
SUBSTITUTE HOUSE BILL 1880

State of Washington

67th Legislature

2022 Regular Session

By House Housing, Human Services & Veterans (originally sponsored by Representatives Ryu, Pollet, Hackney, and Valdez)

READ FIRST TIME 01/31/22.

1 AN ACT Relating to housing benefit districts; adding a new
2 section to chapter 82.14 RCW; and adding a new chapter to Title 35
3 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** (1) The legislature finds the following:

6 (a) Housing for low-income and moderate-income households is a
7 public purpose;

8 (b) Providing local governments with more options to increase
9 residential capacity, especially in urban areas, consistent with RCW
10 43.21C.420, is essential to fulfill this public purpose;

11 (c) A history of segregation and displacement has led to
12 disparities in access to education, living wage employment,
13 affordable housing, and transportation, particularly for black,
14 indigenous, and people of color communities. This history has also
15 allowed certain populations to obtain and build wealth and to access
16 critical resources at the expense of others. Over time these factors
17 have put pressure on, marginalized, and displaced many from these
18 same communities;

19 (d) Black, Hispanic, and American Indian and Alaska Native
20 residents in the King, Pierce, and Snohomish county region experience
21 disproportionate housing cost burden and are more likely to be

1 renters than homeowners. According to 2018 data from the federal
2 housing and urban development department, the rates of homeownership
3 for black residents were half the rate for white residents of the
4 region. Black renters are also 30 percent more likely to be cost-
5 burdened than white renters, and black homeowners are 38 percent more
6 likely to be cost-burdened than white homeowners. Similar disparities
7 exist for Hispanic populations whose rates of homeownership are 58
8 percent of the rate of white homeownership, are 17 percent more
9 likely to be rental cost-burdened than white renters, and 25 percent
10 more likely to be owner cost-burdened than white homeowners. American
11 Indian and Alaska Native populations have rates of homeownership that
12 are 71 percent that of white residents, are 12 percent more likely to
13 be rental cost-burdened than white renters, and eight percent more
14 likely to be owner cost-burdened than white homeowners;

15 (e) According to the fair housing equity assessment for the
16 central Puget Sound region published by the Puget Sound regional
17 council in 2014:

18 (i) Black residents continue to be the most segregated racial
19 group in the region, which data suggests cannot be explained by
20 income differences among racial groups; and

21 (ii) White and Asian residents are more likely to live in census
22 tracts with high or very high access to opportunity relative to the
23 total population when compared to foreign-born, American Indian,
24 Hispanic, and black residents who are more likely to live in census
25 tracts with low or very low access to opportunity relative to the
26 total population. Living in poverty is associated with a higher
27 likelihood of living in an area of low or very low access to
28 opportunity, but this cannot explain why black and Hispanic persons
29 living in poverty are more likely to live in areas of low or very low
30 access to opportunity than their white or Asian peers;

31 (f) Publicly funded salaried professionals and paraprofessionals
32 such as teachers, firefighters, law enforcement officers, nurses,
33 social workers, and transit operators cannot afford to live in the
34 districts in which they serve due to increasing housing costs;

35 (g) Employees of nonprofit organizations who help deliver
36 essential public services on contract, as well as those who help
37 provide essential services to the poor and infirm as part of their
38 organizational mission, are similarly housing cost-constrained;

39 (h) The failure to make adequate provision for low-income and
40 moderate-income housing pushes many households to seek housing

1 further away from work, which leads to increased greenhouse gas
2 emissions from transportation, as well as congestion on state managed
3 transportation infrastructure, so providing for more low-income and
4 moderate-income housing would enable the state to better meet
5 established goals for greenhouse gas emissions reduction and commute
6 trip reduction;

7 (i) Better public policy outcomes, including improvements and
8 benefits to transportation infrastructure and business, will occur if
9 public servants and nonprofit employees can afford to live in the
10 districts they serve;

11 (j) Communities across the state are facing an affordable housing
12 crisis and there is a particularly acute need for affordable housing
13 in the Puget Sound region. With historic investments in transit in
14 the Puget Sound region, communities have the unprecedented and urgent
15 opportunity to plan for, invest in, and build additional affordable
16 housing, ensuring the region gets the most out of these investments
17 in transit while meeting critical economic, environmental, and equity
18 goals; and

19 (k) Housing can drive economic growth within neighborhoods if
20 developed with a focus on services, jobs, infrastructure
21 improvements, open spaces, equity, and other elements that make
22 housing vital and economically additive to nearby residents and the
23 region as a whole.

