge, and complacency, elected officials must address the housing supply crisis.

One of the mandates of the Growth Management Act is to provide for an adequate supply of housing that meets the "existing and projected needs of all economic segments of the community." Many cities look to higher densities as the traditional model of planning – an approach that tends to ignore or disregard market preference. Lack of capacity and dense development only fuels rising prices of single-family detached housing. *Successful planning requires both recognition of, and receptiveness to, economic realities and market preferences.*

King County's housing supply crisis is evidenced by fewer choices and rising housing costs for both renters and would-be buyers. The situation has severe negative impacts on the most economically vulnerable members of our communities. These residents are forced to spend an extraordinary portion of their financial resources to secure housing; oftentimes, they find themselves unable to remain in the rental market. Consequently, an increasing number of individuals and families turn to human services agencies for basic essentials. Despite mounting pressures, human services groups have finite resources; with alarming frequency, these agencies are unable to help those who need assistance.

Empowering elected officials with the political capital to address the housing supply crisis will require broad-based efforts. REALTORS®, the business sector, news media, social services agencies, commuters who are weary traffic gridlock, community organizations, neighborhood activists, and families that want to avoid being split up by the economic consequences of our failure to act must collaborate in finding solutions. Together, we must create an atmosphere where elected officials embrace their leadership responsibilities so housing becomes more affordable and available.

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White Paper	<i>King County's Housing Supply Crisis</i>
1 Executive Summary	The Nature of the Housing Supply Crisis: THE STATISTICS

Having a variety of housing choices for all economic segments of the community is a fundamental concept of the Growth Management Act and a goal shared by many interests. To guide jurisdictions in determining how much housing would be needed to accommodate anticipated growth, GMA created a framework for planning called "Countywide Planning Policies" (CPPs).

In King County, the required cooperative planning effort between the County, the City of Seattle, and the Suburban Cities resulted in the creation of a Growth Management Planning Council (GMPC). In July 1992, GMPC adopted countywide policies to govern the development of comprehensive plans of King County and the cities within its borders.

This first in a series of Housing Supply White Papers examines the statistics that underlie the housing supply crisis and compares the actual production of housing by jurisdiction with each area's legal responsibilities under GMA and the planning policies.

Using population growth forecasts and other data, GMPC established housing supply targets for each jurisdiction, with allocations expressed as low-end, mid-point and high-end ranges of the net new housing projections. Amendments to the CPPs also quantified each jurisdiction's responsibilities to accommodate "Affordable Housing" for various household income ranges.

Comprehensive research (based in part on responses to Public Records Requests to each city in King County) reveals widespread failure to keep pace with the demand for housing that accompanies not just the growth projected by the state's Office of Financial Management, but the actual growth fueled by the area's rosy economy. When the results of SKCAR's research and analysis are coupled with the knowledge that the projections of only a few years ago assumed very slow growth -- rather than the booming conditions that exist in King County -- the prospects for meeting housing targets are ominous. Solutions exist, but time is truly of the essence.

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2 EXECUTIVE SUMMARY	The Market Dynamics of the Housing Supply Crisis

Among its requirements, the Growth Management Act (GMA) of 1990 obligates King County and its cities to provide for an adequate supply of housing that meets the "existing and projected needs of all economic segments of the community." This is to be accomplished through the King County Countywide Planning Policies (CPPs).

The GMA also requires local governments in fast-growing counties to adopt comprehensive plans to meet 13 specific and sometimes contradictory goals.

Studies by the Seattle-King County Association of REALTORS® reveal several shortcomings in the CPPs. One of the consequences of these shortcomings is a shortage of land for housing in King County. When coupled with the inability of King County's cities to accommodate sufficient, affordable housing, the result is a market where demand outpaces supply; this imbalance creates a situation that is alarmingly similar to 1989-1990 when the Seattle area led the nation in housing appreciation.

