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**SUBSTITUTE HOUSE BILL 1128**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** House Local Government (originally sponsored by Representatives Ryu, Hackney, Wylie, Bateman, Berg, Simmons, Ramel, Gregerson, Valdez, Duerr, Lekanoff, Macri, Pollet, and Harris-Talley)

AN ACT Relating to housing benefit districts; amending RCW 36.70A.600, 82.14.410, 84.52.010, 84.52.043, and 29A.36.210; adding a new section to chapter 82.14 RCW; adding a new chapter to Title 36 RCW; and prescribing penalties.

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

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

(a) Housing for low-income and middle-income households is a public purpose;

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

(c) A history of segregation and displacement has led to disparities in access to education, living wage employment, affordable housing, and transportation, particularly for Black, Indigenous, and People of Color communities. This history has also allowed certain populations to obtain and build wealth and to access critical resources at the expense of others. Over time these factors have put pressure on, marginalized, and displaced many from these same communities;

(d) Black, Hispanic, and American Indian and Alaska Native residents in the King, Pierce, and Snohomish county region experience disproportionate housing cost burden and are more likely to be renters than homeowners. According to 2018 data from the federal housing and urban development department, the rates of homeownership for Black residents were half the rate for White residents of the region. Black renters are also 30 percent more likely to be cost-burdened than White renters, and Black homeowners are 38 percent more likely to be cost-burdened than White homeowners. Similar disparities exist for Hispanic populations whose rates of homeownership are 58 percent of the rate of White homeownership, are 17 percent more likely to be rental cost-burdened than White renters, and 25 percent more likely to be owner cost-burdened than White homeowners. American Indian and Alaska Native populations have rates of homeownership that are 71 percent that of White residents, are 12 percent more likely to be rental cost-burdened than White renters, and eight percent more likely to be owner cost-burdened than White homeowners;

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

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

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

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

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

(h) The failure to make adequate provision for low-income and middle-income housing pushes many households to seek housing further away from work, which leads to increased greenhouse gas emissions from transportation, as well as congestion on state managed transportation infrastructure, so providing for more low-income and middle-income housing would enable the state to better meet established goals for greenhouse gas emissions reduction and commute trip reduction;

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

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

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

(2) The legislature intends with this act to authorize the creation of housing benefit districts which, using a land acquisition and deployment strategy, would produce more affordable low-income and middle-income housing, ensuring any loss of affordable housing in a station area is exceeded by new units, to enable all members of the workforce to live in the district in which they serve, including members of racial and ethnic groups disproportionately experiencing adverse housing outcomes, to make sure that the transportation and housing investments in our state help to foster racial equity and rectify discriminatory practices.

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

(1) "Affordable housing" means residential housing for which the monthly costs, including utilities other than telephone, do not exceed 30 percent of the monthly income.

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

(3) "District" means a housing benefit district established under this chapter by:

(a) A city legislative authority. A district established solely by a city must have jurisdictional boundaries that are coextensive with the city's boundaries;

(b) A county legislative authority. A district established solely by a county must have jurisdictional boundaries that are coextensive with the unincorporated area of the county; or

(c) Interlocal agreement between one or more cities or counties. A district established by one or more cities or counties must have jurisdictional boundaries that are coextensive with the establishing cities or counties.

(4) "Extremely low-income household" means a single person, family, or unrelated persons living together whose income is at or below 30 percent of the median income, as determined by the United States department of housing and urban development, with adjustments for household size, for the county where the taxing district is located.

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

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

(7) "Participating jurisdiction" means a city or county that has created a housing benefit district under this act.

(8) "Station area" means an area within one-half mile of a major transit stop that is zoned to have an average minimum density of 15 dwelling units or more per gross acre.

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

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

NEW SECTION. **Sec.**  (1) Subject to the requirements of subsection (5) of this section, the legislative authority of a county or city may establish a housing benefit district for the purpose of acquiring, land banking, predevelopment contracting, selling, improving, funding, and leasing land for the creation of affordable low-income and middle-income housing and community development projects within the district consistent with any existing state, regional, or county housing plans and chapter 43.185B RCW.

(2) The district may include two or more cities or counties, or a combination of both, if the legislative authority of each participating jurisdiction has agreed to the inclusion as provided in an interlocal agreement adopted pursuant to chapter 39.34 RCW.

