

Issues & Impacts

Seattle King County REALTORS® (SKCR) is working to ensure that public policies support homeownership and your business's bottom line. Please contact Taylor Shanaman, Director of Governmental and Public Affairs, at tshanaman@nwrealtor.com with any local legislative issues that may need our attention. **The next issues will be released in April 2023.**

In this issue:

[Eastside Heat Pump](#) > [Page 12](#)

[Comp Plan Scoping Comments](#) > [Page 12](#)

[Bellevue Centering Communities of Color Coordinating Team](#) > [Page 13](#)

[Regional Crisis Response Agency](#) > [Page 14](#)

[Kirkland Business License Simplifications](#) > [Page 14](#)

[Mercer Island](#) > [Page 15](#)

HOUSING CRISIS - THINGS TO KNOW

IT'S ALL ABOUT INVENTORY...

For 32-years, We Haven't Had Enough Housing to Meet Actual Market Demand

Simply put, we don't have enough housing for everyone who needs a place to live. That's important because "Housing" is a necessity of life.

In Abraham Maslow's 1952 Hierarchy of Needs, he observed that everyone needs "shelter" in order to survive. Today, we refer to "shelter" as "Housing," and it includes all kinds of housing units: single-family homes, multi-family housing (low-rise, mid-rise, and high-rise condominiums, apartments, and co-ops), tiny homes, assembled containers, manufactured housing, special-needs housing, transitional housing, and emergency housing. Pretty much everything is included when we count the number of "housing units" - except jail beds and prison cells.

Issues & Impacts

As we've seen locally throughout the last decade, when the supply of a necessity of life - specifically housing - is not sufficient to meet actual market demand from individuals and families who need a place to live, prices skyrocket. The need for housing doesn't disappear just because prices are increasing. Throughout Washington, and especially in areas like King County that have experienced enormous job growth, housing prices and rents have risen much faster than the incomes of workers.

The lack of housing inventory has impacted REALTORS'® businesses, their financial security, and their quality of life. Too often, would-be sellers (who can't afford to purchase a home as nice as the one they already own) are deciding not to sell, fearing that they will not be able to find replacement housing they can afford. The result is fewer transactions for brokers who focus on listings. Brokers representing buyers face the prospect of writing 10, 20, or even 30 offers for their buyer before eventually closing a transaction and receiving a single commission check for all of that work.

But the tentacles of the ugly impacts of insufficient housing inventory reach well beyond the consequences for REALTORS® and brokerage firms:

- With home prices and rents increasing much faster than workers' incomes, many households are spending more than 30% of their income on housing, even if they commute longer distances to work to obtain less expensive housing.
- The number of households that can only afford to rent - instead of purchasing a home of their own - continues to grow.
- As that happens, households with relatively larger incomes out-bid less-affluent renters for the limited number of rental properties. Renters have fewer options, and the most economically vulnerable renter households may find themselves unsheltered or homeless.
- The situation has been exacerbated by new tenant protections that, even though well-intended, have caused "mom-and-pop" landlords to sell their rental units to owner-occupant buyers. The result is a smaller number of rental properties in our communities than otherwise would have been the case. Despite being well-intended, the negative and destructive impact of sweeping new tenant protections (that continued to reduce the number of available rental properties) is likely to fall hardest on the most economically vulnerable renters in our communities.

Issues & Impacts

- As workers commute longer distances between home and work, the size of the carbon footprint in our region increases. As that happens, the cost and inconvenience of commuting is falling hardest on households least-able to afford the costs of longer commutes.
- The lack of inventory also creates an impossible choice for business owners: Increase wages high enough for workers to be able to afford housing, but destroy the firm's ability to compete in regional and national markets...or alternatively, go without the workers the firm needs for its success. About the time Washington's Growth Management Act was adopted, Fannie Mae published multiple studies indicating workers would rather take a lower paying job in a community where they could purchase a home, than a higher-paying job in a community where they could only afford to rent.
- The American Dream of Homeownership continues to burn bright in the hearts of workers, but when homeownership is placed out-of-reach it compromises the ability of businesses to survive.
- The homeownership gap continues to grow between historically enfranchised households, and ethnic populations that historically have been denied access to homeownership and the creation of intergenerational wealth.
- Legislators face repeated demands for additional appropriations for subsidized housing. Notwithstanding the fact that in 2022 the legislature used its historically high revenues to allocate more than \$800 million for subsidized housing programs, the approach is neither sustainable nor sufficient without enormous increases in the supply of available housing units.

