

APPENDIX 5: MARKET FACTOR DISCUSSION

Market Factor Discussion

The market factor used in this report is a range of between 0 and 25 percent.

Market factors account for “vagaries of the real estate market supply.” (RCW 36.70A.110(2)), and at a minimum take into account that not all land suitable for development will be available for development in the 20-year planning horizon. Some land owners will choose not to put their vacant or partially-used land on the market, or choose not to redevelop developed properties.

In 2007 Thurston County and the cities and towns began working together in a joint planning effort to develop suitable market factors for each jurisdiction and the adjacent unincorporated urban growth area.

When defining suitable market factors, Thurston County and local cities and towns should take into account the various factors that TRPC already includes in the analysis that relate to development inefficiencies and could be considered potential market factors. These factors are outlined on the following pages.

“The buildable lands analysis assesses many of the potential market factors and incorporates them into the figures for land supply and demand that it produces. This analysis appears to take the place of a market factor.”

“Since the number used in the comprehensive plan update to determine residential land supply in the Thurston County UGAs was derived from the buildable lands analysis, any market factor must be based on factors that were not already incorporated into the determination of residential land supply.”

Western Washington Growth Management Hearings Board, 1000 Friends of Washington v Thurston County, Case #05-2-0002 Final Decision and Order, July 20, 2005.

Potential Market Factor Elements or Development Inefficiencies Incorporated into TRPC's Analysis

1. Minimum space requirements for existing homes on partially-used land

Example: An existing home in a single-family zoning district is allotted 0.33 acres (about 14,400 sq. ft.) out of the remaining property, even though new plats typically use about 5,000-6,000 sq. ft. per home.

Comment: This accounts for the inefficiency from having to build around an existing structure.

2. Proportion of area in mixed use districts assumed available for redevelopment

Example: Assume only 5 percent of the land in a particular mixed use zoning district might redevelop to residential use (see zoning report for actual assumptions used.)

Comment: This acknowledges that in mixed use areas most redevelopment will be to a higher intensity of commercial development, rather than to new residences.

3. Minimum parcel size (by zoning category) to be considered subdividable

Example: A parcel in an unincorporated growth area (and not on municipal water) must be at least one acre in size to be assumed available for subdivision during the forecast time horizon.

Comment: This acknowledges that a) environmental health standards limit lots to one acre when onsite sewage disposal and water are used, b) infill development is more difficult, and c) most such parcels have owners who prefer to live on such larger lots and have no further development intentions during the forecast time horizon.

4. No further subdivision of long plats approved since 1970

Example: The Seasons, platted in the 1980s, includes a number of two-acre lots, which are assumed will not be further subdivided during the forecast time horizon.

Comment: This acknowledges that recent plats normally have private restrictions that prevent further subdivision, even though current zoning might allow it.

5. General deduction for non-residential uses in residential districts (e.g., schools, churches, parks, day care centers, etc.)

Example: Ten percent of the developable land area in the single-family zoning districts of cities and unincorporated urban growth areas is assumed to be used for non-residential uses.

Comment: This recognizes that some residential land will be used for typical non-residential land uses common to neighborhoods, and must be accounted for.

6. Truncation of potential dwellings to whole numbers per parcel

Example: A hypothetical parcel has 3.85 developable residential acres after deducting for critical areas, buffers, tree tracts, stormwater facilities, roads, etc. In a typical single-family zoning district, this might be multiplied times a net density of 4.6 units per acre to theoretically allow 17.71 dwellings. This would be rounded down to 17.

Comment: This procedure recognizes some of the inefficiencies in laying out a subdivision on smaller sites versus larger ones, since the amount truncated will be more consequential on smaller sites.

Market Factor Elements Still to be Determined

1. Proportion of residentially developable land area that will not be on the market during 20 year planning horizon

Example: A random survey conducted for Snohomish County asked several hundred property-owners whether their land might be available for development within 5, 10, 15, or 20 years. The survey found that 21% of respondents would be unlikely or very unlikely to make their property available for development in the next 20 years.

