

HOUSE BILL REPORT

SB 5043

As Reported by House Committee On:
Education

Title: An act relating to the provision of housing for school district employees.

Brief Description: Providing housing to school district employees.

Sponsors: Senators Salomon, Rolfes, Conway, Das, Hasegawa, Hunt, Kuderer, Lovelett, Saldaña, Wellman and Wilson, C..

Brief History:

Committee Activity:

Education: 3/16/21, 3/25/21 [DPA].

Brief Summary of Bill
(As Amended By Committee)

- Makes changes to provisions related to school district construction of, financing for, and use of income from housing for school district employees.
- Repeals the requirement that a board of supervisors approve plans regarding second-class districts' or other combinations of districts' use of school district property for specified public purposes.
- Exempts from leasehold excise tax, until January 1, 2032, leasehold interests in facilities owned or used by a school district in which the leasehold provides housing for students or school district employees.

HOUSE COMMITTEE ON EDUCATION

Majority Report: Do pass as amended. Signed by 7 members: Representatives Santos, Chair; Dolan, Vice Chair; Berg, Bergquist, Callan, Ortiz-Self and Stonier.

Minority Report: Do not pass. Signed by 5 members: Representatives Ybarra, Ranking

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Member; Walsh, Assistant Ranking Minority Member; McEntire, Rude and Steele.

Staff: Megan Wargacki (786-7194).

Background:

A school district that has a student enrollment of 2,000 or more students is a first-class school district, and a school district that has a student enrollment of fewer than 2,000 students is a second-class school district. Plans of any second-class school district or combination of districts to use school district property for specified public purposes, including to provide suitable dwellings for teachers and other employees, must be submitted to and approved by a board of supervisors with specified members.

Subject to statutory and constitutional debt limits, a board of directors of a school district may borrow money and issue bonds for any capital purpose, for example to the purchase land and build structures necessary or proper to carry out the functions of a district. In some circumstances, bonds may only be issued when authorized by a vote of the qualified electors of the district.

The board of directors of a second-class school district, when directed by a vote of the district, must build schoolhouses and teachers' cottages. In addition, the board of directors of a second-class nonhigh school district that is totally surrounded by water and serves fewer than 40 students may authorize the construction of teachers' cottages without a vote of the district using funds from the district's capital projects fund or general fund.

School district boards of directors may rent, lease, or permit the occasional use of surplus real property owned or lawfully held by the district to any person, corporation, or government entity for profit, nonprofit, commercial, or noncommercial purposes. The leasing, renting, or use of the property must comply with statutory requirements including that lease or rental agreements permit the recapture of the surplus property should the property be needed for school purposes in the future, except in circumstances where the surplus property is leased or rented for specified affordable housing purposes.

In general, the proceeds from any sale of school district real property must be deposited into the debt service fund and/or the capital projects fund. Rental and other income from teacher cottages constructed by a second-class nonhigh school district that is totally surrounded by water and serves fewer than 40 students may be deposited into the school district's general fund, debt service fund, or capital projects fund as determined by the board of directors.

Leasehold tax is due when there is a private lease, permit, license, or similar agreement for publicly owned real or personal property. In most instances, the tax is measured by contract rent, which is the amount paid for use of the public property. The leasehold tax rate is 12.84 percent, of which 6.84 percent goes to the state and 6.00 percent goes to local

jurisdictions. There are several statutory leasehold excise tax exemptions, including an exemption for leasehold interests in facilities owned or used by a school, college or university which leasehold provides housing for students and which meets certain other tax exemption requirements, as well as an exemption for leasehold interests of subsidized housing for people with low incomes if the fee ownership of the property is vested in the federal, state, or local government.

Summary of Amended Bill:

The board of directors of a school district may find the provision of housing for school district employees to be necessary or proper to recruit or retain qualified school district employees or otherwise necessary or proper to carry out the functions of the district, and upon such finding the provision of such housing is in furtherance of the district's fundamental governmental purpose.

The authority for the board of directors to determine whether rental, sale, and other income from teacher cottages or other school employee housing is deposited into the general fund, debt service fund, or capital projects fund is expanded to all school districts, from second-class school districts. In addition, housing income deposited into the general fund may be used for costs associated with the lease or rental of such property and for other district purposes.

The board of directors of a school district, whether first-class or second class, may build schoolhouses and teachers' cottages, or other single or multifamily housing for school district employees, when directed by a vote of the qualified electors of the district to do so pursuant to requirements related to borrowing money and issuing negotiable bonds.

A school district may enter into an agreement with any municipality, taxing district, or municipal corporation regarding the conveying or leasing of any lands, properties, or facilities for the development of single or multifamily housing for school district employees or to provide for the joint use of such lands, properties, or facilities, or to participate in the financing of all or any part of the lands, properties, or facilities for these purposes on terms as may be fixed by agreement between the respective legislative bodies.

Leasehold interests in facilities owned or used by a school district in which the leasehold provides housing for students or school district employees are exempt from leasehold excise tax until January 1, 2032.

The statute requiring the board of supervisors to approve plans regarding second-class districts' or other combinations of districts' use of school district property for public purposes is repealed.

Amended Bill Compared to Original Bill:

The amended bill modifies intent language in the original bill.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) A century ago, the first woman elected to statewide office led a national movement to build teacher cottages. By 1924, there were over 400 teacher cottages around the state. The availability of the car permitted teachers to live further from the district, rather than live affordably near their school, and the number of teacher cottages diminished. There is not firm information on the number of school districts currently providing housing. Yet, it is known that affordable housing is hard to find across the state, not just in rural areas.

When teachers and other educators decide where to work, they look at housing affordability, as well as community support for and the educational philosophy of the schools. Recruitment and retention of educators is a challenge for some school districts due to lack of affordable housing or housing in general. This bill allows teacher and staff housing to be financed by tax exempt bonds. This is a new financing tool aimed to support individuals and families who do not quite qualify for other affordable housing programs, but still cannot find housing.

Second-class school districts, which are school districts with fewer than 2,000 students, already have the authority to build teacher cottages. The bill permits any school district to build housing for school district employees if the school board decides to participate in the program and upon approval of a supermajority of the voters. The required vote of the district helps to ensure broad knowledge and acceptance of the housing plan. The local voters should decide if they want to use local funds to recruit teachers by helping them with living expenses. The bill also clarifies the process of using rent from the housing, so fiscal accountability is addressed.

Housing authorities serve populations with low incomes to moderate incomes. Housing authorities in higher cost areas are focusing on providing workforce housing, while traditional affordable housing programs are targeted to the lowest income households. School districts interested in providing staff housing could partner with others in the community, such as housing authorities, to provide this housing. The challenges that school districts face are also faced by other local government agencies that also need to house firefighters, police officers, nurses and other public employees.

Housing authorities have the development and operational skills to lend to school districts that may not have the expertise to develop or operate rental housing, while school districts can contribute land and issue bonds to support creation of new housing. This is key because land is a major cost component in developing new housing. School districts will be able to use this option in a well-developed recruitment plan to help solve employee shortages.

(Opposed) None.

Persons Testifying: Senator Salomon, prime sponsor; Lucinda Young, Washington Education Association; Janinna Attick, Association of Washington Housing Authorities and Everett Housing Authority; and Stacey Crawshaw-Lewis, Pacifica Law Group LLP.

Persons Signed In To Testify But Not Testifying: None.