

HOUSE BILL REPORT

HB 3165

As Reported by House Committee On:

Housing
Capital Budget

Title: An act relating to using surplus property to develop affordable housing.

Brief Description: Using surplus property to develop affordable housing.

Sponsors: Representatives Miloscia, Chase and Hasegawa.

Brief History:

Committee Activity:

Housing: 1/31/06 [DPS];

Capital Budget: 2/6/06, 2/7/06 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Requires local governments and the Departments of Community, Trade and Economic Development (DCTED), Social and Health Services (DSHS), Corrections (DOC), Natural Resources (DNR), General Administration (GA), and the Parks and Recreation Commission (Commission) to offer surplus property for sale exclusively to nonprofit housing organizations and housing authorities for the first 90 days of its availability at fair market value.
- Requires local governments, the Department of Transportation (DOT), the DSHS, the DOC, the DNR, the GA, and the Commission to provide an inventory of properties available and suitable for affordable housing, either quarterly or when surplus property comes available, whichever is sooner, to the DCTED and to report annually on properties used for affordable housing.
- Requires the DCTED to provide a statewide report on surplus property purchased and used for affordable housing annually to the Legislature.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 5 members: Representatives Miloscia, Chair; Springer, Vice Chair; Ormsby, Pettigrew and Sells.

Minority Report: Do not pass. Signed by 4 members: Representatives Holmquist, Ranking Minority Member; Dunn, Assistant Ranking Minority Member; McCune and Schindler.

Staff: Robyn Dupuis (786-7166).

Background:

Under current statute, local governments, the Department of Social and Health Services (DSHS), the Department of Transportation (DOT), the Department of Corrections (DOC), and the General Administration (GA) are required to identify and catalog real property that is suitable for the development of affordable housing for very low-income, low-income, and moderate-income households. The local governments and state agencies must provide a copy of this inventory, updated annually to the Department of Community, Trade and Economic Development (DCTED).

DOT

The DOT has a statutory policy which states that priority for surplus land disbursement is to be given to abutting property owners. The DOT, however, may also sell the property to a number of governmental entities or persons including nonprofit organizations dedicated to providing affordable housing.

Parks and Recreation Commission

When deeding land to a local government or other entity for outdoor recreation, the Parks and Recreation Commission (Commission) includes a clause requiring that the land be remitted to the Commission if not to be used for that purpose. If the Commission has no use of the land, however, the holder of the land must reimburse the Commission for the release of the reversionary interest in the land in the amount of the fair market value. Funds from this reimbursement are deposited into the Parkland Acquisition Account for the purchase of property to be used as state park property.

Summary of Substitute Bill:

The DCTED, the DNR, the DSHS, the DOC, the DOT, the GA, the Commission, as well as all cities, towns and counties are required to inventory all surplus property which is suitable for affordable housing and provide this list, with monthly updates, to the DCTED (beginning June 2006). The DCTED will advertise these properties on its website.

All surplus properties suitable for affordable housing, except for properties owned by the DOT, will be available exclusively to non-profit housing organizations for the first 90 days. Non-profits may purchase the property at 90 percent of appraised value with a written commitment that they will develop affordable housing (serving 80 percent or below the area median income) that will be maintained as affordable housing for a minimum of 30 years. If the non-profit does not comply with this commitment it must remit the remaining 10 percent of the appraised value plus interest to the local government or state agency from which it

purchased the property. Interest will be based on the prevailing interest rate for superior court civil judgments.

All local governments, the DNR, the DSHS, the DOC, the DOT, the GA, and the Commission must submit an annual report to the DCTED and the DCTED will produce an annual report to the Legislature that includes information on all properties purchased for affordable housing and details on the housing produced (or to be produced).

The Parks and Recreation Commission

The Commission shall comply with the surplus property for affordable housing program in cases in which surplus land is not being used, or will not be used for outdoor recreation purposes, and when lands are not subject to restrictive conveyances, and are not school or other grant lands.

Land acquired by the federal government as state forest lands is exempt.

Substitute Bill Compared to Original Bill:

The substitute bill adds additional state agencies subject to the surplus property sale restrictions for affordable housing including the DNR, the GA, and the Commission. The substitute specifies that both non-profit housing organizations and housing authorities are eligible to purchase surplus properties, however, purchase offers must include a commitment to develop affordable housing serving households making at, or below, 80 percent of the area median income and to maintain that housing as affordable for a minimum of 30 years. If the non-profit housing organization or housing authority does not comply with its commitment, it must remit the remaining 10 percent of the assessed property value plus interest to the selling party. The bill includes statutes requiring the DOT to submit monthly and annual information to the DCTED but not requiring the DOT to comply with the sales restrictions for surplus property. Statutes regarding the Commission specify that the Commission will comply with the sales restrictions in cases in which the land is not to be used for outdoor recreation purposes and there are no other restrictive conveyances on the land.

Appropriation: None.

Fiscal Note: Requested on January 26, 2006 for the substitute bill.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bill will help everyone understand what surplus property is available around the state. For non-profits and housing authorities, having the opportunity to purchase such property at 90 percent of appraised value is a boon. The commitment requirements of providing housing to households making 80 percent or below the area median income and maintaining that affordability level for 30 years is reasonable. Anything that enhances the supply of housing is good for everyone. Washington ranks 43 in the nation in terms of

homeownership and anything to increase the affordability and accessibility of housing is a good thing.

Testimony Against: None.

Persons Testifying: (In support) Kim Herman, Washington State Housing Finance Commission; and Bob Mitchell, Washington State Realtors.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 16 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Eickmeyer, Ericks, Flannigan, Green, Hasegawa, Lantz, Moeller, Morrell, O'Brien, Schual-Berke, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 12 members: Representatives Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Clements, Cox, Ericksen, Kretz, Kristiansen, McCune, Newhouse, Roach, Serben and Strow.

Staff: Nona Snell (786-7153).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Housing:

Nonprofit housing providers and housing authorities may purchase surplus property at fair market value. Subject to the offer including information about the affordable housing to be developed.

The Department of Transportation is required to inventory surplus property and report annually regarding properties purchased by nonprofit housing providers and housing authorities.

The requirement that annual housing costs may not exceed 30 percent of gross annual income is eliminated, and DCTED is directed to establish policies that specify the percentage of household income that may be spent on housing costs.

State forest lands, federally granted school lands and other trust lands, and lands acquired under restrictive conveyances are exempt from the requirements included in the bill.

The DCTED is required to include federal surplus property in the surplus lands inventory on its website.

Appropriation: None.

Fiscal Note: Requested on February 6, 2006.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Washington has the fifth highest cost of single family housing in the nation. In December 2005, the median price of homes was \$269,000, which is 17 percent higher than the previous year. Home prices in Washington have increased by 81 percent over the past 11 years. Thirty-five percent of the state's households are renters.

A study by the National Low-Income Housing Coalition found that, based on the U.S. Department of Housing and Urban Development's fair market rent standard, a single person earning minimum wage could not afford a one-room apartment anywhere in the state.

Washington has one of the most rapidly aging populations in the nation.

Finding land to develop affordable housing on is difficult.

Testimony Against: None.

Persons Testifying: Kim Herman, Washington State Housing Finance Commission.

Persons Signed In To Testify But Not Testifying: None.