(3) The members of the legislative authority proposing to establish the district, acting ex officio and independently, constitute the governing body of the district. However, where a district includes area within more than one participating jurisdiction under subsection (2) of this section, the district must be governed under an interlocal agreement adopted pursuant to chapter 39.34 RCW, with the governing body being composed of:

(a) At least five members, including at least one elected official from the legislative authority of each participating jurisdiction and any remaining members appointed by the legislative authority of the participating jurisdictions in a manner determined in the interlocal agreement and who are members having expertise in the areas described in section 8(2) of this act; or

(b) The governing body of the metropolitan planning organization serving the district, but only if the district boundaries are identical to the boundaries of the metropolitan planning organization serving the district.

(4) The treasurer of the participating jurisdiction proposing to establish the district shall act as the ex officio treasurer of the district, unless an interlocal agreement states otherwise.

(5) Prior to the formation of any district, the participating jurisdictions must adopt a housing action plan as described in RCW 36.70A.600(2) that includes at least two of the actions listed under RCW 36.70A.600(1) and results in development within the station area producing the following mix of affordable housing:

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

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

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

(d) A minimum of 33 percent affordable to middle-income households; and

(e) The remainder at market rate.

(6) A city or county establishing a district within or encompassing a county with a population of at least 750,000 must adopt a station area plan that is consistent with accommodating 65 percent of future population growth. Station area plans must be approved by the advisory board created in section 8 of this act before any proposition for a tax is submitted to the voters. Districts must submit any subsequent amendments to station area plans to the advisory board for approval.

(7) A district is a municipal corporation, an independent taxing "authority" within the meaning of Article VII, section 1 of the Washington state Constitution, and a "taxing district" within the meaning of Article VII, section 2 of the Washington state Constitution.

NEW SECTION. **Sec.**  A housing benefit district shall by covenant, deed restriction, and contract ensure that the properties which it transfers or arranges to develop for housing purposes meet or exceed the minimum affordable housing mixture requirements of section 3(5) of this act; and, that the overall mixture of housing developed shall result in a net gain in extremely low-income, very low-income, and low-income housing from the levels existing at the time of formation of the district. Once a housing benefit district is established and housing has been developed and opened for residency, participating jurisdictions within the housing benefit district must conduct regular audits of those housing units built to date on properties of which the district has either transferred ownership for housing purposes or retained ownership and developed for housing to ensure that the district and current owners or operators of such housing units are achieving the affordable housing mix as required by section 3(5) of this act. Audits shall be performed every three years, and at least one-third of all units must be audited during each three-year cycle, with the entire number of units audited after three audit cycles. The audit should determine whether there is a net gain of affordable housing within each quartile below median income within the station area. Audits shall be conducted at the expense of the housing benefit district. If any owner or manager of housing units is determined by the audits required by this section to not be offering units deemed affordable to the residents pursuant to the mixture of affordability established by the district, the auditing jurisdiction shall provide notice to the district and establish a plan to bring the owner or manager into compliance for minor or inadvertent variation from the plan. For significant variances from the affordable housing plan and commitments, the jurisdiction shall notify the department of revenue and the state, county, and jurisdiction shall require repayment of any tax preference provided on the basis of the owner providing affordable housing for all years during which the owner was not substantially in compliance; and, may issue penalties up to the difference between the market rate at which units were offered and the affordable housing rental rate which would have been charged if the owner or manager was compliant with the plan. Penalties collected by the jurisdiction shall be used solely for purposes associated with providing affordable housing and related services.

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

(1) A housing benefit district may submit an authorizing proposition to the voters within the district at a special or general election and, if the proposition is approved by a majority of persons voting, impose a sales and use tax in accordance with the terms of this chapter. The title of each ballot measure must clearly state the purposes for which the proposed sales and use tax will be used and the time period for the sales tax, which may not exceed 20 years. Except as provided in subsection (2) of this section, the rate of tax under this section may be one-tenth or two-tenths of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax. The tax authorized in this section is in addition to any other taxes authorized by law and must be collected from those persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the boundaries of the district.

