

# HOUSE BILL REPORT

## HB 1128

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**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to housing benefit districts.

**Brief Description:** Concerning housing benefit districts.

**Sponsors:** Representatives Ryu, Hackney, Wylie, Bateman, Berg, Simmons, Ramel, Gregerson, Valdez, Duerr, Lekanoff, Macri, Pollet and Harris-Talley.

**Brief History:**

**Committee Activity:**

Local Government: 1/19/21, 1/29/21 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes the establishment of housing benefit districts and sets out requirements and authorities related to their governance, powers, and finances.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Pollet, Chair; Duerr, Vice Chair; Berg and Senn.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Goehner, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Robertson.

**Staff:** Elizabeth Allison (786-7129).

**Background:**

Special Purpose Districts.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

Special purpose districts are local units of government other than a county, city, or town that are created by the Legislature to perform specific limited functions. Examples include public hospital districts, public utility districts, water-sewer districts, and cemetery districts. Special purpose districts can be authorized to impose and collect taxes.

#### Housing Action Plan.

A city planning under the Growth Management Act may adopt a housing action plan (Plan) to encourage construction of affordable and market rate housing in a greater variety of housing types and at prices that are accessible to a greater variety of incomes. The Plan should quantify existing and projected housing needs for all income levels, including extremely low-income households; develop strategies to increase the supply of housing and a variety of housing types; analyze population and employment trends, with documentation of projections; consider strategies to minimize displacement of low-income residents resulting from redevelopment; review and evaluate the current housing elements adopted in required comprehensive plans; provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups; and include a schedule of programs and actions to implement the recommendations of the housing action plan.

#### Housing Finance Commission.

The Housing Finance Commission (Commission) is a public body that assists in making affordable housing available throughout the state. The Commission issues revenue bonds and participates in federal, state, and local housing programs to make additional funds available to help provide low to moderate income housing throughout the state without the use of public funds or lending the state's credit. The Commission also establishes eligibility standards for eligible persons, considering income, family size, cost, condition, and energy efficiency of available housing.

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#### **Summary of Substitute Bill:**

The legislative authority of a county or city is authorized to establish a housing benefit district (District) for the purpose of acquiring, land banking, predevelopment contracting, selling, improving, funding, and leasing land for the creation of affordable low- and middle-income housing and community development projects within the District consistent with any existing state, regional, or county housing plans and the Washington Housing Policy Act. A District is a municipal corporation with taxing authority and may include two or more cities or counties or a combination of both.

#### Governing Body.

The governing body of the District consists of the members of the legislative authority proposing to establish the District, acting ex-officio and independently, constitute the governing body of the district.

For Districts with more than one participating jurisdiction, the District must be governed under an interlocal agreement with a governing body composed of 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 with expertise in the following areas:
  1. public or private real estate finance;
  2. affordable housing development;
  3. neighborhood and community planning;
  4. design and architecture;
  5. transit-oriented development; or
  6. economic development.

Alternatively, the governing body of the metropolitan planning organization serving the District may serve as the governing body, but only if the District boundaries are identical to the boundaries of the metropolitan planning organization.

The treasurer of the participating jurisdiction proposing to establish the District is the ex-officio treasurer of the District, unless the interlocal agreement states otherwise.

#### Housing Action Plan.

Before forming a District, the participating jurisdictions must adopt a housing action plan as described in the Growth Management Act that includes at least two actions to increase its residential building capacity and results in development within the station area producing the following mix of affordable housing:

- a minimum of 5 percent affordable to extremely low-income households;
- a minimum of 10 percent affordable to very low-income households;
- a minimum of 19 percent affordable to low-income households;
- a minimum of 33 percent affordable to middle-income households; and
- the remainder at market rate.

A station area is 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.

A city or county that establishes a District within an encompassing county with a population of at least 750,000 is required to adopt a station area plan. The plan must be consistent with accommodating 65 percent of future population growth and must be approved by the Housing Benefit District Advisory Board before any proposition for tax is submitted to the voters. A District is eligible to apply to the Department of Commerce for a grant up to \$100,000 for planning assistance.

#### Finances.

To carry out its objectives, a District is authorized to impose sales and use taxes and property taxes.

Upon voter approval, a District may impose a sales and use tax at a rate not to exceed 0.2 percent of the selling price in the case of a sales tax, or 0.2 percent of the value of the article used in the case of a use tax. For Districts consisting of a single participating jurisdiction with a population over 750,000, or Districts with at least two participating jurisdictions with a combined population over 250,000, the rate of tax may be up to 0.3 percent.

A District may also impose a one-time sales and use tax without majority approval not to exceed a rate of 0.1 percent. This tax is in addition to any other taxes authorized by law. Any additional sales and use tax imposed beyond the one-time tax must be approved by a majority of voters.

Beginning with taxes levied for collection in calendar year 2022, a District can impose a regular property tax up to \$1 per \$1,000 of the assessed value of property in the District. The tax may be imposed each year for six consecutive years when specifically authorized by a majority of voters in the District.

Taxes imposed may not exceed a duration of 20 years.

