

# SENATE BILL REPORT

## SB 5861

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As of January 24, 2022

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

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

**Sponsors:** Senators Liias, Robinson, Kuderer, Nguyen and Nobles.

**Brief History:**

**Committee Activity:** Housing & Local Government: 1/25/22.

**Brief Summary of 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 0.025 percent.
- Establishes a housing benefit district advisory board to provide oversight and technical assistance to the districts.

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### SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

**Staff:** Maggie Douglas (786-7279)

**Background:** Special Purpose Districts. A special purpose district (SPD) is a limited purpose local government separate from a city, town, or county government. SPDs provide a limited number of public facilities or services, depending on the particular purpose for which the SPD was created. 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. SPDs are political subdivisions of the state and come into existence, acquire legal rights and duties, and are

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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 product, or service, 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.

Station Area Plans. Under the State Environmental Policy Act, a city with a population greater than 5000 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.

Subarea plans are sometimes referred to as station area plans.

**Summary of Bill:** The legislative authority of a city meeting location and population criteria may establish a housing benefit district (district) for acquiring, land banking, predevelopment contracting, selling, improving, funding, and leasing land for the creation of affordable low-income and middle-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 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 implement 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 middle-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 for which the monthly costs, including utilities other than telephone, do not exceed 30 percent of the monthly income.

Station Area Plans. A city establishing a district within a county with a population of at least 750,000 must adopt a station area plan consistent with accommodating 65 percent of future population growth. Station area plans and any subsequent amendments must be approved by the district advisory board.

Compliance. A district must by covenant, deed restriction, and contract ensure 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 the housing mix and net gain of affordable housing and affordable housing within a station area 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 this act may impose a sales and use tax not to exceed 0.025 percent. The tax imposed is to be deducted from 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; and
- up to 1 percent to cover the costs of the advisory board and the staff support provided by the Housing Finance Commission.

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 to ensure compliance with regional growth strategies. The Housing Finance Commission must provide administrative and staff support to the advisory board.

**Appropriation:** None.

**Fiscal Note:** Requested on January 14, 2022.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.