

HOUSE BILL REPORT

HB 1195

As Reported by House Committee On:

Housing
Appropriations

Title: An act relating to compliance with siting, development permit processes and standards, and requirements for permanent supportive housing, transitional housing, indoor emergency housing, or indoor emergency shelters.

Brief Description: Concerning compliance with siting, development permit processes and standards, and requirements for permanent supportive housing, transitional housing, indoor emergency housing, or indoor emergency shelters.

Sponsors: Representatives Peterson, Macri, Alvarado, Ryu, Berry, Ramel, Fitzgibbon, Mena, Callan, Obras, Farivar, Doglio, Gregerson, Simmons, Street, Duerr, Nance, Berg, Davis, Ormsby and Hill.

Brief History:

Committee Activity:

Housing: 1/21/25, 1/30/25 [DPS];

Appropriations: 2/12/25, 2/20/25 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Prohibits a city or county's comprehensive plan or development regulations from denying or precluding a permit application for permanent supportive housing, transitional housing, indoor emergency housing, or indoor emergency shelter (STEP housing) in any residential or commercial zone within most urban growth areas.
- Requires a city or county to use an administrative process for reviewing a project permit application for STEP housing.
- Requires the Department of Commerce (Commerce) to facilitate the resolution of disputes between a city or county and a project applicant or developer of STEP housing, subject to appropriations.

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.

- Authorizes Commerce to issue a finding of noncompliance if dispute resolution is unsuccessful and the city or county has denied a project permit or development agreement, or enacted a zoning ordinance or development regulations, that prevent the siting of STEP housing.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Peterson, Chair; Hill, Vice Chair; Richards, Vice Chair; Entenman, Gregerson, Lekanoff, Reed, Thomas, Timmons and Zahn.

Minority Report: Do not pass. Signed by 6 members: Representatives Jacobsen, Assistant Ranking Minority Member; Manjarrez, Assistant Ranking Minority Member; Barkis, Connors, Dufault and Engell.

Minority Report: Without recommendation. Signed by 1 member: Representative Low, Ranking Minority Member.

Staff: Serena Dolly (786-7150).

Background:

Siting of Shelters, Transitional Housing, Emergency Housing, and Permanent Supportive Housing.

A city may not prohibit indoor emergency shelters, transitional housing, indoor emergency housing, or permanent supportive housing (STEP housing) in certain zones as follows:

- A city may not prohibit transitional housing or permanent supportive housing in any zone where residential dwelling units or hotels are allowed.
- A city may not prohibit indoor emergency shelters or indoor emergency housing in any zone where hotels are allowed, unless the city has adopted an ordinance authorizing indoor emergency shelters and indoor emergency housing in a majority of zones within a one-mile proximity to transit.

A city may impose, by ordinance, reasonable occupancy, spacing, and intensity of use requirements on STEP housing for public health and safety purposes. Requirements may not prevent the siting of a sufficient amount of STEP housing to accommodate each city's projected need under its comprehensive plan.

Dispute Resolution.

The 2023-25 Supplemental Operating Budget provided funding for the Department of Commerce (Commerce) to provide dispute resolution services to help resolve disputes between local governments and service providers attempting to site STEP housing. By

March 1, 2025, Commerce must report to the Legislature on the status of any disputes resolved.

Design Review.

Design review is a formally adopted local government process by which projects are reviewed for compliance with design standards for the type of use adopted through local ordinance. Design review focuses on the appearance of new construction, site planning, and items such as landscaping, signage, and other aesthetic issues.

Administrative design review is a type of design review in which a project is reviewed, approved, or denied by the planning director or the planning director's designee.

Administrative design review is based solely on objective design and development standards and is generally conducted without a public hearing.

Summary of Substitute Bill:

Siting of Shelters, Transitional Housing, Emergency Housing, and Permanent Supportive Housing.

The comprehensive plan or development regulations of a city or county fully planning under the Growth Management Act (GMA) may not deny or preclude a permit application for STEP housing if the project is located in a residential or commercial zone within an urban growth area that includes or is contiguous with a city. A city may not approve a permit application for STEP housing in any area zoned for industrial use. A city or county must review any permit application for STEP housing using an administrative process only.

