

HOUSE BILL REPORT

E2SSB 6026

As Passed House - Amended:

March 5, 2026

Title: An act relating to residential development in commercial and mixed-use zones.

Brief Description: Concerning residential development in commercial and mixed-use zones.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Alvarado, Bateman, Conway, Frame, Lias, Nobles and Shewmake; by request of Governor Ferguson).

Brief History:

Committee Activity:

Local Government: 2/20/26, 2/25/26 [DPA];

Appropriations: 2/27/26, 3/2/26 [DPA(APP w/o LG)].

Floor Activity:

Passed House: 3/5/26, 69-27.

Brief Summary of Engrossed Second Substitute Bill (As Amended by House)

- Prohibits certain local governments from excluding residential development from commercial and mixed-use zones and from imposing ground floor commercial and mixed-use requirements in more than 40 percent of the acreage in such zones, with certain exceptions and exclusions.
- Requires local governments to have a process for applicants to request waivers or reductions from ground floor commercial or mixed use requirements.
- Prohibits local governments from imposing any ground floor commercial or mixed-use requirements on publicly subsidized affordable housing projects.
- Preempts and invalidates local government regulations that are contrary

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.

to the prohibition on excluding residential development from commercial and mixed-use zones as of December 10, 2027.

- Provides that a local government that is not in compliance with the limitations on ground floor commercial and mixed-use requirements in a commercial or mixed-use zone as of December 10, 2027, may not impose ground floor commercial and mixed-use requirements in the zone until it is in compliance with the requirements, with certain exceptions.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 5 members: Representatives Duerr, Chair; Zahn, Vice Chair; Klicker, Ranking Minority Member; Hall and Parshley.

Minority Report: Without recommendation. Signed by 2 members: Representatives Stuebe, Assistant Ranking Minority Member; Griffey.

Staff: Kellen Wright (786-7134).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Local Government. Signed by 19 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Berg, Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Lekanoff, Peterson, Pollet, Ryu, Stonier, Street and Thai.

Minority Report: Do not pass. Signed by 4 members: Representatives Corry, Dye, Manjarrez and Marshall.

Minority Report: Without recommendation. Signed by 6 members: Representatives Burnett, Keaton, Leavitt, Rude, Springer and Valdez.

Staff: Ryan Simonis (786-7290).

Background:

The Growth Management Act.

The Growth Management Act (GMA) requires that certain counties, and the cities within those counties, engage in planning for future population growth. A county may be subject

to the planning requirements of the GMA because of the county's population and population growth rate around the time of the GMA's inception in the 1990s, because of the county's population growth rate over a subsequent 10-year period, or because the county opted in to the GMA planning requirements. Altogether, 18 counties are required to plan, 10 have chosen to plan, and 11 are not subject to the full GMA planning requirements.

Whether a county is automatically required to plan under the GMA or voluntarily chooses to, the planning requirements are largely the same, and the comprehensive plan is the centerpiece of the process. The comprehensive plan must address goals designated by the Legislature and set out the policies and standards that are meant to guide the city or county's actions and decisions in the future. The comprehensive plan is implemented through development regulations. Development regulations are development and land use controls, and include zoning ordinances that limit or regulate the use of land in different areas of the jurisdiction.

Comprehensive plans are required to be reviewed and revised at least every 10 years. Counties, and the cities within those counties, are separated into four groups for the purposes of comprehensive plan update deadlines, with the deadlines for the groups staggered over four years. Certain counties and cities that meet designated population thresholds must also provide an implementation progress report five years after updating their comprehensive plan. The report must cover the jurisdiction's implementation of changes to the housing element of the comprehensive plan and the impact of those changes in the jurisdiction, permit processing timelines in the jurisdiction, progress toward achieving greenhouse gas and vehicle miles traveled reductions, and, if the jurisdiction has yet to take any specific action needed to implement the most recent comprehensive plan update, the identification of such actions and a work plan to take the necessary actions within two years of the implementation progress report.

A county's or city's comprehensive plan may not allow development near a military installation that is incompatible with the continued operation of the military installation.

Once a county becomes subject to the GMA, it must create one or more urban growth areas within the county. These are areas in which urban growth is encouraged, while, outside of designated urban growth areas, it is prohibited. Urban growth is that which makes such intensive use of the land for buildings, structures, and other impermeable surfaces that it cannot be used primarily for agricultural, natural resource, or rural uses. Generally, urban government services such as sewer systems, public transit, street cleaning, and other services associated with urban areas may only be provided within urban growth areas. Each city must be included in an urban growth area.