Part of the CPP shortcomings are attributed to flawed and incomplete data that were used in determining land capacity. The Growth Management Planning Council relied upon a land capacity analysis by the Data Resources Technical Forum (DRTF) and has, for the most part, ignored questions about the planners' assumptions and recommendations. Continued failure to address concerns voiced by REALTORS® and other industry leaders will aggravate conditions that are causing home prices and apartment rents to escalate.

While SKCAR understands the "preferred" course of action in the planning community is to maintain the status quo, the association is convinced that solutions are available to alleviate the housing affordability crisis. What is uncertain is whether the political will exists.

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3 EXECUTIVE SUMMARY	Consequences for the Region's Economic Competitiveness

King County's economic health is directly dependent on housing affordability. The area's workers must be able to afford a place to live, while their employers need to attract and maintain a workforce with salaries that allow their companies to stay competitive in the global market.

The housing supply crisis threatens the region's current and future economic health. A shortage of homes, caused by various restrictions on home building, has created a housing market that is artificially inflated. Housing costs are skyrocketing much faster than inflation rates or growth in personal income.

When fewer people can afford housing, it becomes increasingly difficult for companies to attract and retain a qualified work force. Even for new employees at Microsoft, with their enviable compensation packages, housing affordability is an issue. For those with lower paying jobs, including teachers and police officers, the impact is worse – in many cases, they are unable to live in the districts or cities where they work.

It is imperative that King County's housing supply be increased to restore balance between demand and supply. City and county governments must act to allow for the creation of more housing, particularly for housing that is affordable for middle-income people.

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White Paper	<i>King County's Housing Supply Crisis</i>
4 EXECUTIVE SUMMARY	The Special Challenges of "Affordable Housing"

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Historically, the definitions of "Affordable Housing " have varied widely. In 1994 the King County Growth Management Planning Council (GMPC) approved new Affordable Housing amendments to the County's GMA-mandated Countywide Planning Policies (CPP). Those amendments defined affordable housing and set out specific numerical housing targets (as well as specific affordable housing targets) for each jurisdiction in King County.

The County and each city existing in 1994 were allocated a specific numerical target that sets out the number of net new housing units they must accommodate. In addition to the total number of net new housing units, a specified percentage of the total number of net new units must be affordable to certain income levels.

Who needs "affordable housing" anyway? In all likelihood, it's the families whose kids play with our kids. It's our co-workers. It's the people we depend upon to hold together the very fabric of our communities. An analysis of private and public sector salary schedules indicates a wide variety of job titles have salaries that would qualify for "affordable housing."

Many people who require "special needs housing" also find themselves with incomes that qualify for affordable housing. Transitional and emergency shelter housing options are rather limited in King County, resulting in many people who require special needs housing assistance being turned away.

Affordable housing is provided by various sources, including both private and public sectors. The private sector marketplace can help meet the housing needs of households making 50-to-80 percent of median income. But public support is generally required for housing that meets the needs of folks below 50 percent of median income. Often, that support takes the form of a public-private partnership and tax credit financing.

Most cities in King County are failing to meet their housing targets. Moreover, the cities are not doing particularly well in meeting their "affordable housing" targets. By the end of 1997 some bottom-line answers about each city's performance regarding affordable housing may be revealed by the County's "Benchmarking" process, which is now under way may. (Monitoring of bottom-line performance is required annually by the Countywide

Planning Policies.) The reliance on the Bench-marking process for monitoring the situation, and the dynamics of recent municipal incorporations, give the Benchmarking process heightened importance.

Cities throughout King County are engaged in some commendable efforts to build affordable housing, and to support affordable housing with financial and in-kind contributions. But government cannot build enough housing, or spend enough money, to solve the affordability gap that confronts King County families. The only way to close the affordability gap is to increase the supply of housing relative to demand. That will cause housing prices to fall. Ultimately, that is the single most important action to address the housing supply crisis.