(2) For districts consisting of a single participating jurisdiction with a population greater than 750,000 or consisting of at least two participating jurisdictions with a combined population greater than 250,000, the rate of tax authorized under subsection (1) of this section may be one-tenth, two-tenths, or three-tenths of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

(3) In addition to and independent of the authority provided in subsections (1) and (2) of this section, a district may impose, without a proposition approved by a majority of persons voting, a one-time sales and use tax in accordance with the terms of this chapter. The rate of tax under this section may not exceed .1 percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax. The tax authorized in this section is in addition to any other taxes authorized by law and must be collected from those persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the boundaries of the district. Any subsequent sales and use tax imposed under this subsection must be approved by a majority of voters.

(4) The taxes imposed under this section may not exceed a duration of 20 years.

(5) For purposes of this section, the definitions in section 2 of this act apply.

NEW SECTION. **Sec.**  (1) Beginning with taxes levied for collection in calendar year 2022, the legislative authority of a district may impose a regular property tax levy, not to exceed $1 per $1,000 of the assessed value of property in the district, for the exclusive purpose of providing funding for the purposes described in sections 3 and 7 of this act. The tax proposition may be submitted at a general or special election. The tax may be imposed for each year for six consecutive years when specifically authorized by a majority of the registered voters in the district voting on a proposition under this subsection. Ballot propositions must conform with RCW 29A.36.210.

(2) A district may provide for the retirement of voter-approved general obligation bonds, issued for capital purposes only, by levying bond retirement ad valorem property tax levies in excess of the one percent limitation whenever authorized by the voters of the district pursuant to Article VII, section 2(b) of the Washington state Constitution and RCW 84.52.056.

(3) To carry out the purposes of this act and notwithstanding RCW 39.36.020(1), a district may issue general obligation bonds without voter approval, not to exceed an amount, together with any other outstanding nonvoter-approved general obligation indebtedness of the district, equal to 1.5 percent of the value of taxable property within the district, as the term "value of the taxable property" is defined in RCW 39.36.015. A district may additionally issue general obligation bonds for capital purposes only, together with any outstanding general obligation indebtedness, not to exceed an amount equal to five percent of the value of the taxable property within the district, as the term "value of the taxable property" is defined in RCW 39.36.015, when authorized by the voters of the district pursuant to Article VIII, section 6 of the Washington state Constitution, and may also provide for the retirement thereof by excess property tax levies as provided in subsection (2) of this section. The district may, if applicable, submit a single proposition to the voters that, if approved, authorizes both the issuance of the bonds and the bond retirement property tax levies.

(4) Districts may issue general obligation bonds in accordance with chapter 39.46 RCW that mature within 40 years.

(5) Whenever general obligation bonds are issued to fund specific projects or enterprises that generate revenues, the district may specifically pledge all or a portion of the revenues to pay the principal of and interest on the general obligation bonds. The district may also pledge any other revenues that may be available to the district.

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

(7) For purposes of this section, "regular property tax levy" means a levy subject to the limitations provided for in Article VII, section 2 of the Washington state Constitution or by statute.

NEW SECTION. **Sec.**  (1)(a) Any moneys received from the taxes imposed or bonds issued under this chapter must be spent to implement or reimburse jurisdictions for implementing the purposes of this chapter, including the following:

(i) Station area planning strategies, including creating new or updating existing plans, identifying a community vision, assessing the current regulatory environment and identify possible barriers to affordable housing development, assessing displacement risk for current low-income residents and underrepresented racial and ethnic minorities, creating a displacement mitigation plan, promoting equitable homeownership opportunities for underrepresented racial and ethnic minorities, and assessing alternate pathways to ownership models such as community land trusts and limited or shared equity cooperatives;

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

(iii) Land acquisition, based on station area plans and working with local jurisdictions and both nonprofit and for-profit developers to acquire, assemble, lease, land bank parcels, or sell, in cases where the station area plan clearly demonstrates that it is not financially feasible to lease all development parcels, with the net proceeds directed to subsidies for affordable housing and to promote community land trusts and infrastructure costs. Where leasing a development parcel is financially feasible, the housing benefit district may also choose to retain the underlying ownership of the parcel. The housing benefit district shall include in station area plans specific enforceable commitments to include in deed restrictions, covenants, contracts, and leases which ensure that the plan does not reduce the housing units available in the station area for extremely low, very low, and low-income residents; and, which establish a plan to meet the affordable housing population goals in section 3(5) of this act, including minimum expectations for owners and managers of all properties which it has purchased. The housing benefit district shall provide ongoing funding for the jurisdiction or jurisdictions within which the properties purchased by the district lie which is adequate for the jurisdiction to perform the auditing function required pursuant to section 4 of this act.