Cities planning under the GMA must also allow for increased residential density within a certain distance of a bus station or rail station. The areas subject to these density requirements are known as station areas.

All counties and cities, not only those fully planning under the GMA, must designate critical areas. These include wetlands, fish and wildlife habitat conservation areas, areas with a recharging effect on aquifers used for potable water, and geologically hazardous areas. Counties and cities must adopt development regulations to protect these critical areas.

Other Land Use Designations and Regulations.

Local governments can adopt plan overlays for additional tailing of land use in an area. An overlay is an additional layer of regulations on top of zoning or other land use regulations that apply within a specified area.

Counties and cities (local governments) can also regulate property in order to preserve its historic character. Generally, this means that the local government will limit or prevent alterations to a property that has been designated as a historic landmark, or which is located in a historic district.

If a general aviation airport operated for the benefit of the general public is located in a local government's jurisdiction, the local government is required to discourage the siting of incompatible uses adjacent to the airport through its development regulations. The regulations may only be adopted after consultation with, among others, airport owners, operators, and pilots.

The Department of Ecology adopts shoreline management guidelines to protect the shorelines of the state. Shorelines include the state's shoreline with the Pacific Ocean, Puget Sound, and rivers and lakes above a certain size. Local governments use the guidelines to develop shoreline master programs to regulate the use of shorelines.

Local government may designate tax increment financing areas. These are areas in which a local government can receive an increased amount of property tax revenue, with the additional amount based on the change in property tax assessments due to public improvements made by the local government. The local government must use the increased revenue to pay for the costs of the public improvements.

Rural Counties.

A rural county is a county with a population density of fewer than 100 people per square mile, or a county that is smaller than 225 square miles.

Summary of Amended Bill:

Any city planning under the GMA with a population of 30,000 or more, and any county planning under the GMA that is not a rural county, may not exclude residential development in areas zoned for commercial or mixed-use development. This prohibition

does not apply to any portion of a lot that is:

- in an industrial zone area, including zones with an employment overlay that prohibits all residential use that was adopted prior to June 10, 2027;
- within 3,200 feet of an oil or gas refinery;
- would require the demolition of a designated historic landmark;
- outside of an urban growth area, or not contiguous with the city that is subject to the prohibition;
- located near a general aviation airport or a military installation;
- in an area subject to tax increment financing, and the tax increment financing area was formed before June 10, 2027;
- adjacent to a shoreline environment in which all multifamily or mixed-use development is prohibited by a shoreline master program; or
- located in a critical area, except for certain aquifer recharge areas.

The prohibition on excluding residential development from commercial and mixed-use zones preempts, supersedes, and invalidates any contrary local government regulations as of December 10, 2027.

Counties and cities subject to the prohibition on excluding residential development from commercial and mixed-use zones also may not require mixed use or ground floor commercial or retail as a condition of permitting the development of residential housing, or a conditional use or special use permit, or departing from development regulations related to the location, siting, orientation, or design of residential or mixed-use development in more than 40 percent of the total acreage in areas zoned for commercial or mixed use. For the purposes of this limitation, certain areas are not considered to be zoned for commercial or mixed use. These are:

- station areas;
- areas in which the local government allows for development of up to a height of at least 85 feet;
- areas within an industrial zone;
- areas within 3,200 feet of an oil or gas refinery;
- areas outside of an urban growth area or that are not contiguous with the city that is subject to the limitation;
- areas near a general aviation airport or a military installation;
- areas subject to tax increment financing, if the tax increment financing area was formed before June 10, 2027;
- areas located adjacent to a shoreline environment in which all multifamily or mixed-use development is prohibited by a shoreline master program; and
- areas within a critical area, except for certain aquifer recharge areas.

Local governments must provide a process for an applicant to request a reduction or waiver of ground floor commercial or retail requirements. If the local government had a process in place for reviewing such requests prior to June 10, 2027, the local government may continue to use that process.

Any local government that did not have such a process in place must adopt an administrative process for reviewing such requests. When the local government is reviewing a request through the administrative process, it must consider the merits of the project, the increase in the number of dwelling units that would result from a reduction or waiver of the requirements, and whatever other factors the local government believes appropriate. The local government may establish an application process, timelines, and other criteria applicable to the administrative review process.

In any area in a commercial or mixed-use zone, ground floor commercial and mixed use requirements may not apply to publicly subsidized affordable housing projects that are exempt from property taxation.

Local governments are not authorized or required to withdraw a development permit issued under regulations that imposed a ground floor commercial or mixed use requirement as a condition of permitting a development. Local governments must allow a purchaser of a lot after December 10, 2027, that is subject to a development permit issued between June 10, 2027, and December 10, 2027, to file a new development permit application.

