



## The Real Cost of Regulations

A Building Industry Association of Washington Report



## *Who We Are*

The Building Industry Association of Washington is the voice of the housing industry in the state of Washington.

The association is dedicated to ensuring and enhancing the vitality of the building industry for the benefit of its members and the housing needs of the citizens.

To accomplish this purpose, the association's primary focus is to educate, influence and affect the legislative, regulatory, judicial and executive agencies of Washington's government.

BIAW offers its membership those services which can best be provided on a statewide basis and disseminates information concerning the building industry to all members and the public.

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## Background

Policymakers and regulators often have good intentions when they propose new rules. However, policymakers generally consider the implications of each regulation in a vacuum before implementing it. The accumulation of regulations over time and their effect on innovation and economic growth receive little or no attention. Take, for example, recent deliberations on amending Washington's State Energy Code. The Washington State Building Code Council considered each individual proposal on face value rather than as an entire package. The result: A new package of energy codes on July 1, 2023 that will increase the cost of constructing a home and negate any progress made on making housing more affordable.

Like all policies, regulations have unintended consequences. Unfortunately, these consequences disproportionately affect low-income and traditionally disadvantaged households. According to the Mercatus Center at George Mason University, regulation growth in Washington state since 1997 is associated with 93,991 more people living in poverty and a 2.95% increase in income inequality.

The increased number of regulations and costs associated with complying with these regulations has artificially constrained housing supply in Washington state. The grave reality of our state's underproduction? Up for Growth estimates a deficit of 140,000 housing units. Utilizing similar methodology as the Up for Growth study but applying this to historical data and current demand levels, BIAW has estimated the state is experiencing a housing unit deficit of almost 269,000 units. If no policy changes occur, by 2040 we estimate that this deficit will grow to 323,300 units.

## Executive Summary

Considering regulations at the local, state and federal levels, BIAW sought to provide estimates of how much all regulation adds to the cost of a home in each county. According to our findings, as costs associated with regulations rise, new home sale prices also increase. This demonstrates the impact that each regulatory decision has on the affordability of housing.

Unlike other areas of the housing market, regulations present an opportunity to exercise control over added costs. This doesn't mean that regulators should throw out every regulation, as many are in place to address specific issues. Many other regulations can be reviewed, reduced, and potentially eliminated altogether.

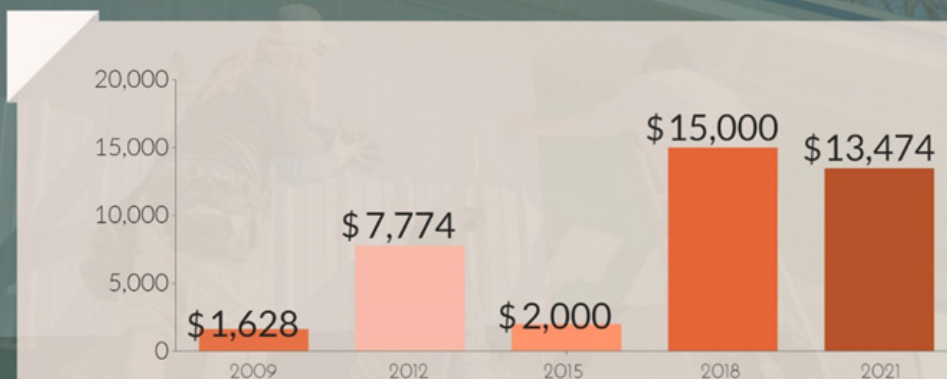
Since 2009, changes to Washington State Building Codes, and specifically the Washington State Energy Code, have added \$39,876 to the cost of building a new home, with a majority of that cost borne from the energy code.

As one builder described the situation, “building codes establish the minimum standard for building, with the primary goal of protecting health and safety of residents. It makes no sense to have such a strict energy code that essentially mandates we build each home like a Tesla when a Toyota is a perfectly suitable option.”

Policies such as these could be moderated or changed to allow builders more flexibility to meet goals in the most cost effective manner possible.

