

HOUSE BILL REPORT

E2SHB 2160

As Passed House:
February 13, 2024

Title: An act relating to promoting community and transit-oriented housing development.

Brief Description: Promoting community and transit-oriented housing development.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Reed, Fey, Mena, Alvarado, Berry, Bateman, Ormsby, Ramel, Macri, Street, Peterson, Gregerson, Ryu, Cortes, Riccelli, Doglio and Pollet; by request of Office of the Governor).

Brief History:

Committee Activity:

Housing: 1/9/24, 1/15/24 [DPS];

Capital Budget: 1/25/24, 2/2/24 [DP2S(w/o sub HOUS)].

Floor Activity:

Passed House: 2/13/24, 56-40.

Brief Summary of Engrossed Second Substitute Bill

- Prohibits cities planning under the Growth Management Act (GMA) from enacting or enforcing any development regulation within a station area that prohibits the siting of multifamily residential housing where any other residential use is permissible, with some exceptions.
- Requires cities planning under the GMA to allow new residential and mixed-use development within any station area at certain transit-oriented development densities.
- Requires at least 10 percent of all residential units in buildings constructed within a station area to be maintained as affordable housing for at least 50 years, with some exceptions.
- Limits the ability of cities planning under the GMA to require off-street parking as a condition of permitting residential or mixed-use

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.

development within a station area.

- Creates a categorical exemption from the State Environmental Policy Act for residential or mixed-use development within a station area.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Bateman, Chopp, Entenman, Reed and Taylor.

Minority Report: Do not pass. Signed by 4 members: Representatives Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Hutchins and Low.

Minority Report: Without recommendation. Signed by 1 member: Representative Barkis.

Staff: Serena Dolly (786-7150).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 15 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Alvarado, Bateman, Farivar, Fosse, Kloba, Morgan, Orwall, Peterson, Reed, Rule, Shavers and Stearns.

Minority Report: Do not pass. Signed by 8 members: Representatives Abbarno, Ranking Minority Member; Steele, Assistant Ranking Minority Member; Christian, Dye, Eslick, Kretz, Maycumber and Sandlin.

Minority Report: Without recommendation. Signed by 4 members: Representatives McClintock, Assistant Ranking Minority Member; Cheney, Mosbrucker and Waters.

Staff: Charlie Gavigan (786-7340).

Background:

Growth Management Act.

The Growth Management Act (GMA) is the comprehensive land use planning framework for counties and cities in Washington. The GMA establishes land use designation and environmental protection requirements for all Washington counties and cities. The GMA also establishes a significantly wider array of planning duties for 28 counties, and the cities

within those counties, that are obligated to satisfy all planning requirements of the GMA. These jurisdictions are sometimes said to be fully planning under the GMA.

Counties that fully plan under the GMA must designate urban growth areas (UGAs), within which urban growth must be encouraged and outside of which growth may occur only if it is not urban in nature. Each city in a county must be included in a UGA. Planning jurisdictions must include within their UGAs sufficient areas and densities to accommodate projected urban growth for the succeeding 20-year period.

The GMA also directs fully planning jurisdictions to adopt internally consistent comprehensive land use plans. Comprehensive plans are implemented through locally adopted development regulations, and both the plans and the local regulations are subject to review and revision requirements prescribed in the GMA. When developing their comprehensive plans, counties and cities must consider various goals set forth in statute. Fully planning counties and cities must review and, if necessary, revise their comprehensive plans every 10 years to ensure they comply with the GMA. Fully planning counties meeting certain criteria, and cities within those counties with a population of at least 6,000, must complete an implementation progress report detailing the progress they have achieved in implementing their comprehensive plan five years after the review and revision of their comprehensive plan.

Each comprehensive plan must include a plan, scheme, or design for certain mandatory elements, including a housing element. The housing element must ensure the vitality and character of established residential neighborhoods.

Limitations on Minimum Residential Parking Requirements.

