

# HOUSE BILL REPORT

## HB 1880

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**As Reported by House Committee On:**  
Housing, Human Services & Veterans

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

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

**Sponsors:** Representatives Ryu, Pollet, Hackney and Valdez.

**Brief History:**

**Committee Activity:**

Housing, Human Services & Veterans: 1/21/22, 1/27/22 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes certain cities to establish a housing benefit district (district) for affordable housing and community development projects.
- Allows cities with a district to impose a local sales and use tax not to exceed .025 percent.
- Establishes a housing benefit district advisory board (advisory board) to provide oversight and technical assistance to the districts.

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### HOUSE COMMITTEE ON HOUSING, HUMAN SERVICES & VETERANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Peterson, Chair; Taylor, Vice Chair; Bateman, Donaghy and Leavitt.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Caldier, Ranking Minority Member; Gilday, Assistant Ranking Minority Member; Barkis.

**Staff:** Serena Dolly (786-7150).

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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.*

## **Background:**

### Special Purpose Districts.

A special purpose district (SPD) is a limited purpose local government separate from a city, town, or county government. The SPDs provide a limited number of public facilities or services, depending on the particular purpose for which the district was created. The SPDs are generally created through the county or city legislative authority to meet a specific need of the local community. The need may be a new service, a higher level of an existing service, or a method of financing available through the creation of an SPD, such as a transportation benefit district. The SPDs are political subdivisions of the state and come into existence, acquire legal rights and duties, and are dissolved in accordance with statutory procedures. Enabling legislation establishes the purpose of SPDs, procedures for formation, powers, functions and duties, composition of the governing body, methods of finance, and other provisions.

### Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of the property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 4.0 percent, depending on the location. Some local sales and use taxes are imposed as a credit against the state sales tax and do not increase the overall tax paid by the consumer.

### Station Area Plans.

Under the State Environmental Policy Act, a city with a population greater than 5,000 may adopt optional elements of its comprehensive plans and optional development regulations that apply within specified subareas of the cities that are either: areas designated as mixed-use or urban centers in a land use or transportation plan adopted by a regional transportation planning organization; or areas within 0.5 miles of a major transit stop that are zoned to have an average minimum density of 15 dwelling units or more per gross acre. The subarea plans are sometimes referred to as station area plans.

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## **Summary of Substitute Bill:**

The legislative authority of a city meeting location and population criteria may 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-income and moderate-income housing and community development projects consistent with existing housing plans. The boundaries of the district are coextensive with the city's boundaries, and the city legislative authority serves as the governing body.

### Location and Population Criteria.

Cities located west of the crest of the Cascade mountains meeting the following population criteria as of April 1, 2021, are authorized to establish a district:

- cities with a population between 110,000 and 115,000 located in a county with a population between 825,000 and 840,000;
- cities with a population between 55,000 and 60,000 or 105,000 and 110,000 located in a county with a population between 2,250,000 and 2,300,000; and
- cities with a population between 217,000 and 220,000 located in a county with a population between 920,000 and 930,000.

### Affordable Housing Requirements.

A city establishing a district must plan for and facilitate the following mix of affordable housing:

- a minimum of 5 percent affordable to extremely low-income households with an income at or below 30 percent of county median income;
- a minimum of 10 percent affordable to very low-income households with an income above 30 percent but no greater than 50 percent of county median income;
- a minimum of 19 percent affordable to low-income households with an income above 50 percent but no greater than 80 percent of county median income;
- a minimum of 33 percent affordable to moderate-income households with an income above 80 percent but no greater than 120 percent of county median income; and
- the remainder at market rate.

Affordable housing means residential housing costs that do not exceed:

- for rental housing, 30 percent of the household's monthly income; or
- for owner-occupied housing, 38 percent of the household's monthly income and the total household debt is no more than 45 percent of the monthly household income. For owner-occupied housing, housing costs include mortgage principle, interest, property taxes, homeowner's insurance, homeowner's association fees, and land lease fees, as applicable. Total household debt includes other debt and utilities.

