

Land Use and Construction



Background:

Employers in the commercial and residential construction sectors have been devastated by the credit crisis that began in 2008. The conditions in this sector of the economy are the worst since the Great Depression. Commercial and residential construction is a critical part of Washington's economy. In normal times it provides hundreds of thousands of well-paying jobs. From June of 2008 through June of 2010, unemployment in this sector increased by nearly 30% statewide and by nearly 50% in some individual counties. In 2009, housing permits alone plummeted more than 40% statewide and more than 50% in the Seattle metropolitan area. In the fourth quarter of 2008, commercial and residential construction generated nearly \$58 million in revenue to the state based on B&O tax. That number fell to just under \$32 million in the first quarter of 2010 – a loss of approximately \$26 million to the state. Similarly, in the fourth quarter of 2008, commercial and residential construction generated about \$418 million of revenue to the state based on the Retail Sales Tax. That figure fell to about \$225 million in the first quarter of 2010 – a loss of just under \$200 million to the state. The cumulative impact is more than \$225 million in lost revenue to the state and this figure doesn't include the lost revenue to local governments. Equally important, this sector builds the buildings and public and private infrastructure essential for business operations; the homes where we live; and the public, educational, social, cultural, and religious buildings which are essential to our well-being.

Even in the best of times, Washington's maze of land use and environmental laws and policies—enacted piecemeal over the last 40 years – are needlessly complex, are often duplicative and inconsistent, create uncertainty, and are an expensive burden to this sector and to all who depend on it. These regulations also create significant administrative and financial burdens for state agencies and local governments. These laws can be reformed without compromising the quality of our natural environment.

Problem:

Employers in the commercial and residential construction sectors need immediate relief to provide the jobs and economic growth that is essential for Washington to recover from this historic economic crisis. They also need relief from the burdens of our current land use regulatory system to provide the homes, buildings and public and private infrastructure that Washington's citizens need.

Solution:

1. *Employment and Construction Incentives.* In order to encourage immediate commercial and residential construction opportunities, and the jobs and general tax revenues that such construction creates, the Legislature should temporarily suspend the imposition and collection of impact fees by local governments, agencies, and special purpose districts. Impact fees would resume when the local unemployment rate drops below a specified level for one year. When such fees resume, they should be collected at the end of the construction process.
2. *Regulatory Reform.* State and local government land use and environmental review processes should be streamlined to eliminate unnecessary administrative actions and the corresponding public and private expense of such actions while ensuring that the environmental impacts of development will be carefully and thoroughly reviewed and mitigated. As such, AWB will pursue policies to streamline and consolidate the following processes:

A) State Environmental Policy Act (SEPA):

1. Amend SEPA by reforming the threshold determination process to reduce duplicative review.

2. Provide greater certainty, predictability and efficiency in the environmental appeals process.

B) Transportation concurrency under the Growth Management Act (GMA).

C) State agency permitting and administrative review:

1. Unify, condense and expedite the permitting and review process. The state could begin this process with renewable energy projects to assist in qualification for eligible tax credits.

2. Provide for unified notice of land use applications and decisions electronically.

3. Streamline and unify administrative review processes; for example eliminate the Shoreline Hearings Board.

3. *Oppose Changes to Vesting Laws.* To prevent additional economic harm to the struggling housing and construction markets, as well as the downturn in development of residential, commercial and industrial land, AWB opposes changes to Washington's real property vesting laws.