24 (2) The legislature intends with this act to establish a housing
25 benefit district pilot program which, using a land acquisition and
26 deployment strategy, would produce more affordable low-income and
27 moderate-income housing, ensuring any loss of affordable housing in a
28 station area is exceeded by new affordable units, to enable all
29 members of the workforce to live in the district in which they serve,
30 including members of racial and ethnic groups disproportionately
31 experiencing adverse housing outcomes, to make sure that the
32 transportation and housing investments in our state help to foster
33 racial equity and rectify discriminatory practices.

34 NEW SECTION. **Sec. 2.** The definitions in this section apply
35 throughout this chapter unless the context clearly requires
36 otherwise.

37 (1) "Affordable housing" means residential housing for which the
38 monthly costs, including utilities other than telephone, do not
39 exceed:

1 (a) For rental housing, 30 percent of the household's monthly
2 income; or

3 (b) For owner-occupied housing, 38 percent of the household's
4 monthly income and the total household debt is no more than 45
5 percent of the monthly household income. For owner-occupied housing,
6 housing costs include mortgage principle, interest, property taxes,
7 homeowner's insurance, homeowner's association fees, and land lease
8 fees, as applicable. Total household debt includes other debt and
9 utilities.

10 (2) "City" means a city or town as defined in Title 35 RCW.

11 (3) "Community land trust" means a community housing development
12 organization:

13 (a) That is not sponsored by a for-profit organization;

14 (b) That is established to:

15 (i) Acquire parcels of land, held in perpetuity, primarily for
16 conveyance under long-term ground leases;

17 (ii) Transfer ownership of any structural improvements located on
18 such leased parcels to the lessee; and

19 (iii) Retain a preemptive option to purchase any such structural
20 improvement at a price determined by formula that is designed to
21 ensure that the improvement remains affordable to low-income and
22 moderate-income families in perpetuity;

23 (c) Whose corporate membership is open to any adult resident of a
24 particular geographic area specified in the bylaws of the
25 organization; and

26 (d) Whose board of directors:

27 (i) Includes a majority of members who are elected by the
28 corporate membership; and

29 (ii) Is composed of equal numbers of: (A) Lessees pursuant to (b)
30 of this subsection; (B) corporate members who are not lessees; and
31 (C) any other category of persons described in the bylaws of the
32 organization.

33 (4) "District" means a housing benefit district established under
34 this chapter by the city legislative authority of a city authorized
35 to participate in the housing benefit district pilot program. A
36 district established by a participating city must have jurisdictional
37 boundaries that are coextensive with the city's boundaries.

38 (5) "Extremely low-income household" means a single person,
39 family, or unrelated persons living together whose income is at or
40 below 30 percent of the median income, as determined by the United

1 States department of housing and urban development, with adjustments
2 for household size, for the county where the taxing district is
3 located.

4 (6) "Low-income household" means a single person, family, or
5 unrelated persons living together whose income is above 50 percent
6 and at or below 80 percent of the median income, as determined by the
7 United States department of housing and urban development, with
8 adjustments for household size, for the county where the taxing
9 district is located.

10 (7) "Major transit stop" means:

11 (a) A stop on a high capacity transportation system funded or
12 expanded under the provisions of chapter 81.104 RCW;

13 (b) Commuter rail stops;

14 (c) Stops on rail or fixed guideway systems, including
15 transitways;

16 (d) Stops on bus rapid transit routes or routes that run on high
17 occupancy vehicle lanes with service at intervals no greater than 15
18 minutes apart for five hours during the peak hours of operation on
19 weekdays; or

20 (e) Stops for a bus or other transit mode providing actual fixed
21 route service, or circulator service to another form of frequent
22 transit, at intervals of at least 15 minutes for at least five hours
23 during the peak hours of operation.

24 (8) "Moderate-income household" means a single person, family, or
25 unrelated persons living together whose income is above 80 percent
26 and at or below 120 percent of the median income, as determined by
27 the United States department of housing and urban development, with
28 adjustments for household size, for the county where the taxing
29 district is located.