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5 EXECUTIVE SUMMARY	The Effects on Human Services

We've all seen the headlines: "*Jobless rate in county hits a 20-year low;*" "*Boeing 737 production to double;*" "*Boeing' job total is highest in six years;*" "*Developers run low on land;*" "*Seattle area is leader in state's job growth;*" "*Most bullish market we've ever seen.*"

Such headlines suggest the current economic abundance might mean sharp reductions in the need for human services. If ever there was a time when demand on human services agencies should be falling, this is it. But it's not happening. During the last year the demand for human services in King County has been rising. For example, the South King County Multi-Service Center reports 17 percent of Federal Way residents (unduplicated count) are accessing the agency's food bank. Three years ago the agency could meet the needs of one of every five people who requested emergency shelter. Demand is now up 30 percent and the agency can only meet one of every 6.5 requests for shelter.

The Multi-Service Centers of North and East King County help about 1,700 families per week with the basic necessities of life such as food, shelter, clothing, transportation and home-heating assistance. More precisely, it means that last year the agency provided:

- 253,128 food parcels to hungry people;
- 830,000 trips (up 34%) in transportation services for elderly, handicapped and others;
- 49,157 bednights of shelter for the homeless. For every person the agency helped with shelter, it turned away 12 people.

Many of the unmet needs for assistance are due to increased housing costs and a resulting dynamic in the rental market that causes people to be knocked off the ladder that bridges the distance between the homeless and the homeowners. When the rental market turns hot, the most economically vulnerable members of our communities must spend significantly more of their income trying to secure housing, or find themselves priced out of the rental market. As they're left with less money for food, heat and other necessities of life, they're forced to turn to human services for assistance. Among those most likely to find themselves on "the bottom of this economic pile" and unable to compete for housing are the homeless (18 percent of whom are estimated to be children in King County), the frail and disabled elderly, and folks trying to survive on below-minimum wage incomes.

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6 EXECUTIVE SUMMARY	The Challenges of Providing Infrastructure

Market preferences and fiscal analysis must be injected into planning efforts. In a confused mix of no-growth sentiment and staggering infrastructure needs, many citizens and jurisdictions are frozen in front of the headlights of growth. Today, siting or expanding new infrastructure, such as roads, cellular towers and power lines, is politically difficult and financially overwhelming. Citizens, government staff and elected officials seek to balance enough new infrastructure to meet demand, but not so much as to attract growth. As a result, in many cases, where there is funding, there is no political will to site the infrastructure. Conversely, where there is political will, there is no funding.

The Growth Management Act (GMA) requires that a minimum level of infrastructure be in place before new development occurs. Without it, opportunities to use available land for housing are diminished. Less developable land means less housing. Laws of supply and demand help explain today's real estate market: limited housing supply coupled with high demand has created a high-priced market. The absence of adequate infrastructure has contributed to the current market.

One of Growth Management's promises was a more efficient use of infrastructure dollars. Sprawl was identified as a cost driver. Concentrated development, infill and redevelopment were identified as cost savers. The idea was to create economies of scale through increased densities. Applied to utility infrastructure it meant more people per line (power, phone sewer, etc.). Applied to transportation it meant the development of an alternative mode of transportation --- a regional bus and rail mass transit system to relieve pressure on the road system caused by single occupant vehicles.

So, why is infrastructure lacking? As countywide planning policies and local comprehensive plans were drafted and implemented, cost assumptions and expectations were not adequately tested. The plans that were to guide the growth of our region were never married with objective market analysis or fiscal analysis. Few planners asked whether or not citizens would accept increased neighborhood and downtown densities.

Further complicating the plan deficiencies is the considerable backlog of maintenance and infrastructure improvements, particularly in surface transportation. These forgone and fundamental projects have left the region with huge, unfunded infrastructure deficits, leaving people and businesses little incentive to locate in a dense environment.

In the realm of transportation infrastructure, the region has chosen to address only mass transit capacity --- capacity that will not meet the entire need of our region's employers, employees and residents. Committing dollars to mass transit leaves little for roadway spending, and does nothing to address a major component of the transportation problem: local trips (i.e. general purpose, non-commute trips).