As the state grapples with policies to spur more residential construction to meet unmet demand and provide housing for the unhoused, legislators and policy makers must take a hard look at their priorities. We need a mix of Teslas and Toyotas so more families can find homes they can afford. Washington will never achieve [housing justice](#) for its citizens if our current regulatory landscape continues.

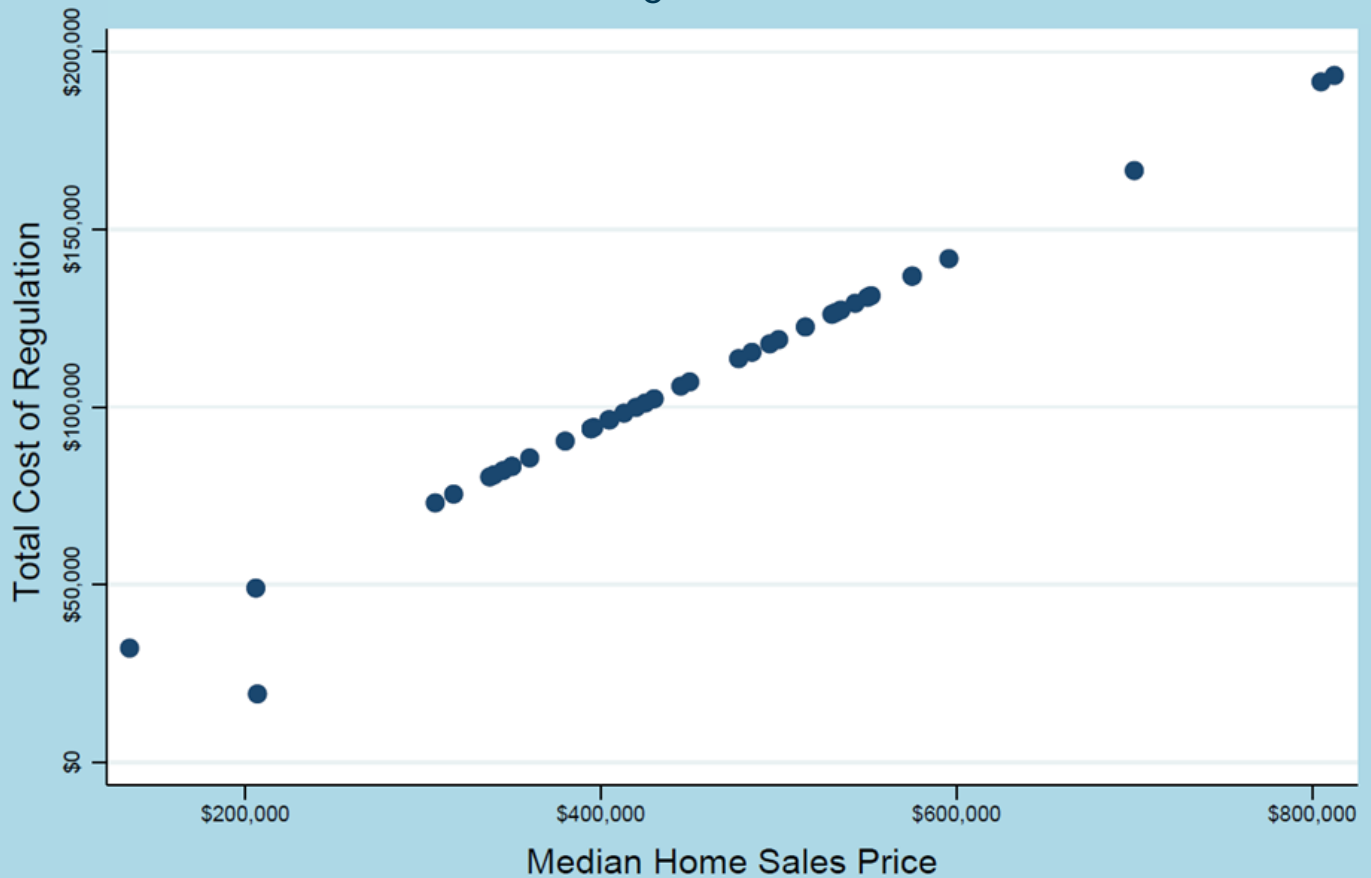
### BUILDING CODES ARE RESPONSIBLE FOR ADDING THOUSANDS TO THE COST OF NEW HOMES IN WASHINGTON



