

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

WASHINGTON STATE CHAPTER



INTENSE YEAR TAKES SHAPE FOR LOCAL, REGIONAL & STATE POLICIES IMPACTING REAL ESTATE

NAIOP Washington State (NAIOPWA) is the leading political and policy voice for local organizations that own or manage office, retail, multifamily, industrial, life sciences, mixed-use, and institutional real estate in the Puget Sound.

The long-term success of our real estate industry is dependent on active political and policy engagement.

NAIOPWA is constantly engaging and advocating for policies that support the industry. In addition, we provide outstanding education, access and networking opportunities for our over 1,000 local members.

While every year brings new real estate policy and political challenges, 2023 is shaping up to be a very intense year.

A few of the early issues we are currently engaged in include:

- State rent control bills (defeated!)
- Yet another state proposal to increase the real estate excise tax (REET)

- State design review ban legislation
- Natural gas ban legislation
- Seattle legislation to electrify all existing and new buildings (Building Emission Performance Standards legislation)
- Extensive package of land use recommendations to help revitalize downtown Seattle
- Proposed Seattle transportation impact fees
- Continued advancement of sweeping rezones in Bellevue (Bel-red and Wilburton)
- Seattle design review reform

In addition, of the seven Seattle City Council seats up for re-election, four are open seats. In Bellevue, three Council members are up for re-election and there is one open seat.

A full summary of our current engagement is included on pages two and three.

LOCAL / REGIONAL ISSUES SUMMARY: Q1 2023

Seattle Downtown Recovery Incentives

NAIOPWA, the Downtown Seattle Association and the Seattle Metro Chamber are working together on a bold list of land use code flexibility, tax incentives and regulatory holidays that will be recommended to the Mayor as he advances his Downtown Activation Plan in the months ahead.

Seattle Building Emissions Performance Standards (BEPS)

NAIOPWA and many members across asset classes have been leading the policy push back on the Seattle Office of Sustainability and Environment's BEPS, which beginning in 2027 will implement several significant policy changes to phase out natural gas and electrify all existing and new buildings by 2036.

Seattle Transportation Impact fees

NAIOPWA alerted members once the much-anticipated Transportation Impact Fee proposal advanced in February (from Council Members Herbold and Peterson). Work is underway to build a supportive coalition and dissuade Council from advancing these very high residential and commercial fees.

Seattle Design Review Reform

NAIOPWA has been a founding member of this multi-year, coalition-led effort to reform design review. The conversation continues to gain political traction and has inspired a current state bill that would eliminate design review for new housing projects statewide. In addition, local legislation continues to move forward with solid support.

Bellevue Affordable Housing Policies

NAIOPWA is deeply involved on several affordable housing policy discussions in Bellevue. As Bellevue grows, there is interest in ensuring new market-rate housing, and commercial development is also supporting affordable housing – NAIOPWA's focus is to advance incentive-based policies or examine market-based fee-in-lieu or inclusionary policies that will help production – all while ensuring Bellevue remains business friendly. This work is done in close partnership with the Bellevue Chamber's Policy, Land Use, Sustainability and Housing (PLUSH) committee. NAIOPWA is also a member of the Eastside Housing Roundtable with the goal of bringing housing advocates along with the need for market-based policies.

Bellevue Rezones

Also as part of the PLUSH committee work, NAIOPWA continues to work closely with Bellevue city leadership to shape the upcoming major Comprehensive Plan update and subsequent Wilburton and Bel-Red rezones, which have the ability to add very significant height and density improvements for residential and commercial high-rise and mid-rise buildings, as well as update outdated code and regulatory policies.

Vancouver Industrial Warehouse Moratorium

Together with NAIOPWA's Vancouver-area industrial developers, the organization has been deeply involved in organizing opposition to the city's proposed moratorium on warehouse space over 100K sq. ft. This multi-layered partnership has helped increase the square-footage restrictions during the moratorium to 250K sq. ft. NAIOPWA will continue to work with property owners and local business groups to influence the city's work plan and policy direction during the moratorium.

Eastside Housing / ARCH

The Eastside's Regional Coalition for Housing (ARCH) continues advancing housing policies similar to many seen in Seattle, like rent increase caps for affordable and MFTE units that have added significant cost and weakened the housing development pipeline. NAIOPWA, together with the Bellevue Chamber's PLUSH committee and other Eastside Chambers, is building a coalition of multifamily developers to engage and shape these challenging policies.



CURRENT STATE LEGISLATION SUMMARY (SESSION ENDS IN APRIL)

NAIOPWA's State Level Advocacy represents commercial real estate in a session that has focused heavily on housing affordability, housing supply, and taxation. Additionally, we face several threats to our industry in the form of rent control, increased real estate excise taxes, and limitations to energy supply.

Rent Control

Victory! NAIOPWA has worked tirelessly this session to defeat all bills related to rent control. If passed, these bills would have been detrimental to developers and property owners and would have resulted in a reduction to new housing supply. NAIOPWA will continue to remain vigilant on these issues as they could be resurrected on other bills during the session.

Real Estate Excise Tax (REET)

Bills are advancing that would increase REET (real estate excise tax) at both the local and state level. If these bills pass, Washington State will have the highest REET rate in the country. The proposal would add another tier to the state graduated REET rate – a 4% tax on the value of a real estate transaction over \$5M. The bill also enables local jurisdictions to increase the local REET rate by 0.25%, applicable to the full value of the real estate transaction. The bill represents an increase of over \$1B in higher real estate taxes over the next two years.

Natural Gas Ban

HB 1590 would ban natural gas service to new locations in Puget Sound Energy service territory as of June 30, 2023. Introduced late in the session, the construction costs of these proposed changes, along with increased utility rates, ultimately is passed onto tenants. This proposal will unintentionally challenge the feasibility of new construction and increase rent growth. Unknown capacity impacts from local power authorities and costs are yet to be quantified. The bill passed the House and is now being considered in the Senate. NAIOPWA is part of a large coalition opposed to the bill.

Design Review Reform

NAIOPWA is supporting bills that would require clear and objective standards for design review and limit the number of allowable public design review meetings for all product types. The proposed bill would also expand SEPA categorical exemptions for housing projects.

Transit Oriented Development

NAIOPWA has helped author and is championing a bill that would enable dense development and expand SEPA categorical exemptions for all product types near transit.

HOW YOU CAN HELP

Advocacy at the local, regional and state level takes a dedicated effort that in turn creates successful relationships, partnerships and coalitions that support the issues important to the real estate community and attempts to shape or stop policies that are harmful.

This year-round work requires a well-funded arsenal to support continuity in advocacy.

We are currently raising more than \$350,000 exclusively for state and local issues funding in 2023, including partially offsetting retainers for our lobbyists.

Many of the successes made possible by issues funding are detailed on the previous pages. Supporting NAIOPWA means supporting efforts that will save your current and future projects precious time and money.

Contribution Level	Issues Funding	PAC Funding*	Total Support
Premier Platinum	\$15,000	\$10,000	\$25,000
Premier	\$10,000	\$5,000	\$15,000
Organizational	\$5,000	\$2,500	\$7,500

*Contributions to the NAIOP Washington State PAC are optional but highly encouraged.