

**E2SHB 1563** - S COMM AMD

By Committee on Financial Institutions, Housing & Insurance

**NOT CONSIDERED**

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature recognizes that many local  
4 governmental entities are experiencing financial challenges, and  
5 understands the multiple needs of local governmental entities to  
6 provide important services. It is the intent of the legislature to  
7 provide flexibility to local governmental entities regarding the  
8 disposition of surplus property for the development of affordable  
9 housing and to allow sufficient discretion to local governmental  
10 entities to balance these competing needs.

11 NEW SECTION. **Sec. 2.** (1) A governmental entity may sell, lease,  
12 or exchange surplus property to an eligible organization at a price  
13 that is less than fair market value, or may create beneficial sales  
14 terms including, but not limited to, extended closings, if the  
15 affordable housing to be developed on the property will be occupied  
16 primarily by extremely low-income, very low-income, federally qualified  
17 low-income, or low-income households. The governmental entity must  
18 document that the amount of any sale, lease, or exchange that is less  
19 than fair market value is commensurate with the level of affordable  
20 housing provided on the property.

21 (2) A governmental entity disposing of surplus property under  
22 subsection (1) of this section must: (a) Enter into a recorded  
23 covenant with the eligible organization or a loan note in the name of  
24 the governmental entity, to ensure that the property will meet the  
25 required income, rent, and sales price restrictions; and (b) monitor  
26 compliance with the covenant or loan note.

27 (3) An eligible organization may obtain surplus property through  
28 purchase, lease, or exchange, under reasonable option and conveyance  
29 conditions, in return for: (a) A recorded covenant to provide rental

1 housing for extremely low-income, very low-income, federally qualified  
2 low-income, or low-income households for at least forty years; or (b)  
3 a loan note in the name of a governmental entity for homeownership  
4 programs in which the homeowners are extremely low-income, very low-  
5 income, federally qualified low-income, or low-income.

6 (4) As an alternative to the requirements of this section,  
7 counties, cities, and towns may sell surplus property at a discount for  
8 affordable housing that may be part of mixed-income or mixed-use  
9 developments, provided that the affordable housing complies with the  
10 guidelines for affordable housing, income levels, affordable rents,  
11 affordable sales prices, and minimum terms of affordability under RCW  
12 36.70A.540 for affordable housing incentive programs.

13 (5) The authority granted to counties, cities, and towns in this  
14 section is in addition to, and must not be construed to limit, any  
15 existing authority.

16 NEW SECTION. **Sec. 3.** The definitions in this section apply  
17 throughout this chapter unless the context clearly requires otherwise.

18 (1) "Affordable housing" means residential housing that is rented  
19 or owned by a person who qualifies as an extremely low-income, very  
20 low-income, federally qualified low-income, or low-income household or  
21 who is from a special needs population, and for which monthly housing  
22 costs, including utilities other than telephone, do not exceed thirty  
23 percent of the household's maximum allowed monthly income for the  
24 housing unit. "Affordable housing" also means farmworker housing.

25 (2) "Eligible organization" means a county, city, or town  
26 government, local housing authority, public development authority,  
27 community renewal agency, nonprofit community or neighborhood-based  
28 organization, federally recognized Indian tribe in the state of  
29 Washington, or nonprofit housing assistance organization, including  
30 such entities materially participating as a general partner or managing  
31 members of a partnership, limited liability company, or equivalent  
32 organization.

33 (3) "Extremely low-income household" means a single person, family,  
34 or unrelated persons living together whose income is at or below thirty  
35 percent of the county area median income where the affordable housing  
36 is located, adjusted for household size.

1 (4) "Federally qualified low-income household" means a single  
2 person, family, or unrelated persons living together whose income is  
3 more than fifty percent but is at or below sixty percent of the county  
4 area median income where the affordable housing is located, adjusted  
5 for household size.

6 (5) "Governmental entity" means a county, city, or town government,  
7 or regional transit authority.

8 (6) "Low-income household" means a single person, family, or  
9 unrelated persons living together whose income is more than sixty  
10 percent but is at or below eighty percent of the county area median  
11 income where the affordable housing is located, adjusted for household  
12 size.

