
**Community Development, Housing &
Tribal Affairs Committee**

HB 1752

Brief Description: Supporting the development of affordable housing in urban areas.

Sponsors: Representatives Santos, Johnson and Ortiz-Self.

Brief Summary of Bill

- Creates the Affordable Housing Land Bank (Land Bank) within the Department of Commerce to hold and lease publically owned land for the construction and development of affordable housing within certain urban development areas.
- Requires certain governmental entities to remit 20 percent of public lands sales to provide funding for the Housing Trust Fund.
- Allows governmental entities to transfer or lease property within an urban development area into the Land Bank to obtain an exemption from the 20 percent remittance of a land sale.

Hearing Date: 2/8/17

Staff: Sean Flynn (786-7124).

Background:

State Affordable Housing Programs.

The State Housing Policy Act identifies a goal to coordinate, encourage, and direct the public and private sectors to participate in the attainment of a decent home in a healthy environment for every resident in the state. The objectives of this policy include developing an adequate supply of housing, preserving the existing supply of affordable housing, and ensuring fair and equal access to the housing market.

Housing Trust Fund and Housing Assistance Program. The Housing Trust Fund was established in 1987 as a renewable resource to meet the basic housing needs of low income and special

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needs citizens. The Housing Trust Fund is managed by the Department of Commerce (Department) to support the Department's housing programs. The Legislature appropriated approximately \$83 million to the fund in the last biennium (fiscal years 2015-17).

The Department administers the Housing Assistance Program (HAP), which distributes funding through a competitive grant process to eligible organizations for projects that serve individuals and families with special needs and whose income is at or below 50 percent of the median family income for the county or city where the project is located. At least 30 percent of this funding must be used for projects in rural areas. Organizations eligible to receive funding include: local governments; local housing authorities; regional support networks; nonprofit community or neighborhood-based organizations; federally recognized Indian tribes; and regional or statewide nonprofit housing assistance organizations.

Surplus Property Inventory.

Since 1993, the Legislature has directed the Department to identify and catalog underutilized state-owned land and property that is suitable for the development of affordable housing for lower income households. Each year, the departments of Social and Health Services, Natural Resources, Transportation, Corrections, and Enterprise Services, must provide an inventory of real property owned by each agency that is available for lease or sale. The Department must provide the inventory of state-owned lands and buildings to parties interested in developing sites for affordable housing.

Affordable housing means residential housing that is rented or owned by a person or families who qualify on categories of income levels (moderate, low, very low) below 150 percent of the median income where the housing is located.

Summary of Bill:

Affordable Housing Land Bank.

The Affordable Housing Land Bank (Land Bank) is created within the Department to receive publically owned real property for affordable housing development. Any property in the Land Bank may be leased to an organization eligible for assistance under the HAP for purposes of the construction or operation of a project that dedicates at least 80 percent of its units to provide affordable housing. A lease agreement may last up to 40 years, and may include the transfer of any improvements on the property to an eligible organization at the end of that period.

Disposal of Public Property and Affordable Housing.

Certain governmental entities must comply with specific conditions regarding the sale or transfer of public property. The conditions apply to the state Parks and Recreation Commission, the departments of Natural Resources, Transportation, Social and Health Services, Corrections, and Enterprise Services, as well as, counties, cities, towns, port districts, school districts, and regional transit authorities.

The designated government entities must identify and catalog all publically owned property that is located within certain designated urban development areas. The inventories must be provided to the Department by November 1 of each year.

Urban Development Areas. The Department must designate an urban development area within a city with a population over 200,000 where:

- the average assessed property value increase of all taxable property within one or more zip codes is greater than the average assessed property value increase for the entire city over a five-year period;
- there are properties owned by governmental entities; and
- there is a need and potential for affordable housing development.

The Department must work with the Department of Revenue, the Housing Finance Commission, county auditors, cities, school districts, and transit authorities to determine the location and boundaries of each urban development area. The urban development areas must be published on the Department's website, and the areas must be reestablished every five years with notice to each governmental entity.

Cities under 200,000 may designate their own urban development areas by ordinance, based on the same criteria, and must notify the Department of any such designations. The Department may require cities to enter into an agreement for the administration of such locally designated areas.

Sale of Public Property. A governmental entity that sells any underutilized or surplus real property for fair market value within an urban development area must remit an amount equal to 20 percent of the sale price to the State Treasurer to be deposited in the Housing Trust Fund Account (Account). The money deposited in the Account must be allocated to provide funding to finance any loans or grants to eligible organizations for affordable housing within the same urban development area where the property was sold. Cities and counties have the first option to receive the 20 percent remittance if it is used for a local affordable housing fund or program, or a local housing authority.

Transfers to the Land Bank and Leases. The sale of a publically owned parcel may be exempted from the 20 percent remittance to the account if the governmental entity selling the property transfers another parcel of real property within an urban development area to the Land Bank between one year before and one year after the fair market value sale. A transfer of property into the Land Bank may exempt only one fair market value property sale within this time period.

In order to qualify for the exemption, the transferred property's assessed value must be at least 15 percent of the value of the exempted fair market sale price. The Department also must accept the offered property in order for the governmental entity to qualify for the exemption, based on whether the property is suitable for affordable housing development. Public property leased for affordable housing may also qualify for an exemption, if the value of the lease is at least 15 percent of the exempted fair market sale price. The transfer provisions do not apply to the sale or transfer of state forest lands and any state lands granted to the state by the federal government for education, or other restricted purpose.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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