

# FINAL BILL REPORT

## 3SHB 1491

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Synopsis as Enacted

**Brief Description:** Promoting transit-oriented housing development.

**Sponsors:** House Committee on Appropriations (originally sponsored by 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).

**House Committee on Housing**  
**House Committee on Capital Budget**  
**House Committee on Appropriations**  
**Senate Committee on Housing**  
**Senate Committee on Ways & Means**

### **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

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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 the applicant commits to selling at least 25 percent of the units to a qualified nonprofit or local government partner for permanent affordable homeownership; and
- a 20-year exemption if the applicant commits to renting at least 20 percent of the dwelling units to low-income households for a term of 99 years, subject to certain population, high capacity transit, and zoning requirements.

The MFTE does not include the value of land or non-housing improvements. 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.

#### Impact Fees.

Impact fees are one-time charges assessed by a county or city on new development activities to help pay for the increased services that will be required because of new growth and development. Development activity includes any construction or expansion of a building or use, any change in use of a building, or any change in the use of land, that creates an additional need for public facilities. Approval of a new development may be conditioned on the payment of impact fees.

Counties and cities planning under the GMA are authorized to impose impact fees for public streets and roads, publicly owned parks and recreation facilities, school facilities, and fire protection facilities. Impact fees may only be used on public facilities included in the capital facilities element of the comprehensive plan. The public facilities must be reasonably related to the new development, must reasonably benefit it, and must be designed to provide service areas to the community at large.

### **Summary:**

#### Station Area Designation.

A station area may be either a rail station area or a bus station area.

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 in a city with a population greater than 15,000, or a stop on a rail trolley operated west of the crest of the Cascade Mountains; or
- fully or partially within 0.25 miles walking distance of an entrance to a train station with a commuter rail stop in a city with a population no greater than 15,000.

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:

- is designated as a bus rapid transit stop in a transit development plan;
- has been issued an environmental determination under the State Environmental Policy Act (SEPA); 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).

#### 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. However, 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 transit-oriented development (TOD)

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, manufacturing, 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 must be allowed for a building in which all units are affordable or workforce housing for at least 50 years or are permanent supportive housing. Workforce housing means rental housing with monthly costs that do not exceed 30 percent of the monthly income of a household whose income is at or below 80 percent of the median income for the county where the household is located.

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

Cities must adopt regulations that allow for greater building height and increased density for developments built with all mass timber products in a bus station area.

#### Affordability Requirements.

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 housing;
- at least 10 percent of all rental units must be workforce housing if at least 10 percent of the units have more than two bedrooms; or
- at least 20 percent of all rental units must be workforce housing.

Buildings are exempt from the affordability requirements if:

- the building is constructed on a lot in which a density that meets or exceeds the TOD 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 December 31, 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 plan and implementing development regulations requiring those benefits provide development capacity that is substantially similar to the TOD requirements.

Multifamily Property Tax Exemption.

A city must approve a 20-year MFTE for multifamily housing within a station area that meets the TOD affordability requirements, unless the city authorizes the current 20-year MFTE program for multifamily rental housing. A county may approve a 20-year MFTE for multifamily housing within a station area that meets the TOD density and affordability requirements. The governing authority of city with a station area must adopt standards and procedures to implement and approve the property tax exemption for qualifying buildings.

The applicant must record a covenant or deed restriction that ensures the continuing rental or sale of units subject to the affordability requirements for a period of no less than 50 years and include policies to maintain public benefit if the property is converted to a use other than permanently affordable housing.

Impact Fees.

The local ordinance by which impact fees are imposed must provide a 50 percent reduction of impact fees for system improvements of public streets, roads, and certain bicycle and pedestrian facilities if the project is within a station area and claiming the 20-year MFTE exemption.

Transit-Oriented Development Regulations.

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.

Fully planning 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.

TOD 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.

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 TOD 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.

#### Compliance.

The deadline for fully planning cities to comply with the TOD 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 TOD 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 TOD 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 TOD 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 TOD requirements.

#### Washington State Department of Transportation Surplus Property.

The Washington State Department of Transportation (WSDOT) must review surplus property in a county with a population over two million that operates a municipal transit system and, in consultation with the county, select up to three park and ride facilities to conduct a pilot program to encourage development that meets TOD density and affordability requirements.

#### Major Transit Stop.

The Growth Management Act definition of major transit stop, which applies to the middle housing minimum density requirements and limits on off-street parking requirements for accessory dwelling units, is modified to exclude any stop that solely serves express bus service or serves express bus service and other bus services that are not considered bus rapid transit.

#### 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, located fully or partially within a station area may not prohibit the construction or development of multifamily housing or TOD density that must be permitted by cities or require off-street parking inconsistent or in conflict with TOD requirements.

#### **Votes on Final Passage:**

House 58 39  
Senate 30 18 (Senate amended)  
House 57 39 (House concurred)

**Effective:** July 27, 2025