

HOUSE BILL REPORT

HB 1111

As Reported by House Committee On:
Housing

Title: An act relating to housing benefit districts.

Brief Description: Concerning housing benefit districts.

Sponsors: Representatives Ryu, Walen, Peterson, Lekanoff, Street, Bateman, Ramel, Fitzgibbon, Leavitt, Wylie, Pollet, Davis and Santos.

Brief History:

Committee Activity:

Housing: 1/19/23, 2/7/23 [DPS].

Brief Summary of Substitute Bill

- Authorizes a city to establish a housing benefit district to acquire, bank, improve, sell, and lease land for the development of affordable housing.
- Requires the Housing Finance Commission to implement a housing benefit district grant program.
- Establishes an advisory board to provide oversight and technical assistance to housing benefit districts.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Bateman, Chopp, Reed and Taylor.

Minority Report: Without recommendation. Signed by 5 members: Representatives Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Barkis, Hutchins and Low.

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.

Staff: Serena Dolly (786-7150).

Background:

Public Corporations.

Cities and counties may form public corporations, sometimes referred to as public development authorities, to administer federal grants or programs, enhance governmental efficiency and services, or improve general living conditions. A city or county creating a public corporation must control and oversee its operation and funds to ensure that it is reasonably accomplishing its purposes and to correct any deficiencies.

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.

Housing Finance Commission.

The Housing Finance Commission (Commission) is a public body created in 1983 to act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs. The Commission issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. In addition, the Commission issues tax-exempt bonds to provide below market-rate financing for sustainable energy projects, nonprofit facilities, and beginning farmers and ranchers. The Commission does not receive or lend state funds.

Summary of Substitute Bill:

Cities may establish a housing benefit district (district) as a new, or part of an existing, public corporation or authority for the purpose of acquiring, land banking, predevelopment contracting, selling, improving, funding, and leasing land for the development of affordable housing for low-income and moderate-income households within a station area. Housing developed must be consistent with any existing state, regional, or county housing plans and using existing surplus land databases.

Once a participating city has established a district within its boundaries, the district must align the land acquisition and disposition policies in their station area plan with the antidisplacement policies in the comprehensive plan of the city and plan for and facilitate

the following mix of affordable housing within the station area:

- a minimum of 33 percent affordable to households with an income below 80 percent of county median;
- a maximum of 33 percent for market rate; and
- the remainder as housing affordable to moderate-income households with an income of at least 80 percent but below 120 percent of county median.

A district must, by covenant, deed restriction, and contract, ensure that properties it transfers or arranges to develop meet or exceed the minimum affordable housing mixture requirements and that the overall mixture of housing developed results in a net gain in extremely low-income, very low-income, and low-income housing. A district must perform an annual audit of its properties to determine progress in meeting the required mix of affordable housing and suspend sales of property for market rate development if affordable housing requirements are not met. The annual audit must be submitted to the Housing Benefit District Advisory Board (Advisory Board).

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 must be approved by the Advisory Board and include an equitable framework with equity goals. Districts must submit any subsequent amendments to station area plans to the Advisory Board for approval.

The Housing Finance Commission (Commission) must administer a housing benefit district grant program and establish a process to receive, review, process, and competitively award grants to cities who have established or plan to establish a district. Grants may only be awarded to cities that levy a local tax dedicated to the construction, acquisition, or rehabilitation of housing affordable to households at or below 80 percent of area median income; have removed barriers to the siting of permanent supportive housing; and have reduced permit issuance timelines for housing affordable to low-income, very low-income, and extremely low-income households. No participating city may receive a grant award exceeding \$50 million in any biennium.

Grants may only be used for the following purposes:

- creating or updating station area planning strategies;
- infrastructure development; and
- land acquisition.

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 Advisory Board must also review the annual audits of the districts and notify any district that is not in compliance with the affordable housing mix requirements to suspend sales of property for market rate development. The Commission must provide staff support to the Advisory Board. Up to 1 percent of funds may be used to cover the costs of the Advisory Board and the staff support provided by the Commission. The Advisory Board must be dissolved after 20 years.

Substitute Bill Compared to Original Bill:

The original bill defined a station area as an area within one-half mile, including contiguous full and partial blocks as defined by the street grid, of a major transit stop that is zoned to have an average minimum density of at least 15 dwelling units per gross acre. The substitute bill removes the minimum density requirement from the definition.

The original bill required districts to align the land acquisition and disposition policies with the city's comprehensive plan. The substitute bill instead requires districts to align the land acquisition and disposition policies of their station area plans with antidisplacement policies in the comprehensive plan of the establishing city, with consideration given to the preservation of historical and cultural communities as well as investments in low-income, very low-income, extremely low-income, and moderate-income housing; equitable development initiatives; inclusionary zoning; community planning requirements; tenant protections; land disposition policies; and consideration of land that may be used for affordable housing.

The original bill established a housing benefit district grant program to competitively award grants to cities who have established or plan to establish a district. The substitute bill limits eligibility for grants to cities that levy a local tax dedicated to the construction, acquisition, or rehabilitation of housing affordable to households at or below 80 percent of area median income; have removed barriers to the siting of permanent supportive housing; and have reduced permit issuance timelines for housing affordable to low-income, very low-income, and extremely low-income households.

The original bill allows housing benefit district grants to be used for station area planning strategies, including the assessment of alternate pathways to ownership models such as permanently affordable homeownership models and limited or shared equity cooperatives. The substitute bill also identifies community land trusts as an alternate homeownership pathway that may be assessed.

The original bill required a city to conduct regular audits of the housing built on land transferred or developed by the district to ensure affordable housing requirements were being met. The substitute bill instead requires a district to perform the audit on an annual basis and suspend sales of property for market rate development if affordable housing requirements are not met. The district must also submit its annual audit to the Advisory Board, and the Advisory Board must notify a district to suspend sales of property for market rate development if the audit does not demonstrate compliance.

The original bill establishes an Advisory Board to provide oversight and technical assistance to districts. The substitute bill requires the Advisory Board to be dissolved after 20 years.

The substitute bill removes a number of references to the grant program being a pilot program.

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) Housing benefit districts will help ensure complete communities are developed around transit stops. Cities are doing their part with housing plans, tax incentives, and affordable housing sales taxes. Housing benefit districts offer a unique opportunity to plan for housing affordable at different income levels. The state desperately needs more homes, and transit investments increase property values. Land acquisition is a significant hurdle where the state can help. This bill will help ensure more equitable development by getting ahead of the private market with antidisplacement measures. The funding would be provided through the Governor's housing bond bill and also will allow for the leveraging of private funds. Public development authorities are well vetted and well understood and provide a separate legal authority.

(Opposed) The state continues to create hand-picked benefit districts that are not accountable to citizens. Acquiring land at below-market prices raises concerns.

Persons Testifying: (In support) Representative Cindy Ryu, prime sponsor; Lacey Jane Wolfe, City of Bellevue; Mark Smith, Housing Consortium of Everett and Snohomish County; Paul Hintz, City of Renton; Jesse Simpson, Housing Development Consortium; Briahna Murray, City of Tacoma; Peter Orser and Al Levine, Sound Communities; Uche Okezie, HomeSight; Clifford Cawthon, Habitat for Humanity Seattle-King and Kittitas

County; and Jennifer Gregerson, City of Everett.

(Opposed) Jeff Pack.

Persons Signed In To Testify But Not Testifying: None.