

Issues & Impacts

Seattle King County REALTORS® is working to ensure that public policies support homeownership and your business's bottom line. Contact Governmental & Public Affairs Director David Crowell, dcrowell@nwrealtor.com, with any local legislative issues that may need our attention. **The next issue will be released in October 2016.**

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Seattle King County REALTORS® Explain the Housing Supply Crisis (and How to Fix it) to State Legislators and Candidates for the State House & Senate

REALTORS® don't have enough listings to sell. It's a huge problem that can be fixed, but the solution will require action by the State Legislature to amend Washington's Growth Management Act (called the "GMA"). That's because the GMA limits the number of homes to far less than the number of individuals and families that need a place to live.

On June 2nd Seattle King County REALTORS® used the occasion of the **22nd Annual Housing Issues Briefing** to zero-in on the Housing Supply Crisis for State Legislators and other candidates who are running for office. More than 100 Legislators, Candidates, REALTORS®, YPN members, Industry Affiliates and members of the press attended the event.

Patti Hill, the 2016 President for the 6,000 members of the Seattle King County REALTORS® and a

REALTOR® with the Ballard office of Windermere Real Estate Northwest told Legislators, "The supply or inventory of housing is in an undeniable state of emergency."

"Housing is a necessity of life," said Hill. "The law of supply and demand cannot be repealed and will continue to control what happens with housing prices, and with rent rates. Multiple offers are the norm, and prices are increasing dramatically."



"A four to six months supply of housing is considered a balanced, or a healthy real estate market. Yet, we have not had a healthy real estate market since 2011. And since that time in King County, we've



been well below two months supply. In April, King County-wide, we had only a 1.1 month supply,” said Hill. “As a result, King County’s single family median home price stood at \$540,000. Add condos in, and the median price was \$475,000.”

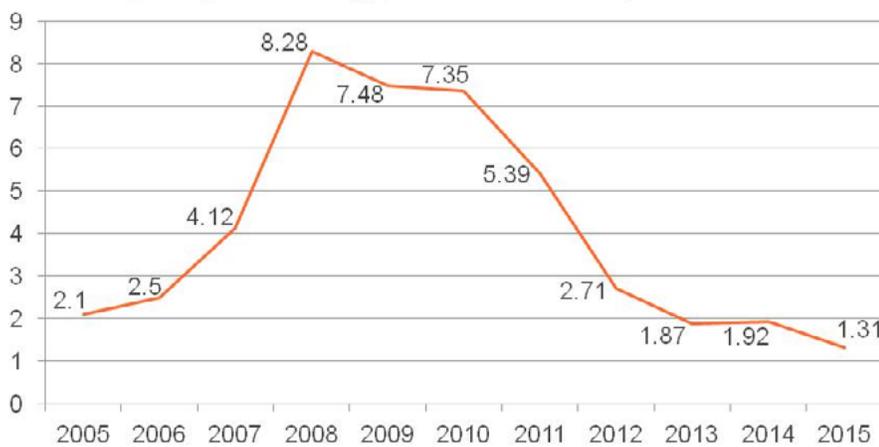
Washington’s Housing Goal is set-out in Washington state law, and it applies to all cities and counties planning under the GMA. The Housing Goal is centered on having a variety of housing options that are sufficient to ensure housing is affordable “to all economic segments of the population.” But the growing Housing Supply Crisis has put that state goal beyond reach.

According to Sam Pace, a Housing Specialist and local government lobbyist with the Seattle King County REALTORS®, Washington State’s Growth Management Act (GMA) requires cities and counties to plan for the future housing needs using “stale data” that is almost completely disconnected from the reality of what’s happening in the real estate market.

Pace explained it to the legislators this way: Every five years the state government prepares a county-by-county growth projection that covers the next 20 years. It’s impossible to have accurate growth projections using that kind of approach;

by comparison, the legislature receives updated economic growth forecasts every 90 days. The comparison is a good one because the same factors – **such as job growth** – that affect state revenues for the state legislature to work with also affect the demand for housing. Even so, cities are not allowed to plan for more housing units than the amount of housing reasonably required to satisfy the population projection that’s prepared by the state once every 5 years.