COST OF CODES

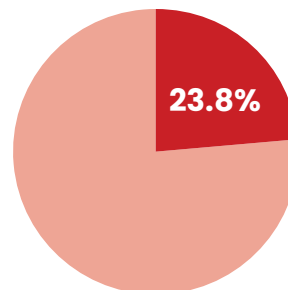
## Regulations and New Home Sales Prices

Washington State 2022

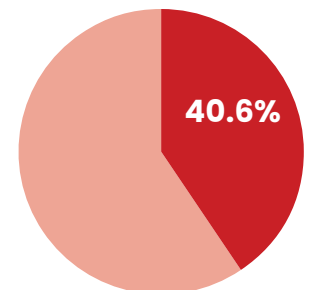


### Key findings:

- **Regulations** imposed by government at all levels account for **23.8%** of final price of a new single-family home and **40.6%** of final project cost for multi-family structures.
- These regulations affect market-rate and subsidized or non-profit homebuilding as well.



New single-family home



Multi-family structures



## WASHINGTON

Median Home Sales Price	<b>\$595,732</b>
Base costs to build a median priced home	<b>\$453,948*</b>
Cost of regulation during construction	<b>\$79,232</b>
Cost of regulation during lot development	<b>\$62,552</b>
<b>Total cost of regulation</b>	<b>\$141,784</b>

*\*Base cost to build a home includes land costs as well as construction, labor-materials*

## ■ Methodology

The Building Industry Association used the National Association of Home Builders' (NAHB) special study, [“Government Regulation in the Price of a New Home: 2021”](#) released in May 2021 as the basis of this study. NAHB surveyed member companies to gauge regulatory costs for the lot development phase of construction, as well as the active construction phase. It's important to note that the survey didn't explicitly ask for members to assign a cost to each regulation. Instead, the survey asked for members to attribute a percentage for each of the categories in the two construction phases. Table 1 illustrates the average reported regulation as a percentage of lot cost and home sales price.

NAHB found that regulation during the lot development phase makes up an average of 10.5% of the final home sales price. During the active construction of the home, it's 23.8% of the sales price. We then applied the median new home sales price documented in the [“Priced-Out Estimates for 2022”](#) special study authored by NAHB. If a county didn't have data available, we used Redfin's Market Report for the applicable counties (such as Jefferson County).

After finding new home sales prices, we applied the percentages described above to arrive at the total cost of regulation per new home built statewide and by county.

## ■ Limitations

The findings should be used for illustrative purposes only. The percentages outlined are estimates provided by building industry professionals throughout the country. Because of this, it is entirely possible that the percentages could be lower or higher for the state of Washington, and within certain jurisdictions. BIAW is in the early stages of planning a statewide survey for Washington builders and jurisdictions.

## Table 1. Average Regulatory Costs (Percentage)

### A. DURING LOT DEVELOPMENT

	Share With the Regulatory Cost	Regulations as a % of Lot Cost		Regulations as a % of House Price	
		Average When Present	Average Across All Lots	Average When Present	Average Across All Lots
Cost of applying for zoning approval	98.1%	6.7%	6.6%	1.7%	1.6%
Hard costs of compliance (fees, required studies, etc.)	100.0%	12.0%	12.0%	3.0%	3.0%
Land dedicated to the govt. or otherwise left unbuilt	94.0%	11.6%	11.0%	2.9%	2.8%
Standards (setbacks, etc.) that go beyond the ordinary	85.4%	10.4%	9.1%	2.6%	2.3%
Complying with OSHA/other labor requirements	58.3%	2.2%	1.8%	0.5%	0.5%
Pure cost of delay (if regulation imposed no other cost)	95.9%	1.5%	1.5%	0.4%	0.4%
<b>All Regulation During Development</b>	<b>100.0%</b>	<b>41.9%</b>	<b>41.9%</b>	<b>10.5%</b>	<b>10.5%</b>