13 (7) "Moderate-income household" means a single person, family, or  
14 unrelated persons living together whose income is more than eighty  
15 percent but is at or below one hundred fifteen percent of the county  
16 area median income where the affordable housing is located.

17 (8) "Primarily" means fifty-one percent or more.

18 (9) "Real property" means land, buildings, or buildings and land.  
19 "Real property" also includes air rights.

20 (10) "Surplus property" means real property, or any interest in  
21 real property, that is not required for the governmental entity's needs  
22 or the discharge of its responsibilities. "Surplus property" includes,  
23 but is not limited to, real property, or any interest in real property,  
24 declared surplus by a governmental entity under that entity's own  
25 policies and procedures. However, "surplus property" does not include  
26 real property, or any interest in real property, that is subject to  
27 federal prohibitions on the governmental entity's authority to sell,  
28 lease, or exchange the property at a price that is less than fair  
29 market value.

30 (11) "Very low-income household" means a single person, family, or  
31 unrelated persons living together whose income is at or below fifty  
32 percent of the county area median income for the county where the  
33 affordable housing is located, adjusted for household size.

34 NEW SECTION. **Sec. 4.** A new section is added to chapter 35.21 RCW  
35 to read as follows:

36 Every city and town, including every code city operating under  
37 Title 35A RCW, may sell, lease, or exchange surplus property to an

1 eligible organization for the purpose of affordable housing as  
2 specified in chapter 39.-- RCW (the new chapter created in section 10  
3 of this act). The authority granted to cities and towns, including  
4 code cities, in this section is in addition to, and must not be  
5 construed to limit, any existing authority.

6 NEW SECTION. **Sec. 5.** A new section is added to chapter 36.34 RCW  
7 to read as follows:

8 Every county may sell, lease, or exchange surplus property to an  
9 eligible organization for the purpose of affordable housing as  
10 specified in chapter 39.-- RCW (the new chapter created in section 10  
11 of this act). The authority granted to counties in this section is in  
12 addition to, and must not be construed to limit, any existing  
13 authority.

14 **Sec. 6.** RCW 81.112.080 and 1992 c 101 s 8 are each amended to read  
15 as follows:

16 An authority shall have the following powers in addition to the  
17 general powers granted by this chapter:

18 (1) To carry out the planning processes set forth in RCW  
19 81.104.100;

20 (2) To acquire by purchase, condemnation, gift, or grant and to  
21 lease, construct, add to, improve, replace, repair, maintain, operate,  
22 and regulate the use of high capacity transportation facilities and  
23 properties within authority boundaries including surface, underground,  
24 or overhead railways, tramways, busways, buses, bus sets, entrained and  
25 linked buses, ferries, or other means of local transportation except  
26 taxis, and including escalators, moving sidewalks, personal rapid  
27 transit systems or other people-moving systems, passenger terminal and  
28 parking facilities and properties, and such other facilities and  
29 properties as may be necessary for passenger, vehicular, and vessel  
30 access to and from such people-moving systems, terminal and parking  
31 facilities and properties, together with all lands, rights-of-way,  
32 property, equipment, and accessories necessary for such high capacity  
33 transportation systems. When developing specifications for high  
34 capacity transportation system operating equipment, an authority shall  
35 take into account efforts to establish or sustain a domestic  
36 manufacturing capacity for such equipment. The right of eminent domain

1 shall be exercised by an authority in the same manner and by the same  
2 procedure as or may be provided by law for cities of the first class,  
3 except insofar as such laws may be inconsistent with the provisions of  
4 this chapter. Public transportation facilities and properties which  
5 are owned by any city, county, county transportation authority, public  
6 transportation benefit area, or metropolitan municipal corporation may  
7 be acquired or used by an authority only with the consent of the agency  
8 owning such facilities. Such agencies are hereby authorized to convey  
9 or lease such facilities to an authority or to contract for their joint  
10 use on such terms as may be fixed by agreement between the agency and  
11 the authority.