30 (9) "Participating city" means a city that is authorized to
31 create a housing benefit district under the pilot program established
32 in section 3 of this act.

33 (10) "Permanently affordable homeownership" means homeownership
34 that:

35 (a) Is sponsored by a nonprofit organization or government
36 entity;

37 (b) Is subject to a ground lease or deed restriction that
38 includes a:

39 (i) Resale restriction designed to provide affordability for
40 future low-income and moderate-income homebuyers;

1 (ii) Right of first refusal for the sponsor organization to
2 purchase the home at resale; and

3 (iii) Requirement that the sponsor must approve any refinancing,
4 including home equity lines of credit;

5 (c) Allows the sponsor organization to:

6 (i) Execute a new ground lease or deed restriction with a
7 duration of at least 99 years at the initial sale and with each
8 successive sale; and

9 (ii) Support homeowners and enforces the ground lease or deed
10 restriction.

11 (11) "Station area" means an area within one-half mile, including
12 contiguous full and partial blocks as defined by the street grid, of
13 a major transit stop that is zoned to have an average minimum density
14 of at least 15 dwelling units per gross acre.

15 (12) "Station area plan" means a subarea plan adopted under RCW
16 43.21C.420.

17 (13) "Very low-income household" means a single person, family,
18 or unrelated persons living together whose income is above 30 percent
19 and at or below 50 percent of the median income, as determined by the
20 United States department of housing and urban development, with
21 adjustments for household size, for the county where the taxing
22 district is located.

23 NEW SECTION. **Sec. 3.** (1) Cities with a population, as of April
24 1, 2021, between 110,000 and 115,000 in a county located west of the
25 crest of the Cascade mountains with a population between 825,000 and
26 840,000; cities with a population between 55,000 and 60,000 or
27 105,000 and 110,000 in a county located west of the crest of the
28 Cascade mountains with a population between 2,250,000 and 2,300,000;
29 and cities with a population between 217,000 and 220,000 in a county
30 located west of the crest of the Cascade mountains with a population
31 between 920,000 and 930,000 are authorized to establish a housing
32 benefit district within their city boundaries for the purpose of
33 acquiring, land banking, predevelopment contracting, selling,
34 improving, funding, and leasing land for the creation of affordable
35 low-income and moderate-income housing and community development
36 projects within their city boundaries consistent with any existing
37 state, regional, or county housing plans and chapter 43.185B RCW.

1 (2) The members of the legislative authority of a city
2 participating in the pilot program, acting ex officio and
3 independently, constitute the governing body of the district.

4 (3) The treasurer of a city participating in the pilot program
5 shall act as the ex officio treasurer of the district.

6 (4) Once a participating city has established a district within
7 its boundaries, the participating city shall plan for and facilitate
8 the following mix of affordable housing within the district:

9 (a) A minimum of five percent affordable to extremely low-income
10 households;

11 (b) A minimum of 10 percent affordable to very low-income
12 households;

13 (c) A minimum of 19 percent affordable to low-income households;

14 (d) A minimum of 33 percent affordable to moderate-income
15 households; and

16 (e) The remainder at market rate.

17 (5) A city establishing a district within a county with a
18 population of at least 750,000 must adopt an equitable station area
19 plan. Station area plans must be approved by the advisory board
20 created in section 7 of this act and include an equitable framework
21 with equity goals. Districts must submit any subsequent amendments to
22 station area plans to the advisory board for approval.

23 (6) A district established by a city participating in the pilot
24 program is a municipal corporation, an independent taxing "authority"
25 within the meaning of Article VII, section 1 of the Washington state
26 Constitution, and a "taxing district" within the meaning of Article
27 VII, section 2 of the Washington state Constitution.

