

# HOUSE BILL REPORT

## E2SHB 1332

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**As Passed House:**  
February 18, 2008

**Title:** An act relating to affordable housing development.

**Brief Description:** Addressing affordable housing development.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Pettigrew, Dunn, Miloscia, Springer, McCune, Ormsby, Kenney, Roberts, Wood, Santos and Chase).

**Brief History:**

**Committee Activity:**

Housing: 1/22/07, 2/19/07 [DPS];

Appropriations: 2/6/08, 2/8/08 [DP2S(w/o sub HOUS)].

**Floor Activity:**

Passed House: 2/18/08, 66-29.

**Brief Summary of Engrossed Second Substitute Bill**

- Requires certain state agencies, local governments, and school districts to offer surplus property for sale that they judge to be suitable for affordable or special needs housing to eligible organizations for the initial 180 days of sale availability.
- Requires school districts to make suitable surplus property available to eligible organizations for the development of community schools, in addition to offering such land to eligible organizations for the development of affordable or special needs housing.

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### 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; Dunn, Ranking Minority Member; Kelley and Ormsby.

**Minority Report:** Do not pass. Signed by 2 members: Representatives McCune and Schindler.

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

**Staff:** Robyn Dupuis (786-7166).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**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 22 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Green, Haigh, Hunt, Hunter, Kagi, Kessler, Linville, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, Sullivan and Walsh.

**Minority Report:** Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Hinkle, Kretz, Ross and Schmick.

**Staff:** Owen Rowe (786-7391).

### **Background:**

#### **Local Governments and State Agencies**

The Department of Social and Health Services (DSHS), the Department of Transportation (DOT), the Department of Corrections (DOC), General Administration (GA), and cities, towns, and counties 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. These entities must provide a copy of these inventories to the Department of Community, Trade and Economic Development (DCTED) annually each November 1. Upon request, the DCTED must provide a copy of information regarding all such lands to parties interested in developing affordable housing.

#### **Department of Transportation**

The DOT has a policy which states that priority for surplus land disbursement is to be given to abutting property owners. The DOT, however, may 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 such land to be remitted, 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. Other surplus Commission lands may be sold to the highest bidder or exchanged for other lands of equal value. Monies from reversionary interest transactions or land sales are deposited into the Parkland Acquisition Account for the purchase of property to be used as state park property.

#### **Department of Natural Resources (DNR)**

The DNR may sell surplus lands to the highest bidder through a public auction. The DNR may transfer or dispose of lands of less than ten contiguous acres or which have a value of \$25,000 or less without a public auction. Proceeds from these transfers or disposals are deposited into the Park Land Trust Revolving Fund.

### **School Districts**

The board of directors of any school district is authorized to sell, lease, rent, or permit the occasional use of surplus school property. Proceeds from the sale, lease, rent or use must be deposited into the school district's debt service fund and/or capital projects fund, except that moneys expended for the maintenance, utility, and insurance costs associated with the lease or rental of such property must be deposited into the district's general fund. Sale proceeds may be used for costs associated with the sale of surplus school property.

School districts are authorized and encouraged in statute to make full use of school district facilities by providing or permitting community education programs to be held in district facilities for the purpose of stimulating and meeting the full educational potential and needs of the district's residents of all ages. Such programs include those for prospective parents, foster parents, and adoptive parents on parenting skills, violence prevention, and child abuse prevention. School districts are also authorized to establish or allow for the establishment of nonprofit meal programs for the elderly and children in school facilities.

A public school district with student enrollment of less than 2,000 pupils is considered a second class school district. School boards of second class districts may provide for the free, comfortable and convenient use of school property for meetings, discussion, study, improvement and other community purposes, especially in matters pertaining to agriculture, household economies, home industries, good roads, and community vocations and industries.

### **Summary of Engrossed Second Substitute Bill:**

#### **Surplus Property Inventory and Sale Requirement**

The following entities are required to inventory surplus property which is for sale and which they judge to be suitable for affordable housing or special needs housing and must offer such property for the first 180 days of sale to eligible organizations for the purpose of affordable housing development:

- the DCTED;
- the DNR;
- the DSHS;
- the DOC;
- the DOT;
- the GA;
- the Commission;
- counties classified under the Growth Management Act as "buildable lands" counties and counties with populations of at least 400,000;
- cities with a population of 5,000 within counties as described above; and
- school districts with student enrollments of at least 5,000 students.