Local, arterial trips are presenting major problems for cities. Arterial congestion is spilling into the neighborhoods. It's not likely that alternate forms of transportation will be practical for many local trips. It is simply not productive to shop Costco, Eagle Hardware or Wells Medina Nursery by bus, train, bicycle or foot.

The NIMBY (Not in My Back Yard) factor is yet another obstacle to the development of high levels of infrastructure service at reasonable cost. Currently, the siting of cellular antenna facilities for high quality mobile phone service is a contentious issue. Everyone wants flawless service, at low rates. No one wants a cell tower or mono-pole in their neighborhood.

At the extreme are those communities using the GMA not to manage growth, but to retard it. An increasingly popular tactic is incorporation. Typically, these communities are candidates for county investments in infrastructure such as sewers and new roads; the sort of improvements that invite and enable growth. Communities that successfully incorporate can immediately establish growth moratoriums and deflect infrastructure investment. Deflect infrastructure and you deflect growth.

To the extent that the GMA is used as a wall to retard growth, our region will fall prey to precisely the Los Angeles pattern of development we so greatly fear. If we continue to ignore land capacity, we will continue to be plagued by high housing prices --- prices out of reach to many residents. If we continue to ignore roadway needs and point only to the RTA, we will not be able to attract new jobs for our residents. If we continue to ignore consumer preferences, consumers will leave to find the type housing they want at a price they can afford.

The Puget Sound region's economy and quality of life continue to make it a highly desirable place to live. Growth cannot be stopped, but it can be managed so as to preserve quality of life, economic vitality and affordability. The GMA is an excellent tool to do the tough work of managing growth; however, the plan must be understood and accepted by the people. It is essential that we inject market preference and fiscal analysis into our planning efforts. We must be prepared to recognize that the current plan of dense urban and suburban development, connected by rail may not be the affordable or desirable answer. And we must be prepared to make the necessary adjustments.

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7 EXECUTIVE SUMMARY	Planning Policy: The Focus on Non-Solutions

City councils and citizen groups have greater understanding of the implications of the agreements made when they adopted their comprehensive plans, and of the commitments made by their representatives on the Growth Management Planning Council. Many don't like what they now know.

Counties and cities, scrambling to fulfill their state Growth Management Act mandates, relied on the professional planning community to develop comprehensive plans that work. The effort was highly successful. Planners turned to traditional models of urban planning where mass transit and dense residential and commercial development seem to work. They developed textbook plans, based on each community's vision of itself.

With Growth Management plans now three-to-six years old, depending on the jurisdiction, it is apparent that no one advised the planners to consider two important questions: 1) Are the citizens willing to implement the plan? 2) Are the costs of implementing the plan affordable? Because market preferences and the costs associated with dense development were not adequately reflected in many comprehensive plans, these "textbook" plans are now in jeopardy.

Currently, many cities are desperately trying to hold on to their town character and are attempting to shield themselves from growth. Many cities in King County, reluctant to change the fundamental character of their community, are far behind in meeting their housing targets

The consumer side of the issue is important to consider. Families and businesses will locate where their preferences and needs will be met. Homebuyers prefer single family, detached housing offering a traditional residential feel, good schools and safe streets. Increased density is associated with increased congestion and crime. Lack of land capacity coupled with dense development is forcing prices of single family detached houses to skyrocket. As homebuyers commute greater distances to achieve their housing preference (e.g., to Skagit, Kitsap and Kittitas counties), employers will follow.

For many businesses, the issue is less preference than need. The drivers of our region's economy are aerospace and high technology. Neither can compete in a dense setting. Boeing cannot build planes in office towers. Microsoft believes it can produce the most competitive products by locating its offices in low-rise campus settings. Rather than develop plans that accommodated these employers' needs and preferences, GMA

planners designed obstacles with an initial ban on new office campus and industrial park development.

Market preference and political reluctance to accept density have caught up with the GMA and threaten to destroy one of its primary goals. As regional, residential sprawl gathers momentum, commercial sprawl will follow. Sprawling development will weaken Puget Sound's economic competitiveness, leaving us with precisely the pattern of development we sought to avoid --- Los Angeles.

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