### B. DURING CONSTRUCTION OF THE STRUCTURE

	Share With the Regulatory Cost	Regulations as a % of Construction Cost		Regulations as a % of House Price	
		Average When Present	Average Across All Lots	Average When Present	Average Across All Lots
Fees paid by the builder after purchasing the lot	91.1%	5.5%	5.0%	3.4%	3.1%
Changes to building codes over the past 10 years	90.2%	10.8%	9.9%	6.7%	6.1%
Architectural design standards beyond the ordinary	57.5%	7.7%	4.4%	4.8%	2.7%
Complying with OSHA/other labor requirements	63.8%	2.5%	1.8%	1.5%	1.1%
Pure cost of delay (if regulation imposed no other cost)	89.5%	0.4%	0.4%	0.3%	0.2%
<b>All Regulation During Development</b>	<b>98.9%</b>	<b>21.7%</b>	<b>21.5%</b>	<b>13.5%</b>	<b>13.3%</b>
<b>TOTAL COST OF REGULATION</b>					<b>23.8%</b>

## County Data



### ADAMS COUNTY

Median Home Sales Price	<b>\$360,000</b>
Base costs to build a median priced home	\$274,320
Cost of regulation during construction	\$47,880
Cost of regulation during lot development	\$37,800
<b>Total cost of regulation</b>	<b>\$85,680</b>



### ASOTIN COUNTY

Median Home Sales Price	<b>\$396,000</b>
Base costs to build a median priced home	\$301,752
Cost of regulation during construction	\$52,668
Cost of regulation during lot development	\$41,580
<b>Total cost of regulation</b>	<b>\$94,248</b>



### BENTON COUNTY

Median Home Sales Price	<b>\$450,000</b>
Base costs to build a median priced home	\$342,900
Cost of regulation during construction	\$59,850
Cost of regulation during lot development	\$47,250
<b>Total cost of regulation</b>	<b>\$107,100</b>



## CHELAN COUNTY

Median Home Sales Price	<b>\$575,229</b>
Base costs to build a median priced home	\$438,324
Cost of regulation during construction	\$76,505
Cost of regulation during lot development	\$60,339
<b>Total cost of regulation</b>	<b>\$136,905</b>



## CLALLAM COUNTY

Median Home Sales Price	<b>\$430,000</b>
Base costs to build a median priced home	\$327,660
Cost of regulation during construction	\$57,190
Cost of regulation during lot development	\$45,150
<b>Total cost of regulation</b>	<b>\$102,340</b>



## CLARK COUNTY

Median Home Sales Price	<b>\$529,948</b>
Base costs to build a median priced home	\$403,820
Cost of regulation during construction	\$70,483
Cost of regulation during lot development	\$55,644
<b>Total cost of regulation</b>	<b>\$126,128</b>



## COLUMBIA COUNTY

Median Home Sales Price	<b>\$135,000</b>
Base costs to build a median priced home	\$102,870
Cost of regulation during construction	\$17,955
Cost of regulation during lot development	\$14,175
<b>Total cost of regulation</b>	<b>\$32,130</b>



## COWLITZ COUNTY

Median Home Sales Price	<b>\$394,500</b>
Base costs to build a median priced home	\$300,609
Cost of regulation during construction	\$52,469
Cost of regulation during lot development	\$41,422
<b>Total cost of regulation</b>	<b>\$93,891</b>



## DOUGLAS COUNTY

Median Home Sales Price	<b>\$500,000</b>
Base costs to build a median priced home	\$381,000
Cost of regulation during construction	\$66,500
Cost of regulation during lot development	\$52,500
<b>Total cost of regulation</b>	<b>\$119,000</b>



## FERRY COUNTY

Median Home Sales Price	<b>\$206,900</b>
Base costs to build a median priced home	\$157,658
Cost of regulation during construction	\$27,518
Cost of regulation during lot development	\$21,725
<b>Total cost of regulation</b>	<b>\$49,242</b>



## FRANKLIN COUNTY

Median Home Sales Price	<b>\$413,000</b>
Base costs to build a median priced home	\$314,706
Cost of regulation during construction	\$54,929
Cost of regulation during lot development	\$43,365
<b>Total cost of regulation</b>	<b>\$98,294</b>