### Station Area Plans.

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 at least 15 dwelling units per gross acre. A city establishing a district within a county with a population of at least 750,000 must adopt an equitable station area plan. Station area plans and any subsequent amendments must include an equitable framework with equity goals and be approved by the advisory board.

### Compliance.

A district must by covenant, deed restriction, and contract ensure that the properties which it transfers or arranges to develop meet or exceed the minimum affordable housing mixture requirements and that the overall mixture of housing developed will result in a net gain in extremely low-income, very low-income, and low-income housing.

Cities establishing a district must conduct regular audits of the housing developed to ensure that the housing mix and net gain of affordable housing requirements are being achieved. If the audit finds any owner or manager of housing units out of compliance, the city must:

- in the event of minor or inadvertent variations, provide notice to the district and establish a plan to bring the owner or manager into compliance; or
- in the event of significant variances, notify the Department of Revenue, and the state, county, and city must require repayment of any tax preference and may impose penalties.

#### Financing.

Cities establishing a district within three years of the effective date of the Act may impose a sales and use tax not to exceed .025 percent. The tax imposed is to be credited against the state portion of the sales and use tax imposed on the same sales. Revenue from the sales and use tax may only be used for the following purposes:

- creating or updating station area planning strategies;
- infrastructure development;
- land acquisition;
- bond repayment; and
- up to 1 percent to cover the costs of the advisory board and the staff support provided by the Housing Finance Commission.

A district may issue general obligation and revenue bonds. The sales and use tax may be imposed until any bonds issued or refinanced are retired but not more than 40 years after the tax is first collected.

Land acquired by the district may only be leased or sold at a discounted rate if 100 percent of the units will be designated as affordable housing.

#### Housing Benefit District Advisory Board.

An advisory board is established to provide oversight and technical assistance to the districts. The Governor must appoint nine members as follows:

- 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.

The advisory board must review and approve station area plans submitted by the districts.

The Housing Finance Commission must provide staff support to the advisory board.

**Substitute Bill Compared to Original Bill:**

The substitute bill increases the income limit of owner-occupied affordable housing from 30 percent of household monthly income to 38 percent of household monthly income with a total household debt of no more than 45 percent of monthly household income. The substitute bill also changes references from "middle-income" housing to "moderate-income" housing.

The substitute bill requires a city establishing a district within a county with a population of at least 750,000 to adopt an equitable station area plan and removes the requirement that the plan be consistent with accommodating 65 percent of future population growth. The substitute bill also authorizes a housing benefit district to issue general obligation and revenue bonds and modifies a district's land acquisition authority to be based on equitable station area plans, to include working with community land trusts, and to allow any proceeds from the sale of land to be directed to permanently affordable homeownership, in addition to affordable housing.

The substitute bill requires cities to meet the population requirements as of April 1, 2021, to establish a district. It also adds a definition of "major transit stop" for the purposes of defining a station area and makes technical corrections.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on January 28, 2022.

**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 state needs much more affordable housing. Cities have made significant strides in planning for affordable housing and are asking for options and flexible tools to help address the affordable housing shortage. This bill creates a similar structure for housing as transportation benefit districts provide for roads. It will allow us to test how housing benefit districts work. The Puget Sound area has a real opportunity to align transit with affordable housing. Land acquisition is a limiting factor for transit-oriented development and affordable housing. This bill will help provide funding for land and ensures affordable housing will be built near transit.

(Opposed) None.

**Persons Testifying:** Representative Cindy Ryu, prime sponsor; Doug Levy, Outcomes By Levy, LLC—City of Renton; Chad Vaculin, Housing Development Consortium; Jim Hammond, City of Shoreline; Forrest Brungardt; Patience Malaba, Housing Development Consortium of Seattle-King County; Yorik Stevens-Wajda, City of Everett; Andrew Calkins, King County Housing Authority; Andrew Sang; and Bryce Yadon, Sound Communities.

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