The current housing market is in a temporary moment of transition, but the underlying longer-term trends are unmistakable: We are continuing to add jobs at rates well-above forecasts. We are not in the middle of a housing bubble that is bursting.

As inflation and interest rates moderate in the intermediate-term, the fact that housing is a necessity of life, and the fact that we do not have enough housing for everyone who needs a place to live, will cause home prices and rents to rise at levels that will be out-of-reach for most households...unless the supply of housing is increased at a level that is sufficient to meet the actual market demand for housing.

According to data published by the Washington Department of Commerce in October 2021, Washington is the worst state in the nation (#50 out of 50) for not having enough housing for its households. Not surprisingly, there are only 9 counties in Washington where a household with a mid-level (median) income can

Issues & Impacts

afford a mid-priced (median priced) home, and none of those counties are visible from the top of the Space Needle.

The impacts of the “Law of Supply and Demand” on housing prices and rents is a predictable certainty: If the supply of housing in our communities is not sufficient to meet both pent-up demand, and actual market demand going forward, prices and rents will continue to rise unabated.

Why We Don't Have Enough Housing

Washington's Growth Management Act (GMA) was passed into law in 1990. GMA requires fast-growing counties and their cities to engage in comprehensive land use planning in a way that is designed to achieve 14 goals, including Housing that is affordable to all economic segments of the state's population.

GMA requires each county to adopt Countywide Planning Policies that govern and guide the Comprehensive Plan, Zoning Code and Development Regulations of the county, and each of its cities.

In each county, land is required to be designated for different uses:

- Urban (including housing, commerce, manufacturing, public uses, etc.),
- Rural (including agriculture, limited housing, limited commerce, and limited public uses), and
- Resources Lands (such as agriculture, forestry, mining, and fisheries).

Housing is only allowed in areas set-aside and designated for that purpose. If you own land, but it's not designated for housing, it is illegal to build housing on the property. It's also illegal to build housing at densities that are greater than what is allowed in the comprehensive plan and zoning code.

So, from a city-wide perspective, three questions arise:

1. How much land should be set aside for housing?
2. Which specific parcels of property in the city or should be designated for housing?
3. How much density should be allowed on each parcel that has been designated for housing?

Issues & Impacts

Population forecasts (and corresponding increases in demand for housing) focus on two factors:

- “Natural” Population Increases - resulting from more babies being born than people dying. In the past decade the “natural” population increases have averaged approximately 10,000 people per year in King County.
- Population Increases from “Employment In-Migration” - The number of people coming to Washington state to take advantage of job opportunities. In King County this includes new employment opportunities in industries such as high-tech, bio-tech, aerospace, and space travel.

The state has done a pretty good job of estimating the “Natural” increases in population, but for many years has seriously under-estimated population increases resulting from “Employment-related In-Migration.” This is not a criticism of state officials, but simply a reflection of the fact that state forecasters do not have access to 20-year “hiring plans” for the major employers in each county, in part because such plans may not even exist.

As an example of the failure to accurately predict job-related in-migration, consider 2017 (which was near the middle of the end of the Great Recession, and the ramp-up of COVID). The state’s 20-year population growth forecast projected that in 2017 King County’s population would increase by 19,763 people. With 10,000+ due to “Natural” increases, the “Employment-related In-migration” was expected to account for the remaining 9,763 additional people.

But in 2017, the Department of Licensing issued 71,577 new Washington State drivers licenses (in King County alone) to drivers who surrendered an out-of-state drivers’



Issues & Impacts

license. So, the OFM population projection missed the mark by 51,814 people...and that is before adjusting for millennials who do not drive, family members who do not drive, or people forced by economic necessity to leave the state.