## GARFIELD COUNTY

Median Home Sales Price	<b>\$206,000</b>
Base costs to build a median priced home	\$156,972
Cost of regulation during construction	\$27,398
Cost of regulation during lot development	\$21,630
<b>Total cost of regulation</b>	<b>\$49,028</b>



## GRANT COUNTY

Median Home Sales Price	<b>\$350,000</b>
Base costs to build a median priced home	\$266,700
Cost of regulation during construction	\$46,550
Cost of regulation during lot development	\$36,750
<b>Total cost of regulation</b>	<b>\$83,300</b>



## GRAYS HARBOR COUNTY

Median Home Sales Price	<b>\$350,000</b>
Base costs to build a median priced home	\$266,700
Cost of regulation during construction	\$46,550
Cost of regulation during lot development	\$36,750
<b>Total cost of regulation</b>	<b>\$83,300</b>



## ISLAND COUNTY

Median Home Sales Price	<b>\$552,000</b>
Base costs to build a median priced home	\$420,624
Cost of regulation during construction	\$73,416
Cost of regulation during lot development	\$57,960
<b>Total cost of regulation</b>	<b>\$131,376</b>



## JEFFERSON COUNTY

Median Home Sales Price	<b>\$575,000</b>
Base costs to build a median priced home	\$438,150
Cost of regulation during construction	\$75,475
Cost of regulation during lot development	\$60,375
<b>Total cost of regulation</b>	<b>\$136,850</b>



## KING COUNTY

Median Home Sales Price	<b>\$805,000</b>
Base costs to build a median priced home	\$613,410
Cost of regulation during construction	\$107,065
Cost of regulation during lot development	\$84,525
<b>Total cost of regulation</b>	<b>\$191,590</b>



## KITSAP COUNTY

Median Home Sales Price	<b>\$532,000</b>
Base costs to build a median priced home	\$405,384
Cost of regulation during construction	\$70,756
Cost of regulation during lot development	\$55,860
<b>Total cost of regulation</b>	<b>\$126,616</b>



## KITTITAS COUNTY

Median Home Sales Price	<b>\$515,000</b>
Base costs to build a median priced home	\$392,430
Cost of regulation during construction	\$68,495
Cost of regulation during lot development	\$54,075
<b>Total cost of regulation</b>	<b>\$122,570</b>



## KLICKITAT COUNTY

Median Home Sales Price	<b>\$477,500</b>
Base costs to build a median priced home	\$363,855
Cost of regulation during construction	\$63,508
Cost of regulation during lot development	\$50,138
<b>Total cost of regulation</b>	<b>\$113,645</b>



## LEWIS COUNTY

Median Home Sales Price	<b>\$379,975</b>
Base costs to build a median priced home	\$289,541
Cost of regulation during construction	\$50,537
Cost of regulation during lot development	\$39,897
<b>Total cost of regulation</b>	<b>\$90,434</b>



## LINCOLN COUNTY

Median Home Sales Price	<b>\$404,500</b>
Base costs to build a median priced home	\$308,066
Cost of regulation during construction	\$53,799
Cost of regulation during lot development	\$42,473
<b>Total cost of regulation</b>	<b>\$96,434</b>



## MASON COUNTY

Median Home Sales Price	<b>\$405,000</b>
Base costs to build a median priced home	\$308,610
Cost of regulation during construction	\$53,865
Cost of regulation during lot development	\$42,525
<b>Total cost of regulation</b>	<b>\$96,390</b>



## OKANOGAN COUNTY

Median Home Sales Price	<b>\$317,240</b>
Base costs to build a median priced home	\$241,737
Cost of regulation during construction	\$42,193
Cost of regulation during lot development	\$33,310
<b>Total cost of regulation</b>	<b>\$75,503</b>



## PACIFIC COUNTY

Median Home Sales Price	<b>\$340,000</b>
Base costs to build a median priced home	\$259,080
Cost of regulation during construction	\$45,220
Cost of regulation during lot development	\$35,700
<b>Total cost of regulation</b>	<b>\$80,920</b>