The GMA contains limitations on the ability of fully planning counties and cities to establish minimum residential parking requirements for certain types of housing, including:

- For market rate multifamily housing units located within 0.25 miles of a transit stop that receives frequent transit service, no more than one parking space per bedroom or 0.75 of a parking space per unit may be required.
- For housing units designed for seniors and people with disabilities located within 0.25 miles of a major transit stop, no minimum residential parking limitations may be imposed.
- For accessory dwelling units (ADUs) located within 0.5 miles of a major transit stop, no minimum residential parking requirements may be imposed. For all other ADUs, no more than one or two off-street parking spaces may be required, depending on the size of the lot.
- For middle housing located within 0.5 miles of a major transit stop, no minimum residential parking requirements may be imposed. For all other middle housing, no more than one or two off-street parking spaces may be required, depending on the size of the lot.

In some cases, counties and cities may vary from these requirements if the jurisdiction has

determined that a particular housing unit or lot is an area with a lack of access to street parking capacity, physical space impediments, or other reasons supported by evidence that would make on-street parking infeasible. In other cases, a city or county may vary from the requirements only after an empirical study prepared by a credentialed transportation or land use planning expert determines parking limits would create a significant safety issue.

State Environmental Policy Act.

The State Environmental Policy Act (SEPA) establishes a review process for state and local governments to identify environmental impacts that may result from governmental decisions, such as the issuance of permits or the adoption of land use plans. Government decisions identified as having significant adverse environmental impacts must then undertake an environmental impact statement (EIS). Under SEPA, certain nonproject actions are categorically exempt from threshold determinations and EISs in rule. Examples of categorical exemptions include various kinds of minor new construction and minor land use decisions.

Categorical Exemptions for Infill Development.

Counties and cities fully planning under the GMA may establish categorical exemptions from SEPA to accommodate infill development. Under the infill development categorical exemption, counties and cities may exempt government action related to development that is new residential development, mixed-use development, or commercial development up to 65,000 square feet, proposed to fill in a UGA when:

- current density and intensity of the use in the area is roughly equal to or lower than called for in the goals and policies of the comprehensive plan;
- the action would not clearly exceed the density or intensity of use called for in the goals and policies of the comprehensive plan;
- the local government considers the specific probable adverse environmental impact of the proposed action and determines that those specific impacts are adequately addressed by other regulations, comprehensive plans, ordinances, or other local, state, and federal laws and rules; and
- the comprehensive plan was previously subjected to environmental analysis through an EIS.

Categorical Exemptions for Housing Development.

Under the housing development categorical exemption, all project actions that propose to develop one or more residential housing units within the incorporated areas of a UGA or middle housing within the unincorporated areas of a UGA, and that meet certain criteria are categorically exempt from SEPA. Before adopting the categorical exemption, jurisdictions must satisfy the following criteria:

- the proposed development must be consistent with all development regulations implementing a comprehensive plan under the GMA, except any development regulation that is inconsistent with the GMA; and
- the city or county has prepared an environmental analysis that considers the proposed use or density and intensity of use in the area proposed for exemption and analyzes

multimodal transportation impacts.

Until September 30, 2025, all project actions that propose to develop one or more residential housing or middle housing units within a city west of the crest of the Cascade Mountains with a population of 700,000 or more are categorically exempt from SEPA.

Summary of Engrossed Second Substitute Bill:

Development Regulations Within a Station Area.

Fully planning cities may not enact or enforce any development regulation within a station area that prohibits the siting of multifamily residential housing on lots where any other residential use is permissible. A station area is comprised of all lots within a UGA that are fully or partially within:

- 0.5 miles walking distance of an entrance to a train station with a stop on a light rail system, a commuter rail stop, or a stop on rail or fixed guideway system; and
- 0.25 miles walking distance of a stop on a fixed route bus system that is designated as a bus rapid transit stop in a transit development plan and features fixed transit assets that indicate permanent, high-capacity service including elevated platforms or enhanced stations, off-board fare collection, dedicated lanes, busways, or traffic signal priority.

A fully planning city may adopt a modification to the station area boundaries after consultation with and approval by the Department of Commerce (Commerce).

Floor area ratio (FAR) means a measure of transit-oriented development intensity equal to building square footage divided by the developable property square footage. The transit-oriented density for lots within 0.5 miles walking distance of an entrance to a train station with a stop on a light rail system, a commuter rail stop, or a stop on rail or fixed guideway systems is at least 3.5 FAR and for lots within 0.25 miles walking distance of a stop on a fixed route bus system that is designated as a bus rapid transit stop in a transit development plan and features fixed transit assets is at least 2.5 FAR. Fully planning cities may not enact or enforce any development regulation within a station area that imposes a maximum FAR of less than the transit-oriented density for any new residential or mixed-use development or that imposes a maximum residential density. Cities may designate parts of a station area to enact or enforce FARs that are more or less than the transit-oriented density if the average maximum FAR for all residential and mixed-use areas in the station area is no less than the required transit-oriented density.