28 NEW SECTION. **Sec. 4.** A housing benefit district shall by
29 covenant, deed restriction, and contract ensure that the properties
30 which it transfers or arranges to develop for housing purposes meet
31 or exceed the minimum affordable housing mixture requirements of
32 section 3(4) of this act; and, that the overall mixture of housing
33 developed shall result in a net gain in extremely low-income, very
34 low-income, and low-income housing from the levels existing at the
35 time of formation of the district. Once a housing benefit district is
36 established and housing has been developed and opened for residency,
37 participating cities must conduct regular audits of those housing
38 units built to date on properties of which the district has either
39 transferred ownership for housing purposes or retained ownership and

1 developed for housing to ensure that the district and current owners
2 or operators of such housing units are achieving the affordable
3 housing mix as required by section 3(4) of this act. Audits shall be
4 performed every three years, and at least one-third of all units must
5 be audited during each three-year cycle, with the entire number of
6 units audited after three audit cycles. The audit should determine
7 whether there is a net gain of affordable housing within each
8 quartile below median income within the station area. Audits shall be
9 conducted at the expense of the housing benefit district. If any
10 owner or manager of housing units is determined by the audits
11 required by this section to not be offering units deemed affordable
12 to the residents pursuant to the mixture of affordability established
13 by the district, the auditing city shall provide notice to the
14 district and establish a plan to bring the owner or manager into
15 compliance for minor or inadvertent variation from the plan. For
16 significant variances from the affordable housing plan and
17 commitments, the city shall notify the department of revenue and the
18 state, county, and city shall require repayment of any tax preference
19 provided on the basis of the owner providing affordable housing for
20 all years during which the owner was not substantially in compliance;
21 and may issue penalties up to the difference between the market rate
22 at which units were offered and the affordable housing rental rate
23 which would have been charged if the owner or manager was compliant
24 with the plan. Penalties collected by the city shall be used solely
25 for purposes associated with providing affordable housing and related
26 services as defined in section 6 of this act.

27 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.14
28 RCW to read as follows:

29 (1) A city participating in the housing benefit district pilot
30 program authorized in section 3 of this act may impose a sales and
31 use tax in accordance with the terms of this chapter. The tax is in
32 addition to other taxes authorized by law and must be collected from
33 those persons who are taxable by the state under chapters 82.08 and
34 82.12 RCW upon the occurrence of any taxable event within the city.
35 The rate of tax for a participating city may not exceed 0.025 percent
36 of the selling price in the case of a sales tax or value of the
37 article used in the case of a use tax.

38 (2) The tax imposed under subsection (1) of this section must be
39 deducted from the amount of tax otherwise required to be collected or

1 paid over to the department under chapter 82.08 or 82.12 RCW. The
2 department must perform the collection of such taxes on behalf of the
3 participating city at no cost to the participating city.

4 (3) The tax imposed in this section expires when bonds issued to
5 finance or refinance the purposes defined in section 6 of this act
6 are retired, but not more than 40 years after the tax is first
7 collected.

8 (4) Moneys collected under this section may only be used for the
9 purposes set forth in section 6 of this act or to repay bonds issued
10 set forth in section 6 of this act.

11 (5) To impose the tax authorized in this section, participating
12 cities must establish a housing benefit district within three years
13 of the effective date of this section.

14 (6) To carry out the purposes of this act and notwithstanding RCW
15 39.36.020(1), a district may issue general obligation bonds without
16 voter approval, not to exceed an amount, together with any other
17 outstanding nonvoter-approved general obligation indebtedness of the
18 district, equal to one and one-half percent of the value of taxable
19 property within the district, as the term "value of the taxable
20 property" is defined in RCW 39.36.015. General obligation bonds shall
21 be issued in accordance with chapter 39.46 RCW. Whenever general
22 obligation bonds are issued to fund specific projects or enterprises
23 that generate revenues, the district may specifically pledge all or a
24 portion of the revenues to pay the principal of and interest on the
25 general obligation bonds. The district may also pledge any other
26 revenues that may be available to the district.

27 (7) In addition to general obligation bonds, a district may issue
28 revenue bonds to be issued and sold in accordance with chapter 39.46
29 RCW.

30 (8) For purposes of this section, "participating city" means a
31 city that is authorized to create a housing benefit district under
32 the pilot program established in section 3 of this act.

