

HOUSE BILL REPORT

HB 1491

As Reported by House Committee On:

Housing
Capital Budget

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

Brief Description: Promoting transit-oriented housing development.

Sponsors: Representatives Reed, Richards, Berry, Duerr, Cortes, Doglio, Ryu, Fitzgibbon, Alvarado, Davis, Ramel, Parshley, Mena, Peterson, Nance, Macri, Fosse, Kloba, Ormsby, Scott, Pollet, Hill, Obras and Simmons.

Brief History:

Committee Activity:

Housing: 1/28/25, 2/11/25 [DPS];

Capital Budget: 2/25/25, 2/26/25 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Requires cities planning under the Growth Management Act to allow new residential and mixed-use development within a station area at certain transit-oriented development densities.
- Establishes affordability requirements and authorizes a 20-year property tax exemption for residential and mixed-use buildings constructed within a station area.
- Requires the Department of Commerce to administer a grant program to assist cities in providing the infrastructure, planning, and staffing necessary to implement the transit-oriented development requirements.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.

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.

Signed by 12 members: Representatives Peterson, Chair; Hill, Vice Chair; Richards, Vice Chair; Low, Ranking Minority Member; Connors, Entenman, Gregerson, Lekanoff, Reed, Thomas, Timmons and Zahn.

Minority Report: Do not pass. Signed by 1 member: Representative Dufault.

Minority Report: Without recommendation. Signed by 4 members: Representatives Jacobsen, Assistant Ranking Minority Member; Manjarrez, Assistant Ranking Minority Member; Barkis and Engell.

Staff: Serena Dolly (786-7150).

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. Fully 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.

Multifamily Property Tax Exemption.

The multifamily property tax exemption (MFTE) exempts real property associated with the construction, conversion, or rehabilitation of qualified, multiple-unit residential structures. Property owners must submit an application for the MFTE to the designated city or county. The city or county may include additional eligibility requirements for the tax exemptions.

Authorized MFTEs include:

- an 8-year exemption;
- a 12-year exemption if the applicant commits to renting or selling at least 20 percent of multifamily housing units as affordable housing to low- and moderate-income households;
- a 20-year exemption for homeownership if at least 25 percent of the units are sold to a qualified nonprofit or local government partner for permanent affordable homeownership; and
- a 20-year exemption for rental housing that meets the following criteria: at least 20 percent of the units are rented to low-income households for a term of 99 years, and the property is located within one mile of high-capacity transit, in a city that has implemented a mandatory inclusionary zoning requirement and has a population of not more than 65,000.

To qualify for an exemption, the housing project must be located in a residential targeted area (RTA) designated by a qualifying county or city. Cities and counties must meet certain criteria to designate an RTA and offer the MFTE.

At the conclusion of the exemption period, the value of the new housing, construction, conversion, or rehabilitation improvements must be considered as new construction for property tax purposes as though the property was not exempt under the MFTE program. No new MFTE applications may be approved on or after January 1, 2032.

Summary of Substitute Bill:

Station Area Designation.

Fully planning cities may not enact or enforce any development regulation within a rail station area or a bus station area that prohibits the siting of multifamily residential housing on lots where any other residential use is permissible.

A rail 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 a rail trolley operated west of the crest of the Cascade Mountains.

A bus station area is comprised of all lots within a UGA that are fully or partially within 0.25 miles walking distance of a stop on a fixed route bus system that: (1) is designated as a bus rapid transit stop in a transit development plan; (2) has been issued an environmental determination under the State Environmental Policy Act (SEPA); and (3) 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).

Density Requirements.

Floor area ratio (FAR) means a measure of development intensity equal to building square footage divided by the developable property square footage. Fully planning cities must allow new residential and mixed-use development at a density of at least 3.5 FAR, on average, within a rail station area and at a density of at least 2.5 FAR, on average, within a bus station area. A city exempting up to 25 percent of bus station areas may not impose a FAR of less than 3.0, on average, in the remaining station areas.

Cities may designate parts of a station area to enact or enforce FARs that are more or less than the density requirement, if the average maximum FAR for all residential and mixed-use areas in the station area is no less than the required density.

Cities may exclude from the 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;
- 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; or
- is in a tsunami inundation area as mapped by the Department of Natural Resources.

Density Bonuses.

Within any station area, an additional 1.5 FAR in excess of the density required must be allowed for a building in which all units are affordable to households with a monthly income that does not exceed 80 percent of area median or are permanent supportive housing.

Multifamily housing units with at least three bedrooms may not be counted toward FAR limits.

Affordability Requirements.

Residential buildings constructed within a station area must maintain affordability requirements for at least 50 years as follows:

- at least 10 percent of all units must be affordable to households with a monthly income that does not exceed 60 percent of the area median for rental housing and 80 percent of the area median for owner-occupied housing; or
- at least 20 percent of all rental units must be affordable to households with a monthly income that does not exceed 80 percent of the area median.

Residential buildings are exempt from the affordability requirements if:

- 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, 2025;
- 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, 2025; or
- a city has enacted or expands a mandatory affordable housing incentive program that requires a minimum amount of affordable housing to be provided by residential development, either on-site or through an in-lieu payment.