King County Months of Supply = Ratio of Active Listings to Closed Sales



The inadequate supply of homes for REALTORS® to sell is depicted in this graph that was developed by CEO Russell Hokanson based on NWMLS data. The data reveal that here in King County REALTORS® have not had “balanced” markets (with four to six months

of inventory) since mid 2011. In fact, except for the period from 2007 to 2011 during the national “Great Recession” REALTORS® and buyers in King County have not had a balanced market since at least 2005, more than a decade ago.

The demand for housing is influenced primarily by two things:

- “Natural” increases in the population (resulting from the number of births exceeding the number of deaths), and
- “Net-Migration” (which is typically the number of people coming into the state to seek employment due to job growth vs. the number of people leaving the state).

The state takes both factors into account when developing its growth projections every 5 years, but job growth is especially difficult to predict more than 36 months in advance.

The Central Puget Sound Region (consisting of King, Pierce, Snohomish and Kitsap counties) is home to most of the state’s jobs, including the new jobs that are being added. So the affects of “The Disconnect” between “City Housing Plans” and “The Market Reality” that results from using stale data has its biggest consequences closest to the state’s employment centers, including Seattle.

One indication of the magnitude of “The Disconnect” between the state’s growth projections and the reality on the ground is reflected in the difference between the growth projections, and the number of people coming into Washington from out-of-state and obtaining a driver’s license.

Importantly, the driver’s license data likely understates “The Disconnect” because it does not include any of the following:

- **Members of the out-of-state households who do not drive.** For example, children, elderly seniors, etc.
- **Natural increases in population.** Here in King County, “Natural” increases in the population have averaged just over 10,000 people annually during the last 5 years.
- **Millennials** who have come into the state for a job, but who do not own cars, do not drive and thus choose not to get a driver’s license.
- **Households moving out-of-state** (which would decrease the variance)

KING COUNTY					
YEAR	OFM’s Annual Population Growth Projections are expressed as High Range, Mid-range and Low Range. King County uses the Mid-Range number		New WA Drivers Licenses Issued to Drivers From Out-of-State	Error Analysis (The difference between OFM’s projection and reality on the ground)	Percentage that OFM’s Population Projections Missed the Mark: Too Low
2015	High Projection	27,316	71,058	43,742	160 %
	Mid-Level Projection	17,797		53,261	299 %
	Low Projection	12,133		58,925	485 %
2014	High Projection	27,315	64,376	37,061	136 %
	Mid-Level Projection	18,552		45,824	247 %
	Low Projection	12,133		52,243	430 %
2013	High Projection	27,316	56,772	29,456	108 %
	Mid-Level Projection	18,911		37,861	200 %
	Low Projection	12,134		44,638	368 %
2012	High Projection	27,316	54,609	27,293	99 %
	Mid-Level Projection	19,660		34,949	178 %
	Low Projection	12,133		42,476	350 %
2011	High Projection	27,316	53,763	26,447	97 %
	Mid-Level Projection	20,009		33,754	169 %
	Low Projection	12,133		41,630	343 %



Mollie Carmichael, the keynote presenter and a Principal with John Burns Real Estate Consulting in Orange County, California, told legislators that slower job growth won’t be sufficient to eliminate the backlog of

demand resulting from the inadequate supply of housing. She estimated that if King County adds 12,000 new single family homes per year, it will be too few to meet market demand and will serve to push people out of King County.

Randy Bannecker, who moderated a presentation by a Panel of Experts - which included Peter Orser of UW’s Runstad Center for Real Estate, Michelle



Connor of Forterra and Pace - framed the issue for legislators by observing that “Last year Growth Management Act celebrated its 25th anniversary. There was and is much to celebrate.” Bannecker pointed to protection of rural and resources lands in the Central Puget Sound Region, substantive public input in planning decisions and tremendous investment in urban areas where highly successful urban communities have emerged, and more are on the way.