12 The facilities and properties of an authority whose vehicles will  
13 operate primarily within the rights-of-way of public streets, roads, or  
14 highways, may be acquired, developed, and operated without the corridor  
15 and design hearings that are required by RCW 35.58.273 for mass transit  
16 facilities operating on a separate right-of-way;

17 (3) To dispose of any real or personal property acquired in  
18 connection with any authority function and that is no longer required  
19 for the purposes of the authority, in the same manner as provided for  
20 cities of the first class. When an authority determines that a  
21 facility or any part thereof that has been acquired from any public  
22 agency without compensation is no longer required for authority  
23 purposes, but is required by the agency from which it was acquired, the  
24 authority shall by resolution transfer it to such agency;

25 (4) To sell, lease, or exchange surplus property to an eligible  
26 organization for the purpose of affordable housing as specified in  
27 chapter 39.-- RCW (the new chapter created in section 10 of this act);

28 (5) To fix rates, tolls, fares, and charges for the use of such  
29 facilities and to establish various routes and classes of service.  
30 Fares or charges may be adjusted or eliminated for any distinguishable  
31 class of users.

32 **Sec. 7.** RCW 36.34.135 and 1993 c 461 s 6 are each amended to read  
33 as follows:

34 If a county owns property that is located anywhere within the  
35 county, including within the limits of a city or town, and that is  
36 suitable for affordable housing, the legislative authority of the  
37 county may, by negotiation, lease the property for affordable housing

1 for a term not to exceed seventy-five years to any public housing  
2 authority or nonprofit organization that has demonstrated its ability  
3 to construct or operate housing for very low-income, low-income, or  
4 moderate-income households as defined in ((RCW 43.63A.510)) section 3  
5 of this act and special needs populations. Leases for housing for very  
6 low-income, low-income, or moderate-income households and special needs  
7 populations shall not be subject to any requirement of periodic rental  
8 adjustments, as provided in RCW 36.34.180, but shall provide for such  
9 fixed annual rents as appear reasonable considering the public, social,  
10 and health benefits to be derived by providing an adequate supply of  
11 safe and sanitary housing for very low-income, low-income, or moderate-  
12 income households and special needs populations.

13 **Sec. 8.** RCW 39.102.020 and 2010 c 164 s 11 are each amended to  
14 read as follows:

15 The definitions in this section apply throughout this chapter  
16 unless the context clearly requires otherwise.

17 (1) "Annual state contribution limit" means seven million five  
18 hundred thousand dollars statewide per fiscal year.

19 (2) "Assessed value" means the valuation of taxable real property  
20 as placed on the last completed assessment roll.

21 (3) "Board" means the community economic revitalization board under  
22 chapter 43.160 RCW.

23 (4) "Demonstration project" means one of the following projects:

24 (a) Bellingham waterfront redevelopment project;

25 (b) Spokane river district project at Liberty Lake; and

26 (c) Vancouver riverwest project.

27 (5) "Department" means the department of revenue.

28 (6) "Fiscal year" means the twelve-month period beginning July 1st  
29 and ending the following June 30th.

30 (7) "Local excise tax allocation revenue" means an amount of local  
31 excise taxes equal to some or all of the sponsoring local government's  
32 local excise tax increment, amounts of local excise taxes equal to some  
33 or all of any participating local government's excise tax increment as  
34 agreed upon in the written agreement under RCW 39.102.080(1), or both,  
35 and dedicated to local infrastructure financing.

36 (8) "Local excise tax increment" means an amount equal to the  
37 estimated annual increase in local excise taxes in each calendar year

1 following the approval of the revenue development area by the board  
2 from taxable activity within the revenue development area, as set forth  
3 in the application provided to the board under RCW 39.102.040, and  
4 updated in accordance with RCW 39.102.140(1)(f).

5 (9) "Local excise taxes" means local revenues derived from the  
6 imposition of sales and use taxes authorized in RCW 82.14.030.

7 (10) "Local government" means any city, town, county, port  
8 district, and any federally recognized Indian tribe.

9 (11) "Local infrastructure financing" means the use of revenues  
10 received from local excise tax allocation revenues, local property tax  
11 allocation revenues, other revenues from local public sources, and  
12 revenues received from the local option sales and use tax authorized in  
13 RCW 82.14.475, dedicated to pay either the principal and interest on  
14 bonds authorized under RCW 39.102.150 or to pay public improvement  
15 costs on a pay-as-you-go basis subject to RCW 39.102.195, or both.

16 (12) "Local property tax allocation revenue" means those tax  
17 revenues derived from the receipt of regular property taxes levied on  
18 the property tax allocation revenue value and used for local  
19 infrastructure financing.

