



Building Industry Association of Washington

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OPINION EDITORIAL

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State's Growth Management Act the Root Cause of High Housing Prices

The Seattle Times recently ran an editorial by proponents of Washington State's Growth Management Act ("Don't blame growth management for higher housing prices," 01-05-07) who argued the Act's restrictions on land supply play a negligible role in our state's affordable housing crisis.

Simple logic and numerous studies don't support their arguments.

An empirical study performed by the Harvard Institute of Economic Research, "The Impact of Zoning on Housing Affordability," found zoning and other restrictive land use controls, like the GMA, are responsible for higher housing costs in many parts of the country. According to the study, data shows stringent zoning and land use restrictions are directly linked to higher housing costs. The authors conclude reducing these zoning or land use "taxes" would have a massive impact on lowering housing prices.

Another study by the American Dream Coalition, "How Smart Growth Makes Housing Unaffordable," compared housing prices in regions of the country with so-called "smart growth" laws with areas lacking such laws. Not surprisingly, the study revealed areas with highly restrictive land use laws constrained housing supply and artificially drove up prices. The study found Washington's land use laws add \$133,000 to the cost of a home in Seattle, \$103,000 in Bellingham, and \$64,000 in Tacoma.

Smart growth advocates argue demand, not supply, is the driving force behind higher housing costs. Yet studies rebut this argument. According to the American Dream Coalition, if demand was the cause of higher housing costs, as the editorial proffers, metropolitan areas experiencing even more growth than Seattle, such as Atlanta, Houston, and Raleigh, N.C., would have astronomical housing prices. Yet housing prices have remained affordable in those areas because of the lack of restrictive land use regulations. On the flip side, the study found areas with slow growth, such as San Diego and San Jose, which boast some of the most restrictive land use regulations in the country, correspondingly have some of the most unaffordable housing prices in the country.

Simple economics bear this out—when you restrict supply, prices increase. That is exactly what is happening in Washington.

Under Washington's GMA, local governments are required to draw growth boundaries and limit or exclude development outside the boundaries. At the same time, local governments are required to protect "critical areas" within the growth boundaries from development, further shrinking the amount of land to meet housing needs. Reduced supply increases housing costs.

Further exacerbating the affordable housing crunch are GMA impact fees which shift the cost of services, such as roads and schools, to buyers of new homes, while those purchasing existing homes are off the hook. This regressive tax is another impediment to affordable housing, forcing a small segment of society to shoulder burdens which should be borne by the community as a whole.

To be sure, the GMA is not the sole cause of high housing costs. Builders must comply with nearly 60 federal, state, and local water laws and regulations. Just recently, the state Department of Ecology promulgated the most restrictive stormwater regulations in the country. Add in Washington's outrageous workers' compensation and unemployment taxes, and you have a recipe for an affordable housing disaster.

Like any regulation, the GMA has had unintended consequences. Most notably has been its regressive nature. Low income and first-time home buyers are the most affected. While families are struggling to make ends meet, state bureaucrats continue to heap new impediments on construction.

One complaint constantly levied against homebuilders is that they should provide more affordable housing. Yet, as land prices increase, builders, and more specifically their lenders, cannot justify using expensive land for moderately priced homes. In order to lower the price of housing, we must address the issues that are driving up the cost of both land and housing in general.

So what's the solution? This legislative session the Building Industry Association of Washington is supporting legislation that would reduce the impact of the new stormwater regulation on housing costs. In addition, BIAW is promoting a bill that would require local governments to add buildable land within growth boundaries when land within the boundary is lost due to new critical area designations and large buffers. BIAW is also proposing unfair impact fees be replaced with a broad-based tax. These commonsense solutions protect the environment and at the same time provide sufficient land to meet housing demand.

One thing the authors of the editorial and BIAW do agree on is that more must be done to tackle the housing affordability problem in our region. Contrary to the editorial however, we believe the biggest impact will be made when the Governor Gregoire and the Legislature choose to actively address the root causes of Washington's affordable housing crisis.

Daimon Doyle is the President of the Building Industry Association of Washington, the largest trade association in Washington State. BIAW represents over 350,000 families and over 12,750 member companies involved in the homebuilding business.