

UW Study Released Today States Land Use Regulations Add \$200K to Seattle Home Prices

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According to a recent article in the *Seattle Times*, a new analysis by a University of Washington economics professor argues that home prices have, perhaps inadvertently, been driven up \$200,000 by good intentions.

Between 1989 and 2006, the median inflation-adjusted price of a Seattle house rose from \$221,000 to \$447,800. Fully \$200,000 of that increase was the result of land-use regulations, says Theo Eicher, Founding Director of the UW's Economic Policy Research Center — twice the financial impact that regulation has had on other major U.S. cities.



"In a nationwide study, it can be shown that Seattle is one of the most regulated cities and a city whose housing prices are profoundly influenced by regulations," he says.

A key regulation is the state's Growth Management Act, enacted in 1990 in response to widespread public concern that sprawl could destroy the area's unique character. To preserve it, the act promoted restrictions on where housing can be built. The result is artificial density that has driven up home prices by limiting supply, Eicher says.

Long building-permit approval times and municipal land-use restrictions upheld by courts also have played significant roles in increasing Seattle's housing costs, he adds.

Compared with 250 major U.S. cities, he says, Seattle:

- Is first in terms of the impact of state political involvement in land issues.
- Is in the top 3 percent for approval delays for new construction.
- Is in the top 10 percent in local political pressure influencing land use.

As an example of how this plays out, Eicher explains that "the statewide growth-management plan gave King County few options but to require that landowners in rural areas that haven't already cleared their land to keep 50 to 65 percent of their property in its 'natural state.' This forced greater density in Seattle."

In the final analysis, Eicher believes Seattle's regulatory climate exists because its residents want it. "My sense is land-use restrictions are imposed to generate socially desirable outcomes," he says. "We all love parks and green spaces. But we must also be informed about the costs. It's very easy to vote for a park if you think the cost is free."

For a complete copy of Elizabeth Rhoades 2-14-08 article in the *Seattle Times*, click on http://seattletimes.nwsourc.com/html/business/2004181704_eicher14.html