“What’s troubling, however, is while we have directed growth away from the rural area,” said Bannecker, “we have not adequately accommodated growth in the urban area. Unmet housing demand in the urban area has spiked housing prices and condemned too many workers to long commutes.”

“Job growth drives housing growth. A home is where each job goes at night. When we fail to zone for an adequate supply of housing relative to demand (as driven by jobs), housing prices rise and people travel farther from their job to find a place to live which they can afford,” said Bannecker, who noted that “an afternoon on I-5 or I-405 quickly tells you that we are far from a lasting solution.

Panelist Peter Orser, who has served on the Mercer Island Planning Commission and City Council as well as having been a builder and now involved with the Governor’s Affordable Housing Advisory Board and the UW Runstad Center for Real Estate, explained how Comprehensive Plans affect how much housing can be built. He also lamented the problems with elected officials not being willing to carry forward the formally approved city plans to

accommodate growth as required under GMA, and cited two recent examples of significant importance to the region.

Panelist Michelle Connor, for many years a recognized leader of conservation and environmental efforts in the Central Puget Sound Region and now the Executive Vice President for Strategic Initiatives for Forterra, spoke about the importance of accommodating housing within the urban areas in order to be able to protect important lands that need to be conserved. And she pointed to Forterra’s recent research indicating the great majority (about 80%) of people are accepting of growth...they just want it to be done well.

In a handout entitled “Where We Stand” that was provided to Legislators and candidates, Seattle King County REALTORS® shared a set of guiding principles the Association will follow in advocating for a significant increase in housing supply throughout King County:

Where we stand.

1. WE WILL WORK FOR A HEALTHY REAL ESTATE MARKET.

- A housing inventory of 3-4 months;
- An affordability level that allows the “Median Household Income” to afford the “Median Home Price;”
- Buyers’ access to mortgage financing that is fair and affordable;
- Buyers’ access to information about home buying and home ownership.

2. WE WILL HELP MAKE OUR COMMUNITIES VIBRANT.

- Protect and promote healthy single-family neighborhoods;
- Help ensure there is a place for everyone --- all ages and all abilities, including a healthy middle class.
- Ensure that people have an opportunity for a good job, a reasonable home-to-work commute, and a sense of community.

- Promote good schools, safe streets, and quality design.

3. WE WILL HELP UPHOLD THE GOALS OF THE GROWTH MANAGEMENT ACT SO THAT OUR STATE CAN PLAN FOR GROWTH IN MANNER THAT IMPROVES OUR COMMUNITIES AND PRESERVES OUR RURAL, AGRICULTURAL AND RESOURCES LANDS.

- Comprehensive planning that is relevant and forward-thinking.
- Timely responsiveness to actual demand for housing.
- Encouraging of a public discussion around smart growth planning.

4. WE WILL PURSUE POLICY INITIATIVES WITH THE GOAL OF INCREASING HOUSING SUPPLY AND AFFORDABILITY

- Ensure appropriate housing opportunities and zoned densities in Urban Centers, Urban Villages and Transit Station areas.
- Improve the quality and timeliness of employment and population forecast data so that policy makers have better information with which to plan for growth.
- Reform state condominium liability legislation to reduce barriers to condominium development.
- Extend the Multifamily Tax Exemption to existing affordable units to preserve affordability.

Kent: Is it Safe to Drink the Water in the House?

The city of Kent has announced it will test water free of charge for houses in the city that were built prior to 1940.

In the wake of the water quality scandal in Flint, Michigan, and the discovery in western Washington of tainted water in some older houses, and in some older Tacoma school water systems, municipal purveyors of water are testing public water supplies to ensure they are safe.

Sean Bauer, Kent's City Water Superintendent, said Kent's water supply is very safe. Even so, the City is willing to test the water in older homes. It's possible that the water conveyance system in the home, or

the water supply fixtures in the home, could be the source of the problem if the water coming out of the tap is tainted. One example includes short sections of lead "gooseneck" pipes that were used prior to 1940 to connect a water main to a water service line. Still another possibility includes lead-based solder. The solder was banned in 1986, but small amounts of lead can still be found in many brass plumbing fixtures and can slowly leach into water over time.