If a permit applicant is unable to site STEP housing due to a city or county's comprehensive plan or development regulation, the applicant may seek a waiver from the requirements.

The permit application must describe any local permit processes, development standards, or permit conditions that the applicant asserts would deny or preclude the siting, construction, or operation of STEP housing. If the permit applicant and the city or county disagree about the assertions, either party may seek dispute resolution services through Commerce.

Dispute Resolution.

Commerce must provide services to facilitate the timely resolution of disputes between a city or county and either: (1) an applicant seeking a project permit or development agreement to site or construct STEP housing; or (2) a developer alleging that a city or county's zoning ordinance or development regulations prevent or preclude the siting of STEP housing. A city, county, applicant, or developer may request dispute resolution services from Commerce.

If dispute resolution is unsuccessful, the city or county must submit the project permit application, any development agreement, any zoning ordinance and related development regulations, and any other relevant documents to Commerce for review. The city or county

must also submit a statement of:

- the reason for any denial, rescission, or conditions of approval;
- the requirements necessary to fulfill the development agreement or development regulations; or
- how the adopted ordinance and development regulations comply with requirements to allow the siting of STEP housing.

If Commerce finds that a final decision on a permit application, development agreement, or another permitting process violates requirements to allow the siting, construction, or operation of STEP housing, Commerce must reverse the city or county's final decision and return it for corrective action within 60 days.

If Commerce finds that a zoning ordinance or development regulation violates requirements to allow the siting, construction, or operation of STEP housing, Commerce must issue a determination of noncompliance and return it for corrective action within 120 days.

Commerce's final determination and any corrective action required are exempt from appeal under the GMA or the State Environmental Policy Act.

If a city or county fails to take corrective action within the required timeframe, Commerce must notify the State Treasurer. Upon notification, the State Treasurer must withhold the following revenues from the city or county: the motor vehicle fuel tax, the transportation improvement account, the rural arterial trust account, the local sales and use tax, the liquor profit tax, and the liquor excise tax. The State Treasurer must resume distributions of withheld revenues when the city or county issues the project permit application or amends its zoning ordinance and related development regulations.

An applicant submitting a project permit application, a development agreement, or other documents for STEP housing may submit a copy of the documents to Commerce or request Commerce's review of any denial, rescission, or conditions for approval by a city or county.

Design Review.

A city must process a permit application for STEP housing under an administrative design review process.

Substitute Bill Compared to Original Bill:

The substitute bill prohibits a local comprehensive plan or development regulation from denying or precluding a permit application for STEP housing only if the project is located in a residential or commercial zone within an urban growth area that includes or is contiguous with a city. The substitute bill also prohibits a city from approving a permit application for STEP housing in any area zoned for industrial use.

The substitute bill requires a city or county to review for compliance, rather than approve,

any permit application for STEP housing using an administrative process only.

The substitute bill extends the time by which a city or county must amend a zoning ordinance or development regulation after a Commerce finding of noncompliance with STEP housing requirements from 60 to 120 days.

The substitute bill removes the definition and all uses of the term "preclusive effect."

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) STEP housing is housing with a very significant need in every community in our state. It is a type of housing that keeps people off the streets and is an important step to help address the urgent homelessness crisis in our state. Cities have a state mandate to accommodate housing for all economic segments of the population, including the people who need STEP housing. Siting STEP housing in communities can be politically challenging for local elected officials. Developers face significant opposition. This is especially true when trying to bring single adults who are sleeping on the streets inside. Last year, a campaign of misinformation targeted a city council and jeopardized a fully funded shovel-ready project. The goal is to treat all housing the same. Developers of market rate apartments generally do not have to appear before the city council for building permits. They do not have to make the case for why their future residents deserve the chance to make that city their home. This bill will help streamline development for new supportive housing and prevent costly disruptions that can arise from public opposition. It will help resolve local disputes by allowing Commerce to offer dispute resolution services. The penalties in the bill are designed to apply only when a city or county continues to not comply with state regulations.

(Opposed) None.

