
HOUSE BILL 1111

State of Washington

68th Legislature

2023 Regular Session

By Representatives Ryu, Walen, Peterson, Lekanoff, Street, Bateman, Ramel, Fitzgibbon, Leavitt, Wylie, Pollet, Davis, and Santos

Prefiled 01/04/23. Read first time 01/09/23. Referred to Committee on Housing.

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

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

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

5 (a) Housing for low-income and moderate-income households is a
6 fundamental government purpose;

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

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

18 (d) Black, Hispanic, and American Indian and Alaska Native
19 residents in the King, Pierce, and Snohomish county region experience
20 disproportionate housing cost burden and are more likely to be
21 renters than homeowners. According to 2018 data from the federal

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

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

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

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

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

35 (g) Many 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 within station areas would enable the state
5 to better meet established goals for greenhouse gas emissions
6 reduction and commute trip reduction;

7 (i) Better public policy outcomes, including improvements and
8 benefits to transportation infrastructure and business, will occur if
9 more public servants and nonprofit employees can afford to live in
10 the community 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 to establish a housing benefit
25 district pilot program which, using a land acquisition and deployment
26 strategy, would produce more affordable low-income and moderate-
27 income housing, ensuring any loss of affordable housing in a station
28 area is exceeded by new affordable units, to enable all members of
29 the workforce to live in the community in which they serve, including
30 members of racial and ethnic groups disproportionately experiencing
31 adverse housing outcomes, to make sure that the transportation and
32 housing investments in our state help to foster racial equity and
33 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 that is rented
38 by a person or household whose monthly housing costs, including

1 utilities other than telephone, do not exceed 30 percent of the
2 household's monthly income.

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

5 (3) "Community land trust" means a community housing development
6 organization:

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

8 (b) That is established to:

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

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

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

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

20 (d) Whose board of directors:

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

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

27 (4) "District" means a housing benefit district established as a
28 new, or part of an existing, public corporation or authority under
29 RCW 35.21.730 by a participating city.

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

36 (6) "Low-income household" means a single person, family, or
37 unrelated persons living together whose income is above 50 percent
38 and at or below 80 percent of the median income, as determined by the
39 United States department of housing and urban development, with

1 adjustments for household size, for the county where the housing
2 benefit district is located.

3 (7) "Major transit stop" means:

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

6 (b) Commuter rail stops;

7 (c) Stops on rail or fixed guideway systems, including
8 transitways;

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

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

17 (8) "Moderate-income household" means a single person, family, or
18 unrelated persons living together whose income is above 80 percent
19 and at or below 120 percent of the median income, as determined by
20 the United States department of housing and urban development, with
21 adjustments for household size, for the county where the housing
22 benefit district is located.

23 (9) "Participating city" means a city that is selected to receive
24 a housing benefit district grant under the pilot program established
25 in section 5 of this act.

26 (10) "Permanently affordable homeownership" means homeownership
27 that:

28 (a) Is sponsored by a nonprofit organization or government
29 entity, including a housing benefit district;

30 (b) Is subject to a ground lease or deed restriction that
31 includes a:

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

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

36 (iii) Requirement that the sponsor must approve any refinancing,
37 including home equity lines of credit; and

38 (c) Allows the sponsor organization to:

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

4 (ii) Support homeowners and enforce the ground lease or deed
5 restriction.

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

10 (12) "Station area plan" means a subarea plan adopted under RCW
11 43.21C.420.

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

18 NEW SECTION. **Sec. 3.** (1) Cities are authorized to establish a
19 housing benefit district within their city boundaries for the purpose
20 of acquiring, land banking, predevelopment contracting, selling,
21 improving, funding, and leasing land for the development of
22 affordable housing for low-income and moderate-income households
23 within a station area consistent with any existing state, regional,
24 or county housing plans and chapter 43.185B RCW and utilizing
25 existing surplus land databases.

26 (2) The participating city shall provide for the nomination and
27 appointment of board members of the housing benefit district to
28 provide oversight, relevant experience, and expertise. If the housing
29 benefit district is established as a newly formed public corporation
30 or authority, the participating city must appoint at least two board
31 members who represent impacted communities in the geographic area of
32 the district.

33 (3) The treasurer of a city participating in the pilot program
34 shall act as the ex officio treasurer of the housing benefit
35 district.

36 (4) Once a participating city has established a housing benefit
37 district within its boundaries, the district shall align land
38 acquisition and disposition policies of their housing benefit
39 district plan with the most recently adopted comprehensive plan of

1 the participating city and plan for and facilitate the following mix
2 of affordable housing within the station area:

3 (a) A minimum of 33 percent affordable to extremely low-income,
4 very low-income, and low-income households;

5 (b) A maximum of 33 percent for market rate; and

6 (c) Housing affordable to moderate-income households, provided
7 the minimum in (a) of this subsection is met.