20 (13) "Low-income housing" means residential housing for low-income  
21 persons or families who lack the means which is necessary to enable  
22 them, without financial assistance, to live in decent, safe, and  
23 sanitary dwellings, without overcrowding. For the purposes of this  
24 subsection, "low income" means income that does not exceed eighty  
25 percent of the median family income for the standard metropolitan  
26 statistical area in which the revenue development area is located.

27 (14) "Ordinance" means any appropriate method of taking legislative  
28 action by a local government.

29 (15) "Participating local government" means a local government  
30 having a revenue development area within its geographic boundaries that  
31 has entered into a written agreement with a sponsoring local government  
32 as provided in RCW 39.102.080 to allow the use of all or some of its  
33 local excise tax allocation revenues or other revenues from local  
34 public sources dedicated for local infrastructure financing.

35 (16) "Participating taxing district" means a local government  
36 having a revenue development area within its geographic boundaries that  
37 has entered into a written agreement with a sponsoring local government

1 as provided in RCW 39.102.080 to allow the use of some or all of its  
2 local property tax allocation revenues or other revenues from local  
3 public sources dedicated for local infrastructure financing.

4 (17) "Property tax allocation revenue base value" means the  
5 assessed value of real property located within a revenue development  
6 area less the property tax allocation revenue value.

7 (18)(a)(i) "Property tax allocation revenue value" means  
8 seventy-five percent of any increase in the assessed value of real  
9 property in a revenue development area resulting from:

10 (A) The placement of new construction, improvements to property, or  
11 both, on the assessment roll, where the new construction and  
12 improvements are initiated after the revenue development area is  
13 approved by the board;

14 (B) The cost of new housing construction, conversion, and  
15 rehabilitation improvements, when such cost is treated as new  
16 construction for purposes of chapter 84.55 RCW as provided in RCW  
17 84.14.020, and the new housing construction, conversion, and  
18 rehabilitation improvements are initiated after the revenue development  
19 area is approved by the board;

20 (C) The cost of rehabilitation of historic property, when such cost  
21 is treated as new construction for purposes of chapter 84.55 RCW as  
22 provided in RCW 84.26.070, and the rehabilitation is initiated after  
23 the revenue development area is approved by the board.

24 (ii) Increases in the assessed value of real property in a revenue  
25 development area resulting from (a)(i)(A) through (C) of this  
26 subsection are included in the property tax allocation revenue value in  
27 the initial year. These same amounts are also included in the property  
28 tax allocation revenue value in subsequent years unless the property  
29 becomes exempt from property taxation.

30 (b) "Property tax allocation revenue value" includes seventy-five  
31 percent of any increase in the assessed value of new construction  
32 consisting of an entire building in the years following the initial  
33 year, unless the building becomes exempt from property taxation.

34 (c) Except as provided in (b) of this subsection, "property tax  
35 allocation revenue value" does not include any increase in the assessed  
36 value of real property after the initial year.

37 (d) There is no property tax allocation revenue value if the



1 assessed value of real property in a revenue development area has not  
2 increased as a result of any of the reasons specified in (a)(i)(A)  
3 through (C) of this subsection.

4 (e) For purposes of this subsection, "initial year" means:

5 (i) For new construction and improvements to property added to the  
6 assessment roll, the year during which the new construction and  
7 improvements are initially placed on the assessment roll;

8 (ii) For the cost of new housing construction, conversion, and  
9 rehabilitation improvements, when such cost is treated as new  
10 construction for purposes of chapter 84.55 RCW, the year when such cost  
11 is treated as new construction for purposes of levying taxes for  
12 collection in the following year; and

13 (iii) For the cost of rehabilitation of historic property, when  
14 such cost is treated as new construction for purposes of chapter 84.55  
15 RCW, the year when such cost is treated as new construction for  
16 purposes of levying taxes for collection in the following year.