33 NEW SECTION. **Sec. 6.** (1)(a) Any moneys received from the taxes
34 imposed under section 5 of this act or penalties issued under section
35 4 of this act must be spent to implement or reimburse jurisdictions
36 for implementing the purposes of this chapter, including the
37 following:

38 (i) Station area planning strategies, including creating new or
39 updating existing plans, including an equitable framework and equity

1 goals, identifying a community vision including with those that are
2 most impacted by housing and transportation disparities, assessing
3 the current regulatory environment and identify possible barriers to
4 affordable housing development, assessing displacement risk for
5 current low-income residents and underrepresented racial and ethnic
6 minorities, creating a displacement mitigation plan including an
7 equitable framework and equity goals, promoting equitable
8 homeownership opportunities for underrepresented racial and ethnic
9 minorities, and assessing alternate pathways to ownership models such
10 as community land trusts and limited or shared equity cooperatives;

11 (ii) Infrastructure development, such as area-wide environmental
12 plans, sewers, and sidewalks; and

13 (iii) Land acquisition, based on equitable station area plans and
14 working with local jurisdictions and both nonprofit and for-profit
15 developers and community land trusts to acquire, assemble, lease,
16 land bank parcels, or sell, in cases where the station area plan
17 clearly demonstrates that it is not financially feasible to lease all
18 development parcels, with the net proceeds directed to subsidies for
19 affordable housing and permanently affordable homeownership and to
20 promote community land trusts and infrastructure costs. Where leasing
21 a development parcel is financially feasible, the housing benefit
22 district may also choose to retain the underlying ownership of the
23 parcel. The housing benefit district shall include in station area
24 plans specific enforceable commitments to include in deed
25 restrictions, covenants, contracts, and leases which ensure that the
26 plan does not reduce the housing units available in the station area
27 for extremely low, very low, and low-income residents; and which
28 establish a plan to meet the affordable housing population
29 requirements in section 3(4) of this act, including minimum
30 expectations for owners and managers of all properties which it has
31 purchased. The housing benefit district shall provide ongoing funding
32 for the jurisdiction or jurisdictions within which the properties
33 purchased by the district lie which is adequate for the jurisdiction
34 to perform the auditing function required pursuant to section 4 of
35 this act.

36 (b) For purposes of (a)(iii) of this subsection, land may not be
37 leased or sold at a discounted rate unless affordable housing
38 comprises 100 percent of the units.

39 (2) Up to one percent of revenue generated by the taxes imposed
40 under this act may be used to:

1 (a) Cover the actual costs incurred by the advisory board created
2 in section 7 of this act in the performance of its oversight and
3 technical assistance duties; and

4 (b) Compensate housing finance commission staff providing support
5 to the advisory board.

6 NEW SECTION. **Sec. 7.** (1) There is hereby established a housing
7 benefit district advisory board, to be appointed by the governor, to
8 provide oversight and technical assistance to districts.

9 (2) (a) The governor shall appoint nine members of the advisory
10 board, one of whom shall be appointed by the governor as chair. The
11 advisory board shall consist of the following voting members:

12 (i) One member with public or private real estate finance
13 experience;

14 (ii) One member with affordable housing development experience;

15 (iii) One member with market rate housing development experience;

16 (iv) One member with experience in neighborhood and community
17 planning;

18 (v) One member with design and architecture experience;

19 (vi) One member with experience in transit-oriented development;

20 (vii) One member with economic development experience;

21 (viii) One member representing advocates for affordable housing
22 for marginalized communities; and

23 (ix) One member representing nonprofit housing developers.

24 (b) In appointing persons to serve on the advisory board, the
25 governor shall strive to reflect the racial and ethnic makeup of
26 state residents overall to ensure the inclusion of members of racial
27 and ethnic groups disproportionately experiencing severe and moderate
28 housing cost-burden.

29 (c) The term of the persons appointed by the governor, other than
30 the chair, is four years from the date of their appointment, except
31 that the terms of three of the initial appointees are for two years
32 from the date of their appointment.

33 (3) The advisory board must review and approve the station area
34 plans submitted by the districts pursuant to section 3(5) of this
35 act.

36 (4) Staff to the housing finance commission under chapter 43.180
37 RCW must provide administrative and staff support to the advisory
38 board and must be compensated for its services as prescribed under

1 section 6(2) of this act. In performing administrative and staff
2 support to the advisory board, housing finance commission staff must:

3 (a) Employ permanent and temporary staff with expertise in
4 housing finance, land use and planning, transit, and project
5 development; and

6 (b) Provide all administrative and information technology
7 services required for the advisory board.

8 NEW SECTION. **Sec. 8.** Sections 1 through 4, 6, and 7 of this act
9 constitute a new chapter in Title 35 RCW.

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