In fact, between 2011 and 2017 the Employment-related In-Migration projections for King County alone missed the mark by nearly 315,000 people; people who needed housing the moment they arrived, and who used their relatively larger incomes to pay higher rents (which had the effect of displacing less-affluent renters), and to bid-up prices on homes offered for sale. The situation has continued in subsequent years.

During that same 2011-2017 timeframe, the trend-line in Washington's other fast-growing counties (Clark, Kitsap, Pierce, Snohomish, and Thurston - known commonly as "Buildable Lands Counties") also reflected employment-related population increases that were significantly larger than what had been forecast by the state.

So, the state's forecasts for Population Growth are way-off the mark, and disconnected from the reality of what is actually happening on-the-ground. That failure is made much worse by three additional factors:

1. Cities and counties limit the supply of housing based on the state forecasts. There is NO REQUIREMENT for counties and cities to increase the housing allowed in their comprehensive plans and zoning regulations when there is a "gap" between the population forecast, and the population increase that actually occurred. As a result, we not only don't have enough housing for everyone who needs a place to live, that number continues to grow every year.
2. The only accountability measure in GMA (regarding the inadequacy of the housing supply) is section 215 which is based on the inaccurate population forecasts, and not what is happening on-the-ground as our economy continues to grow. Instead of helping to correct the problem, GMA reinforces, and essentially makes permanent, the continuing failure to provide enough housing for everyone who needs a place to live; and
3. There is NO REQUIREMENT to add the prior "gaps" (between the population forecast, and the reality on the ground) to future population forecasts. So, for the last 32 years under GMA, the forecast failures have been largely ignored.

Stated more simply: The amount of housing counties and cities allow is the result of a "GMA desktop planning exercise" that is essentially disconnected from reality, and efforts by REALTORS®, homebuilders and others to persuade local governments to add

Issues & Impacts

housing - commensurate with the true market demand for housing - have received a mostly tepid response.

Meanwhile, the Housing Attainability Crisis continues to get worse. Former Seattle Mayor Ed Murray and current King County Executive Dow Constantine declared housing emergency nearly a decade ago. Hundreds of millions of dollars have been thrown at the problem, but there is a persistent and demonstrated lack of will in the legislature, and in local governments, to deal directly and effectively with the structural flaws in the land use planning for housing in order to correct the situation and ensure that housing that is affordable to all economic segments of the population of the state, consistent with RCW 36.70A.020 (4).

A New REALTOR® Middle Housing Initiative To Increase the Supply of Housing

REALTORS® have unique perspectives, expertise and skills, and an important role to play, in helping local governments and the legislature develop common sense residential zoning policies to increase the supply of housing, and to improve Home Ownership Opportunities. To this end, Seattle King County REALTORS® has been involved for more than a year in developing a new Middle Housing Initiative to help communities, stakeholders and elected officials develop solutions to the Housing Attainability crisis.

REALTORS® don't sell just homes. REALTORS® also sell neighborhoods, communities, and quality-of-life. As a result, we understand that it's not enough to simply add more housing opportunities. We must accomplish that objective in a way that respects the value that REALTORS®, Buyers, Sellers, and neighborhood residents place on quality of life. Adding density must be accomplished in a way that not only addresses the lack of inventory, but also reflects common sense, and a sensitivity to neighborhood character and fit. "One size DOES NOT fit all" - and a Seattle-centric solution is likely to be a poor fit for the rest of King County, and the state of Washington.

Success requires that we understand that any solution is a "value proposition" that must respect community values, while also accommodating the housing needs of our growing population. If we fail to do so, the negative reaction from community members and elected officials will set-back the effort, potentially for decades. Solving the housing supply crisis must not be approached in a way that turns achievable solutions into a "suicide pact" for local elected officials and community members.