Within any station area, an additional 1.5 FAR in excess of the transit-oriented development density required must be allowed for a building in which all rental or owner-occupied units are affordable to households with a monthly income that does not exceed 80 percent of area median and for permanent supportive housing. Multifamily housing units with at least three bedrooms may not be counted toward FAR limits.

At least 10 percent of all new residential units within a station area must be maintained as affordable housing for at least 50 years, unless:

- the building is constructed on a lot in which a density that meets or exceeds the transit-oriented development density was authorized prior to January 1, 2024;
- the building is subject to affordability requirements with a lower income threshold or a greater amount of required affordable housing that were enacted prior to January 1, 2024; or
- a city has enacted or expands a mandatory affordable housing incentive program that requires a minimum amount of affordable housing that must be provided by residential development, either on-site or through an in-lieu payment.

A city is not prohibited from approving a multifamily property tax exemption (MFTE) within a station area so long as the building meets the affordability requirements of a station area and the MFTE requirements.

A city that has enacted an incentive program prior to January 1, 2024, that requires public benefits, such as school capacity, greater amounts of affordable housing, green space, or green infrastructure, in return for additional height or FAR may continue to require such public benefits if the additional development capacity otherwise would have triggered the public benefits requirements.

Cities may apply any objective development regulations within a station area that are required for other multifamily residential uses in the same zone, including tree canopy and retention requirements.

Cities may exclude from the transit-oriented development density requirements any portion of a lot that is designated as a shoreline environment or a critical area and any lot that:

- is nonconforming with development regulations for lot dimensions, unless an applicant demonstrates that the nonconforming lot may be developed in compliance with development regulations;
- contains a designated landmark or is located within a historic district previously established under a local preservation ordinance;
- has been designated as containing urban separators by countywide planning policies; or
- is an industrial or agricultural designated lot that either is limited to one dwelling unit per lot or only allows housing for individuals and their families responsible for caretaking, farm work, security, or maintenance.

The requirements for transit-oriented development regulations do not require:

- alteration, displacement, or limitation of industrial, manufacturing, or agricultural areas with a UGA; or
- a city to issue a building permit if other federal, state, or local requirements for a building permit are not met.

For cities subject to a growth target that limits the maximum residential capacity of the jurisdiction, any additional residential capacity required may not be considered an inconsistency with the countywide planning policies, multicounty planning policies, or growth targets.

The deadline for fully planning cities to comply with the transit-oriented development requirements is based on the date of the city's next comprehensive plan update. Any city that is next required to review its comprehensive plan by December 31, 2024, must comply by the earlier of December 31, 2029, or its first implementation progress report due after December 31, 2024. Any city that is next required to review its comprehensive plan after December 31, 2024, must comply no later than six months after its first comprehensive plan update due after December 31, 2024. Thereafter, all fully planning cities must comply at each comprehensive plan update or implementation progress report following the completion or funding of any transit stop that would create a new station area.

Commerce must develop a model transit-oriented development density ordinance, which will supersede, preempt, and invalidate local development regulations if a city does not implement the requirements by its deadline.

Commerce may approve station area plans and implementing regulations adopted prior to June 30, 2025, as substantially similar to the transit-oriented development requirements.

Antidisplacement.

By August 1, 2024, the Governor must convene a work group to develop a list of antidisplacement guiding principles and strategies. The work group must submit a report of its findings and recommendations to Commerce by September 30, 2025, and by October 15, 2025, Commerce must make antidisplacement guiding principles and a list of potential strategies available to cities.

A city may seek an extension from the transit-oriented development density requirements by applying to Commerce for an extension in any areas that are at risk of displacement. Commerce must review the city's analysis and certify a five-year extension for areas at high risk of displacement. The city must create an implementation plan that identifies the antidisplacement policies available to residents to mitigate displacement risk. During the extension, the city may delay implementation or enact alternative floor area ratio requirements. Commerce may recertify an extension for additional five-year periods based on evidence of ongoing displacement risk in the area.