A city that has enacted an incentive program prior to January 1, 2025, that requires public benefits, such as school capacity, 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.

Multifamily Property Tax Exemption.

A multifamily residential or mixed-use building within a station area that meets the transit-oriented development affordability requirements is eligible for a 20-year property tax exemption on the value of housing-related improvements. A city with a station area must adopt standards and procedures to implement and approve the property tax exemption for qualifying buildings.

Development Regulations.

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.

Transit-oriented development regulations may not require:

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

Compliance.

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 was 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 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, 2026, as substantially similar to the transit-oriented development requirements.

A city may apply to Commerce for a deadline extension from the density requirements in any areas at high risk of displacement, based on a city's antidisplacement analysis or an antidisplacement map. 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 FAR requirements within any areas at high risk of displacement. Commerce may recertify an extension for additional five-year periods based on evidence of ongoing displacement risk.

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.

Grant Program.

Subject to appropriation, Commerce must establish and administer a 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, transportation, and parks and recreation facilities;
- station area planning or other predevelopment costs necessary for implementation of station area plans; and
- the staffing necessary to implement transit-oriented development requirements.

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 in a station area provides parking, 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 in 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.

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.

Substitute Bill Compared to Original Bill:

The substitute bill establishes a new 20-year property tax exemption on the value of housing-related improvements for a multifamily building that meets the transit-oriented development affordability requirements. It requires a city with a station area to adopt standards and procedures to implement the new MFTE and approve an exemption for qualifying buildings.

The substitute bill defines two types of station areas based on the existing criteria in the bill: a bus station area and a rail station area. It limits a rail station area around a trolley stop to those operated west of the crest of the Cascade Mountains and removes stops on a fixed guideway from the definition of rail station area.

The substitute bill changes the definition of mixed-use development to a building subject to a regulation specifying allowable residential proportions within mixed-use areas.

The substitute bill removes the language exempting cities with an affordable housing

incentive program from the provisions requiring a 1.5 FAR density bonus for any building in which all units are affordable housing, workforce housing, or permanent supportive housing. It also specifies that a city may identify the density and affordability requirements for a building subject to an affordable housing incentive program in the city's municipal code, instead of in the city's comprehensive plan.

The substitute bill allows a city to exclude a lot in a tsunami inundation area from the transit-oriented development requirements.

The substitute bill allows grant funding for staffing, station area planning, or other predevelopment costs necessary to implement the transit-oriented development requirements, in addition to infrastructure costs.

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) The state does not have enough homes for everyone who wants to live here. The state does not have enough subsidized housing or enough affordable homes for first-time homebuyers. The state does not have enough homes near the transit assets that the state continues to invest in. This bill addresses the urgent need for housing by making it possible to build new and denser housing around the most used transit assets. Transit-oriented development will help the state add significantly more homes while reducing sprawl, cutting pollution, and making communities more affordable to a range of incomes. The bill provides flexibility for cities and gives them time to adopt the new requirements with support from Commerce. Even with the upzoning some cities are doing in their comprehensive plan revisions, this bill is still necessary. The inclusionary zoning requirements are key to ensuring affordability in these areas. The bill could be made better with a mandatory MFTE. The bill will create a large number of jobs for workers in the building and construction trades.

(Opposed) This is a bill that Washington needs. The state needs a lot more housing. However, some of the requirements in the bill will discourage developers from building housing in the very areas we need it. The state-mandated inclusionary zoning requirements, combined with the implementation timeline, make this bill unworkable. Projects will not pencil out with the amount of low-income and workforce housing required in the bill. Mandatory affordability requirements have been shown to decrease the feasibility of new housing and hurt renters, instead of helping them, by reducing the supply of new housing.

The bill does not consider the needs of individual communities. The bill also fails to acknowledge that many jurisdictions are just now working through the code updates required to implement the comprehensive plans adopted in 2024.

(Other) Cities appreciate the flexibility in implementation, especially around bus rapid transit stops. Given the delayed implementation timeline, it would make sense to also delay any decisions until the results of the state-funded, transit-oriented development study is completed. Part of that study is looking at what cities are doing in their comprehensive plan updates. Cities support a threshold for affordability but are not sure the ones in the bill will work for all communities. Affordability requirements could push development outside of the station areas. A new MFTE for station areas could help address this issue. Eliminating parking requirements, particularly around bus rapid transit, does not consider whether the area has enough local transit to support other elements of daily life. The bill should require any building without off-street parking to notify prospective occupants that there may be limited parking options. Infrastructure funding is important to accommodate an increased amount of housing. Water and sewer districts should also be able to access any infrastructure grants or funding. The bill needs to include an exemption for lots with critical areas and their buffers. Some cities need more flexibility in defining station areas to protect manufacturing and industrial areas.