(b) For purposes of (a)(iii) of this subsection, land may not be leased or sold at a discounted rate unless affordable housing comprises more than 40 percent of the units.

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

(a) Cover the actual costs incurred by the advisory board created in section 8 of this act in the performance of its oversight and technical assistance duties; and

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

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

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

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

(ii) One member with affordable housing development experience;

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

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

(v) One member with design and architecture experience;

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

(vii) One member with economic development experience;

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

(ix) One member representing nonprofit housing developers.

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

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

(3) The advisory board must review and approve the station area plans submitted by the districts pursuant to section 3(6) of this act to confirm compliance with regional growth strategies.

(4) Staff to the housing finance commission under chapter 43.180 RCW must provide administrative and staff support to the advisory board and must be compensated for its services as prescribed under section 7(3) of this act. In performing administrative and staff support to the advisory board, housing finance commission staff must:

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

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

**Sec.**  RCW 36.70A.600 and 2020 c 173 s 1 are each amended to read as follows:

(1) A city planning pursuant to RCW 36.70A.040 is encouraged to take the following actions in order to increase its residential building capacity:

(a) Authorize development in one or more areas of not fewer than five hundred acres that include at least one train station served by commuter rail or light rail with an average of at least fifty residential units per acre that require no more than an average of one on-site parking space per two bedrooms in the portions of multifamily zones that are located within the areas;

(b) Authorize development in one or more areas of not fewer than two hundred acres in cities with a population greater than forty thousand or not fewer than one hundred acres in cities with a population less than forty thousand that include at least one bus stop served by scheduled bus service of at least four times per hour for twelve or more hours per day with an average of at least twenty-five residential units per acre that require no more than an average of one on-site parking space per two bedrooms in portions of the multifamily zones that are located within the areas;

(c) Authorize at least one duplex, triplex, quadplex, sixplex, stacked flat, townhouse, or courtyard apartment on each parcel in one or more zoning districts that permit single-family residences unless a city documents a specific infrastructure of physical constraint that would make this requirement unfeasible for a particular parcel;

(d) Authorize a duplex, triplex, quadplex, sixplex, stacked flat, townhouse, or courtyard apartment on one or more parcels for which they are not currently authorized;

(e) Authorize cluster zoning or lot size averaging in all zoning districts that permit single-family residences;

(f) Adopt a subarea plan pursuant to RCW 43.21C.420;

(g) Adopt a planned action pursuant to RCW 43.21C.440(1)(b)(ii), except that an environmental impact statement pursuant to RCW 43.21C.030 is not required for such an action;

(h) Adopt increases in categorical exemptions pursuant to RCW 43.21C.229 for residential or mixed-use development;

(i) Adopt a form-based code in one or more zoning districts that permit residential uses. "Form-based code" means a land development regulation that uses physical form, rather than separation of use, as the organizing principle for the code;

(j) Authorize a duplex on each corner lot within all zoning districts that permit single-family residences;

(k) Allow for the division or redivision of land into the maximum number of lots through the short subdivision process provided in chapter 58.17 RCW;

(l) Authorize a minimum net density of six dwelling units per acre in all residential zones, where the residential development capacity will increase within the city. For purposes of this subsection, the calculation of net density does not include the square footage of areas that are otherwise prohibited from development, such as critical areas, the area of buffers around critical areas, and the area of roads and similar features;

(m) Create one or more zoning districts of medium density in which individual lots may be no larger than three thousand five hundred square feet and single-family residences may be no larger than one thousand two hundred square feet;

(n) Authorize accessory dwelling units in one or more zoning districts in which they are currently prohibited;

(o) Remove minimum residential parking requirements related to accessory dwelling units;

(p) Remove owner occupancy requirements related to accessory dwelling units;

(q) Adopt new square footage requirements related to accessory dwelling units that are less restrictive than existing square footage requirements related to accessory dwelling units;

(r) Adopt maximum allowable exemption levels in WAC 197-11-800(1) as it existed on June 11, 2020, or such subsequent date as may be provided by the department of ecology by rule, consistent with the purposes of this section;

(s) Adopt standards for administrative approval of final plats pursuant to RCW 58.17.100;

(t) Adopt ordinances authorizing administrative review of preliminary plats pursuant to RCW 58.17.095;