So, Kent is inventorying homes constructed prior to 1940 within its water service area for any lead gooseneck pipes. According to Bauer, the city will use the inventory data to cross-reference for homes whose service lines have not already been replaced. The City doesn't expect to find many, if any, at all. According to the city, during the last decade a section of lead pipe was found in only two locations.

To schedule a test, customers of Kent's water utility customers can call 253-856-5600 or email pwops@KentWA.gov.

TIPS FOR HOMEOWNERS AND RENTERS IN OLDER HOMES

If homes were built after 1940, but prior to 1986, the City of Kent suggests the following tips to reduce possible lead in the water:

- If water has been sitting in the home's plumbing system for over six hours, flush the tap before you use, drink, or cook with it. Run the water until it is noticeably cooler.
- Always use the cold water tap for cooking or drinking; Warm water can be more corrosive than cold water.
- Never make baby formula or other drinks or food for children from the hot water tap. Use water from the cold water tap (after flushing) and warm it if necessary.



Covington: A Step Forward Towards More Housing **Relocating a Kent Elementary School would clear the way for redevelopment of Downtown Covington and a New Town Center**

A development application has been submitted to the city of Covington for the Kent School District to build a new elementary school near the intersection of 156th Ave SE and SE 256th St.

The new school will replace the existing Covington Elementary School behind Safeway. That's good news for housing because demolishing existing Covington Elementary School will clear the way for Downtown redevelopment, construction of a new *Town Center*, and more housing. The additional housing will be located near the site of several hundred additional housing units that are already in the pipeline.

The School District had sought to pay for the new school as part of a \$252 million bond measure that was submitted to voters earlier this year. The bond required 60% approval by the voters, but received only 59.07%, so the District will have to resubmit the bond to voters.

In the meantime the District indicated the new school that will replace Covington Elementary will be two stories consisting of 55,233 sq. ft. on 12.39 acres in the R-6 zone. The new school is anticipated to serve a student population of 595 and a staff of 39.

Cities in King County: Amending Development Rules to allow Deferral of Impact Fees until later in the Development Process

The Deadline: September 1, 2016.

That's the date by which most counties, cities, and towns must adopt a "deferral system" for the collection of impact fees for new single-family detached and attached residential construction.

As a result, cities are moving quickly to ensure they

amend their city codes to meet the new requirement that should help encourage the construction of new housing by minimizing the amount of cash the developer must have available in order to obtain financing to build new homes.

After several years of debate, and one veto by the Governor, in 2015 the Legislature again passed legislation changing how impact fees are to be collected by Washington counties, cities, and towns. ESB 5923 requires counties, cities, and towns to adopt a deferral system for the collection of impact fees for new single-family detached and attached residential construction. Under the new law, counties, cities, and towns must adopt a deferral system for the collection of impact fees that, upon developer request, delays payment until the time of:

- Final inspection
- Issuance of the certificate of occupancy or equivalent certification, or
- The closing of the first sale of the property

For the first two options, cities are authorized to delay issuance of the certification until the impact fees have been paid. For the third option, the new law states that the seller has strict liability for payment of impact fees and that such payment must be made from the seller's proceeds (unless there is an agreement to the contrary between the seller and the buyer). It is up to each municipality, however, to choose one or more of the three options it wants to use.

Homebuilders say the change would address the financial burden of paying fees at the early stages of the process, before a development project is generating any revenues. While many counties and cities were worried that a deferral system would make it harder to collect impact fees and stymie planning for new infrastructure, the lengthy deliberations and revisions over several legislative sessions resulted in a final product that addresses many, if not all, of their concerns.

Kent: City Council Adopts Notification Policy for Selling Surplus Property

In the wake of a debacle involving a sale of Pine Tree Park that ended-up being unwound at considerable expense to the city after a handful of park neighbors threatened to sue the city, the city has adopted new rules for how it will dispose of surplus property.