17 (19) "Public improvement costs" means the cost of: (a) Design,  
18 planning, acquisition including land acquisition, site preparation  
19 including land clearing, construction, reconstruction, rehabilitation,  
20 improvement, and installation of public improvements; (b) demolishing,  
21 relocating, maintaining, and operating property pending construction of  
22 public improvements; (c) the local government's portion of relocating  
23 utilities as a result of public improvements; (d) financing public  
24 improvements, including interest during construction, legal and other  
25 professional services, taxes, insurance, principal and interest costs  
26 on general indebtedness issued to finance public improvements, and any  
27 necessary reserves for general indebtedness; (e) assessments incurred  
28 in revaluing real property for the purpose of determining the property  
29 tax allocation revenue base value that are in excess of costs incurred  
30 by the assessor in accordance with the revaluation plan under chapter  
31 84.41 RCW, and the costs of apportioning the taxes and complying with  
32 this chapter and other applicable law; (f) administrative expenses and  
33 feasibility studies reasonably necessary and related to these costs;  
34 and (g) any of the above-described costs that may have been incurred  
35 before adoption of the ordinance authorizing the public improvements  
36 and the use of local infrastructure financing to fund the costs of the  
37 public improvements.

38 (20) "Public improvements" means:

1 (a) Infrastructure improvements within the revenue development area  
2 that include:

3 (i) Street, bridge, and road construction and maintenance,  
4 including highway interchange construction;

5 (ii) Water and sewer system construction and improvements,  
6 including wastewater reuse facilities;

7 (iii) Sidewalks, traffic controls, and streetlights;

8 (iv) Parking, terminal, and dock facilities;

9 (v) Park and ride facilities of a transit authority;

10 (vi) Park facilities and recreational areas, including trails; and

11 (vii) Storm water and drainage management systems;

12 (b) Expenditures for facilities and improvements that support  
13 affordable housing as defined in ((~~RCW 43.63A.510~~)) section 3 of this  
14 act.

15 (21) "Real property" has the same meaning as in RCW 84.04.090 and  
16 also includes any privately owned improvements located on publicly  
17 owned land that are subject to property taxation.

18 (22) "Regular property taxes" means regular property taxes as  
19 defined in RCW 84.04.140, except: (a) Regular property taxes levied by  
20 public utility districts specifically for the purpose of making  
21 required payments of principal and interest on general indebtedness;  
22 (b) regular property taxes levied by the state for the support of the  
23 common schools under RCW 84.52.065; and (c) regular property taxes  
24 authorized by RCW 84.55.050 that are limited to a specific purpose.  
25 "Regular property taxes" do not include excess property tax levies that  
26 are exempt from the aggregate limits for junior and senior taxing  
27 districts as provided in RCW 84.52.043.

28 (23) "Relocating a business" means the closing of a business and  
29 the reopening of that business, or the opening of a new business that  
30 engages in the same activities as the previous business, in a different  
31 location within a one-year period, when an individual or entity has an  
32 ownership interest in the business at the time of closure and at the  
33 time of opening or reopening. "Relocating a business" does not include  
34 the closing and reopening of a business in a new location where the  
35 business has been acquired and is under entirely new ownership at the  
36 new location, or the closing and reopening of a business in a new  
37 location as a result of the exercise of the power of eminent domain.

1 (24) "Revenue development area" means the geographic area adopted  
2 by a sponsoring local government and approved by the board, from which  
3 local excise and property tax allocation revenues are derived for local  
4 infrastructure financing.

5 (25)(a) "Revenues from local public sources" means:

6 (i) Amounts of local excise tax allocation revenues and local  
7 property tax allocation revenues, dedicated by sponsoring local  
8 governments, participating local governments, and participating taxing  
9 districts, for local infrastructure financing; and

10 (ii) Any other local revenues, except as provided in (b) of this  
11 subsection, including revenues derived from federal and private  
12 sources.

13 (b) Revenues from local public sources do not include any local  
14 funds derived from state grants, state loans, or any other state moneys  
15 including any local sales and use taxes credited against the state  
16 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

17 (26) "Small business" has the same meaning as provided in RCW  
18 19.85.020.

19 (27) "Sponsoring local government" means a city, town, or county,  
20 and for the purpose of this chapter a federally recognized Indian tribe  
21 or any combination thereof, that adopts a revenue development area and  
22 applies to the board to use local infrastructure financing.