Issues & Impacts

To help ensure the Seattle King County REALTORS® new Middle Housing Initiative gets it right, Garrett Nelson, SKCR 2022 VP of Government Affairs, appointed a Residential Density Task Force that was geographically, demographically, and experientially diverse. The Task Force met with developers, builders, planning commissioners and local elected officials in order to identify five key strategic elements that will contribute to success: Good Design, Zoning, Permitting & Process, Incentives and Possible Tools/Best Practices. The Task Force also contracted with American Strategies, a national polling firm, to survey SKCR REALTOR® members whose responses emphasized the following six items:

- Prioritize opportunities to buy a home, especially for first-time buyers.
- Good design gains community acceptance; Bad design kills it.
- Increase density where it makes sense.
- Protect historic neighborhoods and unique communities.
- Simplify permitting.
- Cities – with assistance and funding from WA Department of Commerce – should create a catalog of permit-ready, fully-engineered, housing designs/plans for housing on small lots. Cities should make those available to property owners and builders at no cost. This approach is consistent with initiatives some cities – including Renton – have implemented to offer permit-ready plans and expedited processing for Accessory Dwelling Units (ADUs).

REALTORS® note the important role of ADUs and new condominium construction in any solution. But success in those areas alone will not be sufficient to ensure we have enough housing for everyone who needs a place to live.

Despite legislation to discourage green-mail litigation regarding speculative future condominium construction defects, the lack of predictability – and continuing uncertainty – regarding condominium construction liability for builders continues to keep most insurance companies from writing construction defect liability policies in Washington state. Several legislative proposals have been suggested to address the issue, but until those insurance companies return to Washington it is unlikely, and unreasonable, to expect construction of affordable condominiums will resume in this state.



Issues & Impacts

Missing Middle Housing

One of the options that holds a lot of promise for addressing the housing supply deficit involves multi-family Missing Middle Housing. Typically, the concept refers to housing product densities that fall between single-family homes, and large high-rise multifamily projects, such as: duplexes, cottage courts, 3 & 4-plexes, townhomes, tri-plex stacked, multi-plex medium, courtyard buildings, mid-rise multifamily, and live-work projects. The approach involves establishing smaller lot - and/or smaller unit size products - to increase affordable ownership opportunities... consistent with the Look and Feel of the Neighborhood.

As cities in King County prepare to approve “major” required updates of their respective comprehensive plans in 2024, two initial strategies could be helpful for adding Missing Middle Housing:

1. Focus on Good Project Design. Good design gains community acceptance, and bad design kills it. Design Review processes are likely to do more harm than good, but use of Design Standards and Form-based Codes could prove helpful.
2. Cities could start by approving code changes to:
 - Allow conversion of large single-family structures to multi-family housing, which would add new housing units without major changes to existing building façades, or the look and feel of the neighborhood.
 - Authorize construction of new well-designed duplexes on corner lots
 - Allow & Incentivize 4-plexes that cannot be distinguished from larger single-family homes, except by counting the number of mail slots at the front door
 - Allow & Incentivize 4-Plexes, Townhouses & Tri-Plex Stacked near Transit STOPS, and along major arterial roadways served by transit.
 - Allow & Incentivize Multi-Plex Medium, Courtyard Building & Live-Work projects near Transit STATIONS, including opportunities for TOD mixed-use projects.

Longer-term, cities and the legislature must recognize that (a) solving the Housing Attainability crisis, (b) transitioning renters to homeowners, and improving homeownership opportunities for 1st-Time buyers, (c) improving opportunities for BIPOC households to create inter-generational wealth through homeownership, (d) relieving barriers to access and price pressures in the rental market, (e) reducing homelessness that results from lack of affordability, and (f) making it possible for

Issues & Impacts

housing subsidy dollars to be targeted to the most economically vulnerable households, will each and all require significant on-going increases in allowed densities.

As a result, cities should begin NOW to identify the locations and densities for additional housing needed to address both the current supply deficit, and to ensure we have enough housing for everyone who needs a place to live as our population continues to grow.

Then, as described below, the authorizations to build the additional housing can be placed into effect as-needed on a phased-basis when cities approve “annual updates” of their comprehensive plans. Otherwise, under the current GMA planning scheme, making the changes needed to ensure we have enough housing for everyone who needs a place to live, and making meaningful progress towards the state’s GMA Housing Goal in RCW 36.70A.020 (4), will likely take decades to achieve.