As initially recommended to the City Council, the new rules would have required the following:

- Hold at least one public meeting to receive public comment
- Post notice at the property 15 days prior to the public meeting
- Post a public notice about the meeting in the local newspaper
- Mail notice about the meeting to property owners within 300 feet of the site
- Post notice on the city website



However, City Councilmember Jim Berrios – who has been outspoken on the City Council as an advocate for transparency, fiscal responsibility, accountability and protection of homeowners - argued strongly, and successfully, for

increasing the notice period to 20 days. In addition, the notices will be provided to property owners within 1,000 feet, rather than limiting the notices to just the property owners within 300 feet.

“I think in light of the fact that we have gone through a process of working with the public on a situation where it was clear we could have done a better job with notification, I think we owe it to the citizens to at least give them an extra week for notification,” Councilman Jim Berrios said. “I know we started with 10 days (city staff proposal), but I think doubling that to 20 days would only be appropriate if we are truly wanting to be transparent in processes like this.”

The Pine Tree Park saga that led to the change in city

rules began more than a decade ago - in December of 2005 – when the Kent City Council decided it should sell approximately 10 acres of city-owned land known as Pine Tree Park that was zoned for open space and residential uses.

The property – which is located near 114th Avenue Southeast and Southeast 276th Street - had very limited access except for neighbors in the immediate vicinity, and had not been developed for active recreation.

The Council voted “to surplus Pine Tree Park and authorize the Mayor to market the property in the manner determined to bring the best financial return.” The city had the property appraised but no potential sales materialized. But then the “Great Recession” hit.

Fast-forward to October 2014 and the city placed the property on the market by listing it for \$2.2 million with Pendergraft and Associates who published the listing in the CBA MLS. In December 2014 the City received a full price offer for the property from Oakpointe Holdings LLC which wanted to build 64 homes on the property.

The following month, the Pine Tree Park was placed on the public agenda of the City Council’s Economic and Community Development Committee (ECDC) as part of the Committee’s 2015 work plan. In July 2015 the City Council authorized its ECDC to consider comprehensive plan amendments – and hold additional public hearings - to facilitate future development of the property for homes. In August the public hearing was held and included an amendment regarding Pine Tree Park. On September 15, 2015, following an Executive Session, the City Council voted to approve the sale of the property to Oakpointe. Oakpointe moved forward with its development application, which was publicly noticed in December by being published, and the property was posted with a notice board.



In January, the city agreed to post a *second* notice board, and extended the comment period until January 20, 2016. In February, the city agreed to post a *third* notice board, and extended the comment period until February 19, *seven weeks* beyond the required notice period.

A handful of residents in the vicinity of the property registered strong objections, and threatened to sue the city based on restrictions placed in the deed related to the “Forward Thrust” source of funding used to acquire the property back in 1995.

The initial result was that the city reached a negotiated termination of the sale to Oakpointe that cost the city several hundred thousand dollars to mitigate Oakpointe’s “sunk costs” in the project.

In the meantime, the limitations on the property as a viable park remain unabated, funding to improve the park is not available, improvements to other park properties remain higher priorities if funding becomes available, and the final result may eventually involve the city trading the property away for other better-located park property in a manner consistent with the deed restrictions. Once such swap that has been suggested involves land located near the Green River flood plain.

Seattle notice of sale

Last year, the city of Seattle passed legislation requiring owners of multi-family housing to notify the city of their intent to sell their property if it includes five or more units, and has at least one unit affordable to a household earning 80% or less of area median income.

The ordinance emerged following series of sales of buildings with long-term tenants and affordable rents. Once sold, rents were raised as a matter of necessity to cover the new mortgage. Community opposition about the loss of affordable units placed political pressure on the council to act. The original

intent of the ordinance was to establish a first right of refusal for the city and/or not-for-profit housing developers. That idea was defeated; however, the notice requirement succeeded.

To meet the requirements of the ordinance, owners must provide written notice to the Office of Housing at least 60 days prior to advertising the property for sale or listing it with a listing service.

SKCR is working with other industry organizations to minimize the impact of this law on property owners with the chief goal of protecting the fluidity of the transaction --- particularly with regards to 1031 exchanges.