23 (28) "State contribution" means the lesser of:

24 (a) One million dollars;

25 (b) The total amount of local excise tax allocation revenues, local  
26 property tax allocation revenues, and other revenues from local public  
27 sources, that are dedicated by a sponsoring local government, any  
28 participating local governments, and participating taxing districts, in  
29 the preceding calendar year to the payment of principal and interest on  
30 bonds issued under RCW 39.102.150 or to pay public improvement costs on  
31 a pay-as-you-go basis subject to RCW 39.102.195, or both;

32 (c) The amount of project award granted by the board in the notice  
33 of approval to use local infrastructure financing under RCW 39.102.040;  
34 or

35 (d) The highest amount of state excise tax allocation revenues and  
36 state property tax allocation revenues for any one calendar year as  
37 determined by the sponsoring local government and reported to the board  
38 and the department as required by RCW 39.102.140.

1 (29) "State excise tax allocation revenue" means an amount equal to  
2 the annual increase in state excise taxes estimated to be received by  
3 the state in each calendar year following the approval of the revenue  
4 development area by the board, from taxable activity within the revenue  
5 development area as set forth in the application provided to the board  
6 under RCW 39.102.040 and periodically updated and reported as required  
7 in RCW 39.102.140(1)(f).

8 (30) "State excise taxes" means revenues derived from state retail  
9 sales and use taxes under RCW 82.08.020(1) and 82.12.020 at the rate  
10 provided in RCW 82.08.020(1), less the amount of tax distributions from  
11 all local retail sales and use taxes, other than the local sales and  
12 use taxes authorized by RCW 82.14.475 for the applicable revenue  
13 development area, imposed on the same taxable events that are credited  
14 against the state retail sales and use taxes under chapters 82.08 and  
15 82.12 RCW.

16 (31) "State property tax allocation revenue" means an amount equal  
17 to the estimated tax revenues derived from the imposition of property  
18 taxes levied by the state for the support of common schools under RCW  
19 84.52.065 on the property tax allocation revenue value, as set forth in  
20 the application submitted to the board under RCW 39.102.040 and updated  
21 annually in the report required under RCW 39.102.140(1)(f).

22 (32) "Taxing district" means a government entity that levies or has  
23 levied for it regular property taxes upon real property located within  
24 a proposed or approved revenue development area.

25 NEW SECTION. **Sec. 9.** The following acts or parts of acts are each  
26 repealed:

27 (1) RCW 43.19.19201 (Affordable housing--Inventory of suitable  
28 property) and 2011 1st sp.s. c 43 s 218, 1995 c 399 s 64, & 1993 c 461  
29 s 7;

30 (2) RCW 43.20A.037 (Affordable housing--Inventory of suitable  
31 housing) and 1995 c 399 s 65 & 1993 c 461 s 8;

32 (3) RCW 43.63A.510 (Affordable housing--Inventory of state-owned  
33 land) and 1993 c 461 s 2 & 1990 c 253 s 6;

34 (4) RCW 47.12.064 (Affordable housing--Inventory of suitable  
35 property) and 1995 c 399 s 121 & 1993 c 461 s 10; and

36 (5) RCW 72.09.055 (Affordable housing--Inventory of suitable  
37 property) and 1995 c 399 s 202 & 1993 c 461 s 12.

1            NEW SECTION.   **Sec. 10.**   Sections 1 through 3 of this act constitute  
2 a new chapter in Title 39 RCW."

**E2SHB 1563** - S COMM AMD

By Committee on Financial Institutions, Housing & Insurance

**NOT CONSIDERED**

3            On page 1, line 2 of the title, after "housing;" strike the  
4 remainder of the title and insert "amending RCW 81.112.080, 36.34.135  
5 and 39.102.020; adding a new section to chapter 35.21 RCW; adding a new  
6 section to chapter 36.34 RCW; adding a new chapter to Title 39 RCW; and  
7 repealing RCW 43.19.19201, 43.20A.037, 43.63A.510, 47.12.064, and  
8 72.09.055."

EFFECT:   (1) "Surplus property" does not include property subject  
to federal prohibitions on its disposal for less than fair market  
value.

(2) The bill does not apply to state-owned surplus property.

(3) Surplus property cannot be donated under this bill.

(4) Any sale, lease, or exchange that is less than fair market  
value must be documented by the selling governmental entity to indicate  
that the value received is commensurate with the level of affordable  
housing provided on the property.

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