(u) Adopt other permit process improvements where it is demonstrated that the code, development regulation, or ordinance changes will result in a more efficient permit process for customers;

(v) Update use matrices and allowable use tables that eliminate conditional use permits and administrative conditional use permits for all housing types, including single-family homes, townhomes, multifamily housing, low-income housing, and senior housing, but excluding essential public facilities;

(w) Allow off-street parking to compensate for lack of on-street parking when private roads are utilized or a parking demand study shows that less parking is required for the project;

(x) Develop a local program that offers homeowners a combination of financing, design, permitting, or construction support to build accessory dwelling units. A city may condition this program on a requirement to provide the unit for affordable home ownership or rent the accessory dwelling unit for a defined period of time to either tenants in a housing subsidy program as defined in RCW 43.31.605(14) or to tenants whose income is less than eighty percent of the city or county median family income. If the city includes an affordability requirement under the program, it must provide additional incentives, such as:

(i) Density bonuses;

(ii) Height and bulk bonuses;

(iii) Fee waivers or exemptions;

(iv) Parking reductions; or

(v) Expedited permitting; and

(y) Develop a local program that offers homeowners a combination of financing, design, permitting, or construction support to convert a single-family home into a duplex, triplex, or quadplex where those housing types are authorized. A local government may condition this program on a requirement to provide a certain number of units for affordable home ownership or to rent a certain number of the newly created units for a defined period of time to either tenants in a housing subsidy program as defined in RCW 43.31.605(14) or to tenants whose income is less than eighty percent of the city or county median family income. If the city includes an affordability requirement, it must provide additional incentives, such as:

(i) Density bonuses;

(ii) Height and bulk bonuses;

(iii) Fee waivers or exemptions;

(iv) Parking reductions; or

(v) Expedited permitting.

(2) A city planning pursuant to RCW 36.70A.040 may adopt a housing action plan as described in this subsection. The goal of any such housing plan must be to encourage construction of additional affordable and market rate housing in a greater variety of housing types and at prices that are accessible to a greater variety of incomes, including strategies aimed at the for-profit single-family home market. A housing action plan may utilize data compiled pursuant to RCW 36.70A.610. The housing action plan should:

(a) Quantify existing and projected housing needs for all income levels, including extremely low-income households, with documentation of housing and household characteristics, and cost-burdened households;

(b) Develop strategies to increase the supply of housing, and variety of housing types, needed to serve the housing needs identified in (a) of this subsection;

(c) Analyze population and employment trends, with documentation of projections;

(d) Consider strategies to minimize displacement of low-income residents and underrepresented racial and ethnic minorities resulting from redevelopment;

(e) Review and evaluate the current housing element adopted pursuant to RCW 36.70A.070, including an evaluation of success in attaining planned housing types and units, achievement of goals and policies, and implementation of the schedule of programs and actions;

(f) Provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups; and

(g) Include a schedule of programs and actions to implement the recommendations of the housing action plan.

(3) If adopted by April 1, 2023, ordinances, amendments to development regulations, and other nonproject actions taken by a city to implement the actions specified in subsection (1) of this section, with the exception of the action specified in subsection (1)(f) of this section, are not subject to administrative or judicial appeal under chapter 43.21C RCW.

(4) Any action taken by a city prior to April 1, 2023, to amend their comprehensive plan, or adopt or amend ordinances or development regulations, solely to enact provisions under subsection (1) of this section is not subject to legal challenge under this chapter.

(5) In taking action under subsection (1) of this section, cities are encouraged to utilize strategies that increase residential building capacity in areas with frequent transit service and with the transportation and utility infrastructure that supports the additional residential building capacity.

(6) A city that is planning to take at least two actions under subsection (1) of this section((~~, and that action will occur between July 28, 2019, and April 1, 2021,~~)) is eligible to apply to the department for planning grant assistance of up to one hundred thousand dollars, subject to the availability of funds appropriated for that purpose. The department shall develop grant criteria to ensure that grant funds awarded are proportionate to the level of effort proposed by a city, and the potential increase in housing supply or regulatory streamlining that could be achieved. Funding may be provided in advance of, and to support, adoption of policies or ordinances consistent with this section. A city can request, and the department may award, more than one hundred thousand dollars for applications that demonstrate extraordinary potential to increase housing supply or regulatory streamlining.