Grant Program.

Subject to appropriation, Commerce must establish and administer a capital grant program to assist cities in providing the infrastructure necessary to accommodate development at transit-oriented development densities within station areas, including water, sewer, stormwater, and transportation infrastructure and parks and recreation facilities.

Limitations on Minimum Residential Parking Requirements.

Fully planning cities may not require off-street parking for residential or mixed-use development within a station area, except for off-street parking that is permanently marked for the exclusive use of individuals with disabilities or for the short-term, exclusive use of delivery vehicles. The prohibition against off-street parking requirements does not apply:

- if the city provides Commerce with an empirical study prepared by a credentialed transportation or land use planning expert that clearly demonstrates, and Commerce finds and certifies, that the limits on off-street parking in a defined area will be significantly less safe for vehicle drivers or passengers, pedestrians, or bicyclists than if the jurisdiction's parking requirements were applied to the same location without increased transit-oriented development and density requirements; or
- to any portion of a city within a 1-mile radius of a commercial airport with at least 9 million annual enplanements.

If a residential or mixed-use development provides parking for residential uses for transit-oriented development, cities may require:

- a share of any provided residential parking to be distributed between units designated as affordable housing and units offered at market rate; and
- the cost of unbundled parking charges to be included into the monthly cost for rental units designated as affordable housing.

State Environmental Policy Act.

All project actions that propose to develop residential or mixed-use development within a station area are categorically exempt from SEPA.

Review and Evaluation.

By June 30, 2035, the Joint Legislative Audit and Review Committee (JLARC) must review city experiences with:

- the effects of the 10 percent affordable housing requirement for transit-oriented development;
- in-lieu payment options for affordable housing requirements, including how such payments were structured and the amount of housing created using in-lieu payments; and
- requirements for transit-oriented development density around fixed route transit stops providing frequent bus service.

In evaluating the impacts, JLARC must conduct case studies that consider:

- the effects on housing supply, including the supply of affordable housing;
- the implementation of transit-oriented development density regulations; and
- how statewide transit-oriented development density regulations are interacting with residential housing construction and development in specific cities.

In conducting its evaluation, JLARC must consult with a variety of entities, including housing developers, local governments, state agencies, and affordable housing advocates.

Common Interest Communities.

New governing documents and declarations of common interest communities, such as condominiums and homeowner associations, may not prohibit the construction or development of multifamily housing or transit-oriented development density that must be permitted by cities or require off-street parking inconsistent or in conflict with transit-oriented development requirements.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 14, 2024.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Housing):

(In support) Research shows that the state needs more than 1 million additional housing units. The state needs more homes in more places, especially near transit, and more affordable housing. This bill addresses urgent housing needs around the transit assets that receive the most use and public investment. It will help facilitate transit access and walkable neighborhoods for more people. Builders may say that the bill does not go far enough, and cities may say that it goes too far. The state cannot wait because transit investment are being made now. Requiring 10 percent of new units near transit to be affordable is not too big of an ask. Cities have implemented affordable housing requirements near transit already, and those requirements are working. The timing for cities to implement the bill is appropriate as to not slow down the work that Puget Sound cities are already doing. Nothing prevents a city from implementing the requirements sooner. An infrastructure component will be added to the bill because cities have infrastructure needs but may not have the resources to address water, sewer, and stormwater improvements.

(Opposed) Cities support transit-oriented development and increased densities, but the issue is not zoned capacity. Some cities have already upzoned around certain transit investments, especially light rail. Cities want more affordable housing, but there are better ways to link housing affordability with density. Cities that have implemented affordable housing incentive programs are already seeing density and affordable housing investments. If the state is going to require upzoning near transit, there needs to be a public benefit, but it should not stop market rate development. Commercial developers support transit-oriented development but are concerned with the affordable housing requirements. Rising construction costs are failing to meet investor requirements and financing. Affordability requirements will force development away from transit because the development will be financially infeasible. One study of Seattle's affordable housing requirements showed development was occurring outside of the zone with affordable housing requirements. The JLARC study should be completed sooner because it can evaluate how cities are already

implementing transit-oriented development and inform how to implement transit-oriented development throughout the state. Changes are needed for small cities, including reducing the FAR requirements, allowing minimum parking requirements for cities with no bus rapid transit, eliminating the affordability requirements, and requiring the state to pay for annual reports showing how many housing units are being built.