Meanwhile, Residential Zoning is Changing

Without addressing the structural flaws in Washington’s Growth Management Act (GMA), several cities are already working to re-define residential zoning, including Seattle, Tacoma, and Portland. In addition, California Gov. Gavin Newsom recently issued an executive order to increase residential densities. Such actions are being spurred-on, not only by the decades-long Housing Crisis, but also by market factors as people seek to work from home, and by the advocacy of non-profit and progressive supporters of subsidized housing.

Residential densities are changing, which has the potential to be a good thing.

But changing the zoning to increase density is only the first step. To be effective, such actions must be followed by meaningful accountability and corrective measures when the supply of housing is insufficient to ensure we have enough housing for everyone who needs a place to live.



Issues & Impacts

The most important of those accountability and corrective measures require on-going dynamic assessments of affordability. This is likely best-achieved by requiring counties (and their cities) to authorize significant additional housing opportunities in the annual updates of their comprehensive plans and zoning codes in any year that:

- The median sales price for single-family residential and condominium properties (combined) is not affordable to purchase for a household using minimum-down payment, maximum base loan amount FHA financing, and earning the countywide median household income; or
- When household earning 60% of the county median household income must spend more than 30% of their household income in order to be able to afford the countywide median rent for a two-bedroom apartment.

What's Next For the REALTORS® Middle Housing Initiative?

During the past year, in addition to developing a Values-Driven Vision for addressing the Housing Attainability Crisis, and identifying initial strategies for success, the Seattle King County REALTORS® Middle Housing Initiative identified “Key Legislative Actions and Measures” related to zoning, permitting and processing, design, incentives, possible tools, and best practices to enhance the prospects for success.

Now, the attention of Seattle King County REALTORS® has turned to engaging the Association’s 8,000 members on the Middle Housing Initiative, exploring opportunities to partner with cities, major employers, other trade organizations and not-for-profit organizations. The REALTORS® are seeking to advance the residential zoning principles, translating those principles into built units, and advocate for the residential zoning principles in local comprehensive plan updates, including both annual updates, and the “major” update GMA requires cited to complete by 2024.



Issues & Impacts

EASTSIDE HEAT PUMP CAMPAIGN

Residents in Bellevue, Issaquah, Kirkland, Mercer Island, and Redmond can take advantage of the Energy Smart Eastside Heat Pump Campaign. The campaign offers an opportunity to make residential energy efficient heating and cooling upgrades at discounted prices. More information is available: [Energy Smart Eastside: Heat Pump Campaign](#)

COMP PLAN SCOPING COMMENTS BELLEVUE

As part of the Comprehensive Plan update process, SKCR submitted comments to the Environmental Impact Statement (EIS) scoping that will determine the level of intensity and various land use alternatives to be studied in the 2024 Comprehensive Plan update.

Here are bullet points of our comments:

- Overall, we believe it is important to use the EIS scoping process to broaden thinking about accommodating demand for housing in a manner that will moderate pricing and lead to greater housing choices for Bellevue residents and would-be Bellevue residents throughout the income spectrum. In particular, we believe it is important to get creative about deploying missing middle housing strategies in zones that currently are strictly single family detached housing. We encourage the city to explore the allowance of small lot/small structure housing that is fee simple rather than rental or condominium. This could be a valuable tool in offering entry-level homeownership opportunities in Bellevue. Good design and maintaining neighborhood quality must be key components when contemplating any new housing typologies.
- We encourage the city to double the housing growth assumption, given what we expect to be robust job growth well into the future. The median priced single-family home in Bellevue is \$2.4 million; a condominium is \$919,000. These prices lock many prospective buyers out of the Bellevue market and are a function of an inadequate supply of housing relative to demand. A significant increase in zoned density to increase housing supply well beyond GMA housing targets is warranted.

Issues & Impacts

- We believe the city should fully develop Bellevue 2044 Alternative 3 to more comprehensively identify options and opportunities to increase residential density in n mixed-use centers, areas of high opportunity (good access to transit/jobs) as well as in and near Neighborhood Centers.
- In the interest of constraining housing costs increases (single family detached and multifamily), we ask that the scooping process conduct foundational work to address the myriad regulatory requirements and processes (structural, energy, climate, environmental) that add tremendous costs to housing construction. We believe it is time to take a fresh look at housing regulation to reduce duplicative processes and seek to restructure regulations that add cost with negligible benefit (to the structure or larger community).
- We encourage the city to tread cautiously with housing policies that promote affordability with fees or performance requirements. Often these programs are too rigid to respond to market fluctuations and risk chilling projects that would bring critically needed housing units to the city.