(Other) The penalties in the bill are concerning and may harm the vulnerable populations that the bill is intended to help. The penalties include withholding sales tax, and counties often use sales tax to fund affordable housing and the very programs that the bill is seeking to improve. If the state really wants more shelter capacity created, then the most important thing it could do is fund it. Cities and counties do not have enough money to build STEP housing and have been asking for revenue for at least five years without progress. The bill contains technical errors.

Persons Testifying: (In support) Representative Strom Peterson, prime sponsor; Joe Tovar; Bryce Yadon, Futurewise; Michele Thomas, Washington Low Income Housing Alliance; Sarah Dickmeyer, Plymouth Housing Group; Charles Schaefer; Dan Wise, Catholic Community Services ; Chloe Gale, REACH; and Joe McDermott, State Relations Director, King County.

(Other) Curtis Steinhauer, Washington State Association of Counties; and Carl Schroeder, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

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 19 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Peterson, Pollet, Ryu, Springer, Stonier, Street, Thai and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Burnett, Caldier, Corry, Dye, Keaton, Manjarrez, Marshall and Rude.

Staff: Jackie Kauble (786-7125).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Housing:

The Appropriations Committee recommends making the dispute resolution services facilitated by the Department of Commerce (Commerce) subject to amounts appropriated for that specific purpose and adding a null and void clause, making the bill null and void unless funded in the budget by June 30, 2025.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) Emergency shelters, transitional housing, emergency housing, and permanent supportive housing must be located in all communities to ensure that people can stay close to their families and their community networks. This bill would reduce barriers to siting these housing types that serve residents experiencing, or at risk of, homelessness. King County has updated its comprehensive plan to reduce barriers for siting permanent supportive housing and shelters, but a coordinated response across jurisdictions is critical to address the housing crisis. These housing types remain some of the hardest to site as jurisdictions sometimes require extra permits, licenses, agreements, other documentation, or legislative approval for such projects. These unnecessary requirements can create additional costs and delay moving people indoors. Developers of market rate apartments generally do not have to appear before their city council for their building permits, and despite following the same fair housing laws, those developers do not have to make the case for why their future residents deserve the chance to make that city their home. This type of housing may have different names, but they are all housing and serve as a place to sleep and live. This bill treats development as development, and our region's undersupply of supportive housing with the urgency it requires. Developers trying to site these facilities are facing significant opposition that is grounded in fear and the stigma around poverty and substance abuse. There have been efforts to try to intimidate providers who are coming into communities. There have also been instances where existing shelters have been identified for removal, police departments are giving trespass tickets to shelter attendees, or shovel-ready projects are jeopardized two years into development.

This bill includes clear requirements for local governments to address the critical need of this housing by ensuring there are not unnecessary barriers or limitations. This bill addresses the onerous zoning regulations in some cities by withholding funds from cities if they refuse to change their zoning regulations to allow this type of housing. The ability to withhold these funds is currently held by the Governor's Office and has been used once or twice in the last 50 years or so, but it's important for the Legislature to have a say in how it works with cities and try to get them to comply with House Bill 1220 from 2020. This bill is a critical piece of legislation that will streamline development, and help those seeking to house vulnerable residents throughout the state.

(Opposed) This bill needs more policy work. The bill categorically prohibits cities from denying a permit for a shelter or other emergency facility on any residential parcel in the state. There should be clarity that cities cannot deny it if it is consistent with state or local law. This bill establishes a \$1.8 million per biennium dispute resolution process that empowers Commerce to withhold almost all local revenues shared through the state. In many cases, cities are using those same revenues to serve the people that bill seeks to protect. There is a reason there has been zoning in cities. There are appropriate places for these, and it is not next to kids in a neighborhood park or schools. Within a few blocks of a shelter, you begin to see homeless people and oftentimes tents, trash, and drug paraphernalia. Businesses have closed and there are homeless people seen everywhere.

Persons Testifying: (In support) Representative Strom Peterson, prime sponsor; Bryce

Yadon, Futurewise; Joe McDermott, State Relations Director, King County; Sarah Dickmeyer, Plymouth Housing; and Donna Christensen, Catholic Community Services.

(Opposed) Phil Altmeyer; and Carl Schroeder, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.