Opposition to new Seattle “Head Tax”

Seattle King County REALTORS® has joined with others in the business community to urge the Seattle Mayor and Council to avoid the imposition of a new tax on every employee, commonly referred to as an “employee head tax.” At a time when sales tax and REET are reaching record levels, the city is seeking a new revenue stream to fund the doubling of the Office of Labor Standards. The Mayor has backed off his support for the tax. Many councilmembers remain interested in the tax.

Seattle King County REALTORS® will continue to oppose the tax because it establishes a penalty to employers seeking to create jobs within the city.

HALA Update

The city of Seattle is continuing to implement HALA Grand Bargain --- the plan to make substantive progress on housing supply and affordability in pursuit of the mayor’s goal to build 30,000 market rate units and 20,000 income-qualified units during the next 10 years.

During the past six months, the city has implemented a community engagement plan as a way to involve public participation in development of HALA policies

at the neighborhood level. This has involved neighborhood focus groups and larger, citywide conversations. In July, the citywide conversation is scheduled to focus on implementation of the Mandatory Housing Affordability in neighborhoods as well as housing preservation strategies. Ultimately these conversations will shape the specific zoning changes that enable an increase in housing units.

Seattle King County REALTORS® is encouraging quick action as a remedy for the severe housing supply crisis our region is experiencing. In addition, we are encouraging the city to pursue opportunities to maintain the quality and character of Seattle's legacy single-family neighborhoods.

Protecting Your Business

Elections in 2016

Laws govern the way in which you conduct your business and affect your bottom line. Laws are made by elected officials. This year elections will be conducted for one U.S. Senate seat, all congressional seats, statewide offices and the state legislature.

REALTORS® don't just sell homes. We sell neighborhoods and Quality of Life.

REALTORS® know that Quality of Life begins with a good job in a company that has a great future. Homes are where those jobs go at night. That's why it's so important to have elected officials who understand the key contribution that jobs and housing make to healthy, vibrant communities.

REALTORS® Political Action Committee (RPAC) NEW! An Easy, Quick Way to Protect Your Business - REALTOR® PAC ONLINE

Introducing a new secure, online REALTOR® PAC (RPAC) investment site making it easier than ever for busy REALTORS® to protect their business.

We can't all go to Washington DC, the state Capital or even our City Halls while government leaders are making decisions that affect our industry; but while we are busy, REALTOR® PAC can fight for us and for our clients. Please make an investment of \$50, \$100 or \$500 to ensure that when government acts there is no harm to real estate, no new taxes and no added, unnecessary complications to the real estate transaction. Visit: <http://www.realtoractioncenter.com/rpac/?referrer=http://www.nwrealtor.com>

We need elected officials who share our REALTOR® values, and who appreciate the hard work you do as a real estate professional. So, members of the Association will review voting records of elected officials. And it's why your REALTOR® colleagues will be interviewing candidates running for office.

This year Seattle King County REALTORS® will take action to protect your business by supporting congressional and state legislative candidates who share our REALTOR® values. We will provide an online REALTOR® Voting Guide for the August 2nd primary election and will mail you the REALTOR® Voting Guide for the November 8th general election.

As of the end of May, Seattle King County REALTORS® raised \$210,900 for the REALTOR® PAC in 2016.



Please invest in REALTOR® PAC at www.warealtor.org/government/political-affairs/

Issues & Impacts is a quarterly publication produced by SKCR to inform members about current issues and successes within your Governmental Affairs Department. Our next publication will be released in October 2016. The 2016 VP of Governmental & Public Affairs is Shane Davies myagent@windermere.com, VP-elect of Governmental & Public Affairs is Michael Orbino michaelorbino@johnlscott.com, staff director is David Crowell dcrowell@nwrealtor.com, and our local legislative housing advocates are Sam Pace sam@sampace.com and Randy Bannecker randy@bannecker.com. Please call David Crowell at (425) 974-1011 ext. 704 if there are any local legislative issues that need SKCR's attention.