(7) A city seeking to develop a housing action plan under subsection (2) of this section ((~~is~~)) or participating jurisdictions required to adopt a housing action plan under section 3(5) of this act are eligible to apply to the department for up to one hundred thousand dollars.

(8) The department shall establish grant award amounts under subsections (6) and (7) of this section based on the expected number of cities or participating jurisdictions that will seek grant assistance, to ensure that all cities and participating jurisdictions can receive some level of grant support. If funding capacity allows, the department may consider accepting and funding applications from cities with a population of less than twenty thousand if the actions proposed in the application will create a significant amount of housing capacity or regulatory streamlining and are consistent with the actions in this section.

(9) In implementing chapter 348, Laws of 2019, cities are encouraged to prioritize the creation of affordable, inclusive neighborhoods and to consider the risk of residential displacement, particularly in neighborhoods with communities at high risk of displacement.

**Sec.**  RCW 82.14.410 and 2015 3rd sp.s. c 24 s 704 are each amended to read as follows:

(1) A local sales and use tax change adopted after December 1, 2000, must provide an exemption for those sales of lodging for which, but for the exemption, the total sales tax rate imposed on sales of lodging would exceed the greater of:

(a) Twelve percent; or

(b) The total sales tax rate that would have applied to the sale of lodging if the sale were made on December 1, 2000.

(2) For the purposes of this section:

(a) "Local sales and use tax change" is defined as provided in RCW 82.14.055.

(b) "Sale of lodging" means the sale of or charge made for the furnishing of lodging and all other services by a hotel, rooming house, tourist court, motel, trailer camp, and the granting of any similar license to use real property.

(c) "Total sales tax rate" means the combined rates of all state and local taxes imposed under this chapter and chapters 36.100, 67.28, 67.40, and 82.08 RCW, and any other tax authorized after March 29, 2001, if the tax is in the nature of a sales tax collected from the buyer, but excluding taxes imposed under RCW 81.104.170 before December 1, 2000, and taxes imposed under RCW 82.14.530 and section 5 of this act.

**Sec.**  RCW 84.52.010 and 2017 c 196 s 10 are each amended to read as follows:

(1) Except as is permitted under RCW 84.55.050, all taxes must be levied or voted in specific amounts.

(2) The rate percent of all taxes for state and county purposes, and purposes of taxing districts coextensive with the county, must be determined, calculated and fixed by the county assessors of the respective counties, within the limitations provided by law, upon the assessed valuation of the property of the county, as shown by the completed tax rolls of the county, and the rate percent of all taxes levied for purposes of taxing districts within any county must be determined, calculated and fixed by the county assessors of the respective counties, within the limitations provided by law, upon the assessed valuation of the property of the taxing districts respectively.

(3) When a county assessor finds that the aggregate rate of tax levy on any property, that is subject to the limitations set forth in RCW 84.52.043 or 84.52.050, exceeds the limitations provided in either of these sections, the assessor must recompute and establish a consolidated levy in the following manner:

(a) The full certified rates of tax levy for state, county, county road district, regional transit authority, and city or town purposes must be extended on the tax rolls in amounts not exceeding the limitations established by law; however any state levy takes precedence over all other levies and may not be reduced for any purpose other than that required by RCW 84.55.010. If, as a result of the levies imposed under RCW 36.54.130, 84.34.230, 84.52.069, 84.52.105, the portion of the levy by a metropolitan park district that was protected under RCW 84.52.120, 84.52.125, 84.52.135, and 84.52.140, and the portion of the levy by a flood control zone district that was protected under RCW 84.52.816, the combined rate of regular property tax levies that are subject to the one percent limitation exceeds one percent of the true and fair value of any property, then these levies must be reduced as follows:

(i) The portion of the levy by a flood control zone district that was protected under RCW 84.52.816 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(ii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the levy imposed by a county under RCW 84.52.140 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(iii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the portion of the levy by a fire protection district or regional fire protection service authority that is protected under RCW 84.52.125 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(iv) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the levy imposed by a county under RCW 84.52.135 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(v) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the levy imposed by a ferry district under RCW 36.54.130 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(vi) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the portion of the levy by a metropolitan park district that is protected under RCW 84.52.120 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(vii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, then the levies imposed under RCW 84.34.230, 84.52.105, section 5 of this act, and any portion of the levy imposed under RCW 84.52.069 that is in excess of thirty cents per thousand dollars of assessed value, must be reduced on a pro rata basis until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated; and

(viii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, then the thirty cents per thousand dollars of assessed value of tax levy imposed under RCW 84.52.069 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or eliminated.