More information: [Comprehensive Plan](#) | [City of Bellevue](#)

BELLEVUE CENTERING COMMUNITIES OF COLOR COORDINATING TEAM

The City of Bellevue is welcoming applications from community members interested in joining the Centering Communities of Color Coordinating Team, which supports and guides the city's relationships with diverse communities in Bellevue. The [application](#) can be completed online. You can also complete a [PDF version](#) and submit it by email or print and mail it. Applications must be received by Tuesday, Jan. 3.

Members of the [CCC team](#) will provide important recommendations to the City Council by sharing feedback and insight on issues relevant to communities in Bellevue to increase equity, access and inclusion. City Manager Brad Miyake will appoint the CCC team members. Appointees will each receive \$50 as a stipend for each CCC meeting they attend.

Issues & Impacts

The city is looking for a wide range of talents, experience and backgrounds on the CCC team. Applicants must:

- Work, attend school or live in Bellevue
- Have cultural connections and knowledge of the city's diverse population
- Possess a willingness, curiosity and interest in bridging cultural gaps to strengthen community
- Be prepared to volunteer up to six hours a month
- Be able and willing to serve a minimum of one year on the team

For questions and accommodations, language translations and interpreter requests, please contact Marcus Johnson, diversity outreach and engagement administrator (mjohnson@bellevuewa.gov or 425-452-2022).

REGIONAL CRISIS RESPONSE AGENCY

The City Councils of Bothell, Kenmore, Kirkland, Lake Forest Park, and Shoreline this month The new entity to provide community mobile crisis response services to all five cities.

The RCR Agency will have 13 total staff, including ten Mental Health Professional Community Responders, which will enhance public health, safety, and emergency response services, including crisis response awareness, support, and resource referral for community members experiencing behavioral health issues across the five-city region.

Formal operations will begin at the end of the first quarter of 2023.

KIRKLAND BUSINESS LICENSE SIMPLIFICATIONS

To promote long-term residential leases and support the City Council's missing middle housing efforts, the Kirkland City Council has simplified business license requirements for businesses that exclusively rent out single-family and other missing middle housing residences as long-term rentals.

A Long-Term Rental business that has a place of business in a single-family residence and that holds a valid city of Kirkland general business license no longer needs to obtain additional business license(s) to conduct a Long-Term Rental

Issues & Impacts

business at additional single-family residence locations within the city so long as the businesses are not performed under separate UBI numbers.

MERCER ISLAND

The City of Mercer Island continues to explore point-of-sale mandates as part of its Climate Action Plan. Two measures are particularly concerning:

- BE1.2 Require electric panel upgrades upon sale and/or rental turnover for residential and commercial buildings to facilitate the transition to clean electricity buildings and vehicles.
- BE2.4 Require point-of-sale disclosures for residential or commercial buildings to either (1) disclose energy use or (2) implement energy retrofits at point of sale.

SKCR is conveying to the City that REALTORS® want to bring energy issues into the real estate discussion and make energy issues actionable for the home buyer and homeowner without confusing, delaying or discouraging the real estate transaction. Point of sale mandates add delay and complication to an already complicated and lengthy process. In addition, these measures will increase the cost of housing in a city that is already among the highest priced in the region.

Please contact SKCR for more information on this issue and to get involved. The voices of individual REALTORS® will be important.

Issues & Impacts

The Planning Commission is expected to forward a recommendation to the City Council sometime this fall following the Commission's August 25th public hearing on the matter.

REALTORS® POLITICAL ACTION COMMITTEE

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Issues & Impacts is a quarterly publication produced by Seattle King County REALTORS® to inform members about current issues and successes within your Government Affairs Department.

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Please call Taylor at 425.974.1013 x704 for questions or comments.