A District is also authorized to issue and retire general obligation and revenue bonds to carry out its objectives, including:

- 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 upon voter approval;
- general obligation bonds without voter approval equal to 1.5 percent of the value of taxable property within the District; and
- general obligation bonds for capital purposes only and the retirement of those bonds by excess property tax levies imposed upon voter approval.

The revenue from taxes imposed or bonds issued must be used exclusively to implement or reimburse jurisdictions for implementing the specific objectives of the District, including:

- 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;
- 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; and

- infrastructure development, such as area-wide environmental plans, sewers, and sidewalks.

#### Housing Benefit District Advisory Board.

A nine-member Housing Benefit District Advisory Board (Board) is established. The members, including the chair, are appointed by the Governor to provide oversight and technical assistance to Districts. Members must consist of the following voting members:

- one member with public or private real estate finance experience;
- one member with affordable housing development experience;
- one member with market rate housing development experience;
- one member with experience in neighborhood and community planning;
- one member with design and architecture experience;
- one member with experience in transit-oriented development;
- one member with economic development experience;
- one member representing advocates for affordable housing for marginalized communities; and
- one member representing nonprofit housing developers.

When appointing members, the Governor must 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.

Other than the chair, members serve four-year terms, except for three of the initial appointees, who will serve two-year terms.

The Board must review and approve the station area plans submitted by Districts to confirm compliance with regional growth strategies. The Housing Finance Commission is required to provide administrative and staff support to the Board.

#### **Substitute Bill Compared to Original Bill:**

The substitute makes the following changes:

- adds a requirement that participating jurisdictions in a housing benefit district (District) conduct an audit of the District to determine whether the District is achieving the affordable housing requirements;
- adds members representing advocates for affordable housing for marginalized communities and nonprofit housing developers to the Housing Benefit District Advisory Board;
- specifies that Districts may retain ownership of an underlying parcel within a District when leasing the development parcel is financially feasible;
- reduces the rate of tax authorized for housing benefit districts of a certain population

- from 0.5 percent to 0.3 percent;
- limits the duration of taxes imposed under the bill to 20 years;
- limits the imposition of non-voter approved taxes to a one-time imposition, with any subsequent impositions requiring voter approval;
- clarifies that the boundaries of Districts with more than one participating jurisdiction are coextensive with the boundaries of the establishing jurisdictions;
- clarifies that the non-voter-approved tax authorized is independent of the authority to impose voter-approved taxes;
- provides that the percentages of affordable housing types within a District are minimum percentages;
- provides that land within the District may not be leased or sold at a discounted rate unless affordable housing comprises more than 40 percent of the units; and
- provides for the prorationing of taxes authorized in the bill.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute 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) The bill helps local governments plan for and accommodate housing. The bill does not address all of the pressures on housing, but is one of many to address the supply and inventory issues. It is another option available for local jurisdictions to address housing. Local jurisdictions can use this optional enabling legislation to plan for and fund affordable housing. Hopefully this will be an incentive for jurisdictions in collaborating and addressing housing issues by adopting a housing action plan in the district. The Puget Sound region is moving forward with high capacity transit options made possible by varied public funding mechanisms. The question is why not use this same option for housing? Jurisdictions are falling short of supplying affordable housing, which disproportionately affects people of color. The bill mirrors the success of transit benefit districts to address the important issue of housing and provide housing for people with the lowest incomes. The market forces alone will not produce the housing needed. The Housing Authority has the capacity to develop housing, but this new district is focused on the planning aspect of providing housing which will allow coordination with housing authorities. Transit increases property values, and many people face displacement, and this bill will help that. Housing affordability in Everett has been a challenge for years and has only increased during COVID-19. There is a need to develop mid to long range solutions to address housing for all, but long term solutions are needed as well. Extending the concept of funding for transit benefit districts to housing benefit districts will allow local governments to support a new option for housing. The bill benefits jurisdictions and encourages them to work together.

The bill would provide capital through tools like community lands trusts. Collaboration allows jurisdictions to address regional planning issues and make sure housing policies foster racial equity and remedy past wrongs. This also provides tools to allow people who want to own a home but could never afford it to own homes. The bill allows the city council or county council, an already existing structure, to form the District. The Board is beneficial because jurisdictions may not have the expertise to get a housing development in place.

(Opposed) None.

(Other) Black, indigenous, and people of color are disproportionately cost burdened. Housing benefit districts would go a long way toward creating housing and infrastructure development. The bill should require collaboration among jurisdictions rather than providing for an optional interlocal agreement. The bill provides good direction in removing barriers to housing which is very needed. However, higher sales tax and increased property levies make property more expensive, as well as increasing the costs of housing of all types. The bill needs a technical amendment removing the sunset date for jurisdictions to apply to the Department of Commerce for grants.

**Persons Testifying:** (In support) Representative Ryu, prime sponsor; Patience Malaba, Housing Development Consortium of Seattle-King County; Cassie Franklin, City of Everett; Steve Walker, Washington State Housing Finance Commission; Jessyn Farrell, Civic Ventures; and Celia Jackson, King County.

(Other) Jan Himebaugh, Building Industry Association of Washington; and Jasmine Vasavada, Department of Commerce.

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