8 (5) A city establishing a housing benefit district within a
9 county with a population of at least 750,000 must adopt an equitable
10 station area plan. Station area plans must be approved by the
11 advisory board created in section 6 of this act and include an
12 equitable framework with equity goals. Districts must submit any
13 subsequent amendments to station area plans to the advisory board for
14 approval.

15 (6) A housing benefit district is a public corporation or
16 authority with the power and authority of RCW 35.21.730 through
17 35.21.759.

18 NEW SECTION. **Sec. 4.** (1) A housing benefit district shall by
19 covenant, deed restriction, and contract ensure that the properties
20 that it transfers or arranges to develop for housing purposes meet or
21 exceed the minimum affordable housing mixture requirements of section
22 3(4) of this act and ensure that the overall mixture of housing
23 developed shall result in a net gain in extremely low-income, very
24 low-income, and low-income housing from the levels existing at the
25 time of formation of the district. Once a housing benefit district is
26 established and housing has been transferred or developed by the
27 district and opened for residency, the participating city must
28 conduct regular audits of those housing units built to date on
29 properties of which the district has either transferred ownership for
30 housing purposes or retained ownership and developed for housing to
31 ensure that the district and current owners or operators of such
32 housing units are achieving the affordable housing mix as required by
33 section 3(4) of this act.

34 (2) Audits shall be performed every three years, and at least
35 one-third of all units must be audited during each three-year cycle,
36 with the entire number of units audited after three audit cycles. The
37 audit should determine whether there is a net gain of affordable
38 housing within each quartile below median income within the station
39 area. Audits shall be conducted at the expense of the housing benefit

1 district. If any owner or manager of housing units is determined by
2 the audits required by this section to not be offering units deemed
3 affordable to the residents pursuant to the mixture of affordability
4 established by the district, the auditing city shall provide notice
5 to the district and establish a plan to bring the owner or manager
6 into compliance for minor or inadvertent variation from the plan.

7 (3) For significant variances from the affordable housing plan
8 and commitments, the city shall notify the department of revenue and
9 the state, county, and city shall require repayment of any tax
10 preference provided on the basis of the owner providing affordable
11 housing for all years during which the owner was not substantially in
12 compliance; and may issue penalties up to the difference between the
13 market rate at which units were offered and the affordable housing
14 rental rate which would have been charged if the owner or manager was
15 compliant with the plan. Penalties collected by the city shall be
16 transferred to the housing benefit district and used solely for
17 purposes associated with providing affordable housing and related
18 services as defined in section 5 of this act.

19 NEW SECTION. **Sec. 5.** (1) The housing finance commission shall
20 administer a housing benefit district grant program. Subject to the
21 availability of amounts appropriated for the specific purposes
22 provided in this section, the commission must establish a process to
23 receive, review, process, and competitively award grants to cities
24 who have established or plan to establish a housing benefit district.
25 No participating city may receive an award exceeding \$50,000,000 in
26 any biennium.

27 (2) (a) Funds awarded under the grant program must be spent to pay
28 or reimburse jurisdictions for the cost of implementing the purposes
29 of this chapter, directly or by contracting with the participating
30 city or other entity, including the following:

31 (i) Station area planning strategies, including creating new or
32 updating existing plans, including an equitable framework and equity
33 goals, identifying a community vision including with those that are
34 most impacted by housing and transportation disparities, assessing
35 the current regulatory environment and identify possible barriers to
36 affordable housing development, assessing displacement risk for
37 current low-income residents and underrepresented racial and ethnic
38 minorities, creating a displacement mitigation plan including an
39 equitable framework and equity goals, promoting equitable

1 homeownership opportunities for underrepresented racial and ethnic
2 minorities, and assessing alternate pathways to ownership models such
3 as permanently affordable homeownership models and limited or shared
4 equity cooperatives;

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

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

30 (b) A housing benefit district may lease or sell land for an
31 amount that represents a discount from the market value of the land
32 in consideration of the lessee's or buyer's enforceable obligation to
33 provide affordable housing meeting the district's requirements.

34 (3) Up to one percent of revenue generated by the grant funds and
35 penalties under this act may be used to:

36 (a) Cover the actual costs incurred by the advisory board created
37 in section 6 of this act in the performance of its oversight and
38 technical assistance duties; and

1 (b) Compensate housing finance commission staff providing support
2 to the advisory board and managing the grant program in subsection
3 (1) of this section.

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

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

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

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

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

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

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

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

18 (vii) One member with economic development experience;

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

21 (ix) One member representing nonprofit housing developers.

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

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

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

34 (4) Staff to the housing finance commission under chapter 43.180
35 RCW must provide administrative and staff support to the advisory
36 board and must be compensated for its services as prescribed under
37 section 5(3) of this act. In performing administrative and staff
38 support to the advisory board, housing finance commission staff must:

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

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

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

--- END ---