Comment: A corresponding assumption should be developed for Thurston County. Different assumptions might be appropriate for different parts of the County.

2. Added margin for small towns and cities to recognize greater fluctuation in their growth rates

Example: Rainier was a sleepy town of less than 400 from 1950 to 1970, after which it exploded 133% to 891 in 1980. Things were calm again in the 1980s, but from 1990 to 2000 it leaped another 51%.

Comment: Small towns and cities have long periods of stability punctuated by explosive growth. This is because a modest-sized subdivision represents a large percentage of the total housing.

Elements That Are Not “Market Factors” as Defined by GMA But Merit Evaluation and Discussion As Part of the Buildable Lands Analysis

1. Access to Municipal Sewer and Water

Example: Urban services are not currently available everywhere throughout all the urban areas. In particular, of the South County cities and towns, only Yelm now has sewer, and none of these cities and towns extend water service outside the city limits. Availability of sewer and water determines potential density. If development occurs at densities constrained by lack of municipal sewer and/or water, the potential capacity of the urban areas will be reduced.

Comment: The Buildable Lands analysis uses the adopted sewer and water service plans of the jurisdictions to identify where and when municipal sewer and water will be made available. These plans all commit to serving their respective urban areas over the 20-year planning time horizon. A recent Central Puget Sound Growth Management Hearings Board case, while not applicable to Thurston County, offers a relevant analysis of the GMA requirements (Kitsap Citizens for Responsible Planning v Kitsap County, Case 06-3-0007, FDO July 26, 2006). In that case, The Central Board ruled that the GMA requires that jurisdictions must plan to develop urban areas in an urban manner, providing urban services to enable it. Thus urban areas should not include lands that cannot be provided urban services within 20 years.

2. Varying costs to extend water or sewer

Example: Some parts of the urban areas will be costly to serve with water or sewer, such as outlying areas that might require multiple pump stations or other factors raising costs well above what the current housing market can bear.

Comment: This is a legitimate issue, and may be an appropriate basis for adjusting UGA boundaries. If excessive costs imply that certain areas cannot reasonably be urbanized within the 20-year planning time horizon, they should not be included in the UGA. This may imply a need to reduce the size of the UGA accordingly, or it may imply a need to shift the UGA to add different areas instead, where services can be provided more cost-effectively.

3. Availability of Water Rights

Example: Local cities and towns are reaching the limits of their water rights. Lacey has already had to temporarily deny access to municipal water service to new subdivisions proposed for the unincorporated Lacey UGA. Also, in rural areas the water rights exemption for six or fewer houses per parcel could limit the potential capacity of rural areas.

Comment: Lacey and the other cities are awaiting approval of applications for additional water rights to serve the growing population. There is a general consensus that the current water rights permitting logjam eventually will be resolved and will not endure long enough to alter the capacity of the urban growth areas. In rural areas, the impact of water rights laws and regulations should be evaluated.

4. Varying levels of Impact Fees

Example: Different jurisdictions have different levels of development impact exactions, whether through impact fees, SEPA mitigation fees, transportation benefit districts, or other means. By substantially influencing costs, this can influence the location of new development.

Comment: This is a valid observation. These differentials have been in place for more than a decade, and are well reflected in market trends already. Since the growth allocations are deliberately based in large measure on observed market trends (i.e., building permit trends collected by TRPC annually since 1986), these factors are already incorporated into the TRPC forecast allocation and buildable lands modeling. The TRPC modeling process combines trend analysis based

on building permits to determine future demand (e.g., how much of the recent growth has gone to Lacey and/or its UGA) with the buildable lands analysis to determine future supply (e.g., how much more growth Lacey and/or its UGA can accommodate). This modeling approach assumes that the jurisdictions in which it is currently more expensive to develop will remain more expensive, etc.; and that this will continue to affect growth rates in those jurisdictions similar to today.

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