

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
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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*

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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);

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.

- 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.
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

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.

- A fixed fraction/share that captures a rise in revenue.
- iii. The State Capital Budget.
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:

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.

- 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."

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

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?

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 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.