School districts must also make suitable surplus property available to eligible organizations for the development of community schools. School districts may prioritize a community school project over a housing project.

The specified agencies, commissions, local governments and school districts subject to this act have the sole authority to determine:

- (a) whether or not the property is surplus;
- (b) whether or not the property is suitable for the development of affordable housing for very low-income households, for housing for special needs populations, or in the case of school districts, for the development of community schools; and
- (c) what constitutes reasonable option and purchase conditions.

Included in a purchase offer, eligible organizations must present to the agency, commission, local government, or school district an affordable or special needs housing project description. This project description must provide development details including the number and percentage of affordable or special needs housing units. Selling entities must establish criteria to use in the event more than one eligible organization is interested in purchasing a single property. For the purposes of school districts, community school applicants must provide the school district with a development plan describing the services to be provided, the target populations to be served, and the anticipated date of operation.

### **Alternate Processes**

The state agencies, commissions, local governments, and school districts subject to this act may use an alternative process for the sale or disposition of surplus property for affordable or special needs housing purposes as long as those alternative processes meet, at a minimum, the same standards included in the act.

The powers granted to community renewal agencies through the Community Renewal Law, Housing Authorities under the Housing Authorities Law, and a state agency under the Housing Cooperation Law are not limited by this act.

### **Exempt Lands**

Land acquired by the federal government as state forest lands is exempt, as are lands acquired under restrictive conveyances.

### **Definitions:**

**Eligible organizations:** Local governments, housing authorities, community renewal agencies, regional support networks, Indian tribes or nonprofit housing organizations. For school districts, the list of eligible organizations is expanded to mean community schools, public schools, postsecondary institutions, nonprofit early learning providers and other education focused nonprofit organizations.

**Affordable Housing:** Residential housing that is rented or owned by a person who qualifies as a very low-income or low-income household or who is from a special needs population, and whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income.

**Very Low-Income Household:** A household whose adjusted income is at or below 50 percent of the median family income.

**Low-Income Household:** A household whose adjusted income is at or below 80 percent of the median family income.

**Special Needs Populations:** Includes, but is not limited to, persons with mental illness, dementia, a developmental disability, or other condition affecting cognition.

**Community school:** Both a place and a set of partnerships between entities with an integrated focus on academics, health and social services, youth and community development, and community engagement.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:** (Housing)

(In support of original bill) Land is a substantial expense for affordable and special needs housing developers and this bill should increase the availability of land. The notice of all available properties on a website will be a great informational resource for developers. Allowing non-profit and governmental affordable housing developers ninety days to pursue a purchase is a great advantage for these groups that typically cannot move as quickly as for-profit developers. The discounted price is a necessary component of this program, for with escalating land prices, even fair market value often exceeds the amount a non-profit developer is able to pay. This program will enable developers to pursue larger developments in order to maximize purchasing power and use resources more efficiently. There are many wonderful examples of affordable housing developments that have taken advantage of the availability of surplus lands.

(With concerns on original bill) The bill should specifically note that the provision of housing for persons with developmental disabilities is a goal and should promote policies that enable the ability of this population to access independent housing. Currently, policies by the Department of Social and Health Services prohibit persons with developmental disabilities from accessing independent housing. Some of the definitions in the bill are not clear.

(Opposed) None.

**Staff Summary of Public Testimony:** (Appropriations)

(In support) The Washington Low Income Housing Alliance and the state's non-profit and public housing developers are in support of this bill. There is a shortage of affordable housing and land for development for low income housing. This bill would make public entities part of the solution. Last year when this bill went forward there were concerns about the cost to government agencies, cities and counties from maintaining inventories, and reporting to the

Department of Community, Trade and Economic Development. The proposed second substitute removes the inventory requirement and the 10 percent discount on price that concerned public entities. The bill is another tool for the state to provide affordable housing.

(Opposed) None.

**Persons Testifying:** (Housing) (In support of original bill) Representative Pettigrew, prime sponsor; Maureen Howard, Habitat for Humanity; and Kim Herman, Washington State Housing Finance Commission.

(With concerns on original bill) Loren Freeman, Freeman & Associates; and Randall Lewis, Association of Washington Cities and the City of Tacoma.

**Persons Testifying:** (Appropriations) Nick Federici, Washington Low-Income Housing Alliance; and Kim Herman, Washington State Housing Finance Commission.

**Persons Signed In To Testify But Not Testifying:** (Housing) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.