(b) The certified rates of tax levy subject to these limitations by all junior taxing districts imposing taxes on such property must be reduced or eliminated as follows to bring the consolidated levy of taxes on such property within the provisions of these limitations:

(i) First, the certified property tax levy authorized under RCW 84.52.821 must be reduced on a pro rata basis or eliminated;

(ii) Second, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of those junior taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100, and 67.38.130 must be reduced on a pro rata basis or eliminated;

(iii) Third, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of flood control zone districts other than the portion of a levy protected under RCW 84.52.816 must be reduced on a pro rata basis or eliminated;

(iv) Fourth, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of all other junior taxing districts, other than fire protection districts, regional fire protection service authorities, library districts, the first fifty cent per thousand dollars of assessed valuation levies for metropolitan park districts, and the first fifty cent per thousand dollars of assessed valuation levies for public hospital districts, must be reduced on a pro rata basis or eliminated;

(v) Fifth, if the consolidated tax levy rate still exceeds these limitations, the first fifty cent per thousand dollars of assessed valuation levies for metropolitan park districts created on or after January 1, 2002, must be reduced on a pro rata basis or eliminated;

(vi) Sixth, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates authorized to fire protection districts under RCW 52.16.140 and 52.16.160 and regional fire protection service authorities under RCW 52.26.140(1) (b) and (c) must be reduced on a pro rata basis or eliminated; and

(vii) Seventh, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates authorized for fire protection districts under RCW 52.16.130, regional fire protection service authorities under RCW 52.26.140(1)(a), library districts, metropolitan park districts created before January 1, 2002, under their first fifty cent per thousand dollars of assessed valuation levy, and public hospital districts under their first fifty cent per thousand dollars of assessed valuation levy, must be reduced on a pro rata basis or eliminated.

**Sec.**  RCW 84.52.043 and 2020 c 253 s 3 are each amended to read as follows:

Within and subject to the limitations imposed by RCW 84.52.050 as amended, the regular ad valorem tax levies upon real and personal property by the taxing districts hereafter named are as follows:

(1) Levies of the senior taxing districts are as follows: (a) The levies by the state may not exceed the applicable aggregate rate limit specified in RCW 84.52.065 (2) or (4) adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b) the levy by any county may not exceed one dollar and eighty cents per thousand dollars of assessed value; (c) the levy by any road district may not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and (d) the levy by any city or town may not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts, other than the state, may not exceed five dollars and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection do not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; (i) the portions of levies by fire protection districts and regional fire protection service authorities that are protected under RCW 84.52.125; (j) levies by counties for transit-related purposes under RCW 84.52.140; (k) the portion of the levy by flood control zone districts that are protected under RCW 84.52.816; ((~~and~~)) (l) levies imposed by a regional transit authority under RCW 81.104.175; and (m) levies imposed by housing benefit districts under section 6 of this act.

**Sec.**  RCW 29A.36.210 and 2010 c 106 s 301 are each amended to read as follows:

(1) The ballot proposition authorizing a taxing district to impose the regular property tax levies authorized in RCW 36.68.525, 36.69.145, 67.38.130, 84.52.069, section 6 of this act, or 84.52.135 must contain in substance the following:

"Will the . . . . . . (insert the name of the taxing district) be authorized to impose regular property tax levies of . . . . . . (insert the maximum rate) or less per thousand dollars of assessed valuation for each of . . . . . . (insert the maximum number of years allowable) consecutive years?

Yes . . . . . . . . . . . .□

No  . . . . . . . . . . . .□"

Each voter may indicate either "Yes" or "No" on his or her ballot in accordance with the procedures established under this title.

(2) The ballot proposition authorizing a taxing district to impose a permanent regular tax levy under RCW 84.52.069 must contain in substance the following:

"Will the . . . . . (insert the name of the taxing district) be authorized to impose a PERMANENT regular property levy of . . . . . (insert the maximum rate) or less per thousand dollars of assessed valuation?

Yes . . . . . . . . . . . .□

No  . . . . . . . . . . . .□"

NEW SECTION. **Sec.**  Sections 1 through 4 and 6 through 8 of this act constitute a new chapter in Title 36 RCW.

**--- END ---**