Persons Testifying: (In support) Representative Julia Reed, prime sponsor; Kristiana de Leon; Ryan Donohue, Habitat for Humanity Seattle-King and Kittitas Counties; Guillermo Rogel, Front and Centered; Bryce Yadon, Futurewise; John Traynor, Washington State Labor Council, AFL-CIO; Michele Thomas, Washington Low Income Housing Alliance; and Nicholas Carr, Office of the Governor.

(Opposed) Aidan Thornsberry; McKenzie Darr, NAIOP Washington State; Ryan Windish, City of Sumner; and Morgan Irwin, AWB.

(Other) Michael Transue, City of Fife; Bill Clarke, WA REALTORS; Mayor Mary Lou Pauly, City of Issaquah; Carl Schroeder, Association of Washington Cities; and Joren Clowers, Sno-King Water District Coalition.

Persons Signed In To Testify But Not Testifying: None.

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 11 members: Representatives Tharinger, Chair; Callan, Vice Chair; Davis, Fosse, Hill, Leavitt, Morgan, Rule, Salahuddin, Stearns and Zahn.

Minority Report: Do not pass. Signed by 8 members: Representatives Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; McClintock, Assistant

Ranking Minority Member; Barnard, Dye, Eslick, Walsh and Waters.

Staff: Dawn Eychaner (786-7135).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Housing:

The second substitute bill incorporates the changes made in the Housing Committee as follows:

- establishes a new 20-year property tax exemption on the value of housing-related improvements for a multifamily building that meets the transit-oriented development affordability requirements;
- requires a city with a station area to adopt standards and procedures to implement the new MFTE and approve an exemption for qualifying buildings;
- defines two types of station areas based on the existing criteria in the bill: a bus station area and a rail station area;
- limits a rail station area around a trolley stop to those operated west of the crest of the Cascade Mountains and removes stops on a fixed guideway from the definition of rail station area;
- changes the definition of mixed-use development to a building subject to a regulation specifying allowable residential proportions within mixed-use areas;
- removes the language exempting cities with an affordable housing incentive program from the provisions requiring a 1.5 FAR density bonus for any building in which all units are affordable housing, workforce housing, or permanent supportive housing;
- specifies that a city may identify the density and affordability requirements for a building subject to an affordable housing incentive program in the city's municipal code, instead of in the city's comprehensive plan;
- allows a city to exclude a lot in a tsunami inundation area from the transit-oriented development requirements; and
- allows grant funding for staffing, station area planning, or other predevelopment costs necessary to implement the transit-oriented development requirements, in addition to infrastructure costs.

In addition to these changes, the Committee on Capital Budget's second substitute bill also:

- reduces the size of a rail station area for a commuter rail stop in a city with a population no greater than 15,000 from 0.5 miles walking distance to 0.25 miles walking distance; and
- applies the Department of Ecology's exceptions to categorical exemptions from the State Environmental Policy Act to the categorical exemption for residential or mixed-use development within a station area.

Appropriation: None.

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.

Staff Summary of Public Testimony:

(In support) There are not enough homes near transit assets that taxpayers are already investing in. The working age generation dreams of an affordable home near transit in a vibrant mixed income community. This policy addresses the urgent need for housing to build new, denser housing around the most utilized transit modes and will unlock billions of square feet in housing and commercial development capacity. This policy ensures that in newly upzoned areas, the state is building mixed-income communities that provide flexible affordability standards for cities and provides a Multifamily Tax Exemption (MFTE) to incentivize development. This policy exempts critical areas and gives cities the option to make common-sense decisions about shaping their station areas and slow displacement in areas with a high risk of displacement. Baseline funding is provided by the Department of Commerce (Commerce) to cities for their five-year check-in for planning, but additional funding may be required for this additional work being done by cities on housing. A lack of affordable housing pushes people farther from their jobs, schools, and transit. More than one million new housing units are needed by the year 2044 to meet housing demand and this policy helps address that. Transportation is the largest source of greenhouse gas emissions in Washington. When people live closer to transit they drive less, resulting in cleaner air and a lower carbon footprint, and neighborhoods are healthier.

(Opposed) None.

(Other) It should be clarified on the record that industrial lands are excluded from definition of station area even if they are within the area. Extending the MFTE to 20 years may create a conflict with the statutory authority for Tax Increment Financing (TIF) that allows cities to fund infrastructure to incentivize private investment. The 12-year MFTE in statute already reduced the available TIF tax and a 20-year extension reduces that even further. The grant program for Commerce should be fully and robustly funded to create the desired outcome of these developments. The flexibility given to cities to designate transit-oriented development zones and provisions that allow cities to retain locally tailored affordability requirements that were under HB 1220 are helpful. The housing developed under this policy removes local authority over parking regulations and ignores the reality that residents need reliable parking and those transportation needs cannot always be met by transit.

Persons Testifying: (In support) Representative Julia Reed, prime sponsor; Bryce Yadon, Futurewise; Luke Lettice; Dillon Davis; and Michele Thomas, WA Low Income Housing Alliance.

(Other) Todd Tatum, City of Edmonds; Salim Nice, Mayor, City Mercer Island; and

Michael Transue, City of Fife.

Persons Signed In To Testify But Not Testifying: None.