## PEND OREILLE COUNTY

Median Home Sales Price	<b>\$445,000</b>
Base costs to build a median priced home	\$339,090
Cost of regulation during construction	\$59,185
Cost of regulation during lot development	\$46,725
<b>Total cost of regulation</b>	<b>\$105,910</b>



## PIERCE COUNTY

Median Home Sales Price	<b>\$535,000</b>
Base costs to build a median priced home	\$407,670
Cost of regulation during construction	\$71,155
Cost of regulation during lot development	\$56,175
<b>Total cost of regulation</b>	<b>\$127,330</b>



## SAN JUAN COUNTY

Median Home Sales Price	<b>\$812,500</b>
Base costs to build a median priced home	\$619,125
Cost of regulation during construction	\$108,063
Cost of regulation during lot development	\$85,313
<b>Total cost of regulation</b>	<b>\$193,375</b>



## SKAGIT COUNTY

Median Home Sales Price	<b>\$550,000</b>
Base costs to build a median priced home	\$419,100
Cost of regulation during construction	\$73,150
Cost of regulation during lot development	\$57,750
<b>Total cost of regulation</b>	<b>\$130,900</b>



## SKAMANIA COUNTY

Median Home Sales Price	<b>\$495,000</b>
Base costs to build a median priced home	\$377,190
Cost of regulation during construction	\$65,835
Cost of regulation during lot development	\$51,975
<b>Total cost of regulation</b>	<b>\$117,810</b>



## SNOHOMISH COUNTY

Median Home Sales Price	<b>\$700,000</b>
Base costs to build a median priced home	\$533,400
Cost of regulation during construction	\$93,100
Cost of regulation during lot development	\$73,500
<b>Total cost of regulation</b>	<b>\$166,600</b>



## SPOKANE COUNTY

Median Home Sales Price	<b>\$425,000</b>
Base costs to build a median priced home	\$323,850
Cost of regulation during construction	\$56,525
Cost of regulation during lot development	\$44,625
<b>Total cost of regulation</b>	<b>\$101,150</b>



## STEVENS COUNTY

Median Home Sales Price	<b>\$419,750</b>
Base costs to build a median priced home	\$319,849
Cost of regulation during construction	\$55,827
Cost of regulation during lot development	\$44,074
<b>Total cost of regulation</b>	<b>\$99,901</b>



## THURSTON COUNTY

Median Home Sales Price	<b>\$485,000</b>
Base costs to build a median priced home	\$369,570
Cost of regulation during construction	\$64,505
Cost of regulation during lot development	\$50,925
<b>Total cost of regulation</b>	<b>\$115,430</b>



## WAHKIAKUM COUNTY

Median Home Sales Price	<b>\$337,500</b>
Base costs to build a median priced home	\$257,175
Cost of regulation during construction	\$44,888
Cost of regulation during lot development	\$35,438
<b>Total cost of regulation</b>	<b>\$80,325</b>



## WALLA WALLA COUNTY

Median Home Sales Price	<b>\$394,579</b>
Base costs to build a median priced home	\$300,669
Cost of regulation during construction	\$52,479
Cost of regulation during lot development	\$41,431
<b>Total cost of regulation</b>	<b>\$93,910</b>



## WHATCOM COUNTY

Median Home Sales Price	<b>\$543,000</b>
Base costs to build a median priced home	\$413,766
Cost of regulation during construction	\$72,219
Cost of regulation during lot development	\$57,015
<b>Total cost of regulation</b>	<b>\$129,234</b>



## WHITMAN COUNTY

Median Home Sales Price	<b>\$306,894</b>
Base costs to build a median priced home	\$233,853
Cost of regulation during construction	\$40,817
Cost of regulation during lot development	\$32,224
<b>Total cost of regulation</b>	<b>\$73,041</b>



## YAKIMA COUNTY

Median Home Sales Price	<b>\$345,000</b>
Base costs to build a median priced home	\$262,890
Cost of regulation during construction	\$45,885
Cost of regulation during lot development	\$36,225
<b>Total cost of regulation</b>	<b>\$82,110</b>

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Building Industry Association of Washington  
300 Deschutes Way SW, Ste. 300 | Tumwater, WA 98501  
(360) 352-7800 | [BIAW.com](http://BIAW.com)