(Other) Transit agencies and planners have some concerns about the definitions related to transit, including the definition of bus rapid transit. Transit agencies approach bus rapid transit differently, and it is not clear which bus lines are covered. This bill may encourage cities to make it more difficult for transit agencies to expand bus rapid transit. The bill does not legalize the densities needed near transit. The affordability requirements and the ability of cities to use their own affordable housing incentive programs will create a patchwork of inconsistencies. The requirements may impede affordable housing construction in some cities. The requirements do not take into account variations between cities, and cities should be allowed to choose the density that will work for their community. The bill should focus on outcomes and let cities work to meet those outcomes.

Staff Summary of Public Testimony (Capital Budget):

(In support) It is necessary to get the best return on our large transportation investments for our communities, and this bill supports that by ensuring the ability to build more housing close to transit stops. Transit oriented development (TOD) should have mixed income and mixed use. Some affordability requirements are necessary. Work on this has been ongoing for a year and a half, making compromises to find a middle ground that cities, developers, advocates for better land use planning, realtors, and others could support. Development restrictions are removed to allow more housing around rapid transit stops. Inclusionary zoning is a great way to support affordable housing. The bill capitalizes on significant investments that have been made in transportation and housing the last few years. More housing is needed, especially near high-capacity transit. Our city supports the policy drivers behind this bill and is excited about TOD in our community. Timelines should be adjusted to allow these TOD policies to be incorporated into comprehensive planning currently in process. Our city's vision is a thriving community with a variety of housing types for all income levels. TOD helps achieve this vision. The addition of the Commerce grant program is appreciated. Upzones and infill must be combined with affordability to achieve dense and vibrant neighborhoods. The anti-displacement workgroup is appreciated.

(Opposed) There are some concerns including the extensive mandatory upside zoning around every bus rapid transit stop which risks diluting the focus and risks ineffective implementation. Additional concerns exist about unbalanced floor area ratios not accounting for regional differences and sweeping parking limitations with limited alternatives. An alternative suggestion is that funds be allocated to Commerce for a study on current land use zoning around transit stops that involves stakeholders and presents recommendations on whether mandatory requirements are necessary. The infrastructure grant program needs to be adequately funded, a token amount will not be enough to make

an impact.

(Other) Keep cities livable while increasing density. Require the planting of trees along streets. Sidewalks, trees along sidewalks, and pocket parks are all necessary to keep cities viable. Remember to protect historic places now and for posterity. I suggest that the Washington Heritage Register or the National Register of Historic Places be utilized as a resource.

Persons Testifying (Housing): (In support) Representative Julia Reed, prime sponsor; Ryan Donohue, Habitat for Humanity Seattle-King and Kittitas Counties; Jim Hammond, City of Shoreline; Penny Sweet, City of Kirkland; Bryce Yadon, Futurewise; Noha Mahgoub, Office of the Governor; Nick Federici, Washington Low Income Housing Alliance; and Representative Jake Fey.

(Opposed) McKenzie Darr, NAIOP-Washington; Morgan Irwin, Association of Washington Business; Carl Schroeder, Association of Washington Cities; Bill Clarke, Washington Realtors; and Ryan Windish, City of Sumner.

(Other) Justin Leighton, Washington State Transit Association; Angela Birney, City of Redmond; and Dan Bertolet, Sightline Institute.

Persons Testifying (Capital Budget): (In support) Representative Julia Reed, prime sponsor; Noha Mahgoub; Bryce Yadon, Futurewise; Jesse Simpson, Housing Development Consortium; Penny Sweet, Kirkland City Council; Michele Thomas, Washington Low Income Housing Alliance; and Representative Jake Fey.

(Opposed) Salim Nice, Mayor Mercer Island; and Carl Schroeder, Association of Washington Cities.

(Other) Genesee Adkins, City of Bellevue; Judy Bendich, Friends of Ravenna-Cowen; and Steve Zemke, TreePAC and Friends of Urban Forests.

Persons Signed In To Testify But Not Testifying (Housing): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.