A local government that is not in compliance with the limitations on imposing ground floor commercial and mixed-use requirements by December 10, 2027, may not impose any ground floor commercial or mixed-use requirements within commercial and mixed-use zones outside of those areas that are excluded from consideration as commercial and mixed-use zones until the local government has come into compliance with the requirements.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 4, 2026.

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

Staff Summary of Public Testimony (Local Government):

(In support) This bill is about making it easier to build needed housing. This is the most important housing bill the Legislature will consider this year. We need 1.1 million housing units in the next 20 years, which is about 55,000 a year, and there were only 33,000 permitted in the state last year. Permits for multifamily housing projects have fallen precipitously. The equation for housing is currently broken, and this is sometimes because of city regulations. There is not enough land for residential development available. We are a hole for housing and going backwards. There need to be policy changes to address the housing. Everyone knows we need to build more housing, and this bill will reduce barriers to building it. This bill is taking advantage of a particular moment in time, as there is currently a significant amount of underutilized commercial property in cities and lots of

vacant retail space. There is less need for commercial property now. This bill would legalize residential housing in commercial zones, and these are areas in an urban growth area that are already compatible with housing. The bill also asks cities to interrogate how they mandate ground floor commercial and mixed use in these zones. The bill has gone through numerous changes based on listening to feedback from cities. Cities want to retain flexibility for placemaking, and that is why there are significant exemptions in the bill that apply to areas in which placemaking occurs, including exemptions for areas around transit and main streets. Cities will still be able to shape the character of their communities. The bill also offers flexibility beyond the specific exemptions by allowing ground floor commercial and mixed-use requirements in 20 percent of commercial and mixed-used areas generally. The bill still allows cities to decide what kind of residential use will be allowed. The bill also creates an offramp to allow cities to maintain their own regulations based on an expert study. The development community is happy to provide ground floor commercial when it makes economic sense, and it making sense generally requires height and density. The underlying purpose of the bill is very important, and we need to use land well in areas already planning for growth, and we need to be careful about adding burdens and barriers on housing. When someone goes through most communities in the state, they see underused commercial corridors. These represent a driver of significant carrying costs but also a substantial opportunity. This bill unlocks significant opportunities to reuse such land for housing. This will allow residential projects to move forward in commercial areas in which they would otherwise be stalled for years. Developers can seek variances currently, but the process is long, expensive, and uncertain. Builders are currently asking local government to be allowed to build this housing but they are being told no. This unlocks more buildable lands in areas already served by infrastructure. This is a market-based solution that allows for project-by-project decisions on what is feasible. Some people think of vacant offices in this bill, but it is more applicable to dilapidated strip malls and vacant big boxes stores. This bill is the result of a study commissioned by the Legislature. There is immense potential in the conversion of commercial property to housing, and it would occur under this bill without harming additional housing stock or resulting in sprawl. Local government tax revenue would rise because of sales tax revenue from construction and an increase in property tax revenue. The bill is not a significant threat to the city's tax base, as the market will build commercial when it makes sense whether it is mandated or not, and a mandate that results in an empty store front is not going to generate any revenue. Residential housing can bring in sales tax revenue because the sales tax revenue from online purchases go to the city in which the purchase is made. This is not the time for cautious incrementalism. The Legislature needs to act aggressively or risk is the death of American home ownership in the state. In the 1990s, the average first time homeowner was in their 20s, now the average first time homeowner is 40. Home prices have risen more in Washington than in any other state. If the Legislature does not act it will mean that rents will go up, there will be more people unhoused, less retirement security, and more racial inequality. This bill is very important to the Governor's housing agenda, which is one of the Governor's top priorities. This version of the bill is very different than previous versions, and there has been a lot of work done to meet with cities and others to find a balanced approach. Advocates are committed to doing the necessary work and finding the right

balance. The lack of housing is constraining the workforce and driving up costs for families across the state. This bill will help to unlock additional housing opportunities where it makes sense to do so. Infrastructure is one of the big costs of housing, and allowing housing in commercial and mixed-use areas maximizes current infrastructure. Other states have found success with similar policies. The bill should not be watered down any further, as this bill is the result of a good policy compromise and further changes will weaken the bill. Amenities should be allowed to count toward ground floor commercial requirements. There is no easy solution to housing issues, and all changes involve tradeoffs. Getting rid of ground floor commercial requirements is the most important part of this bill, as it is very difficult for affordable housing to comply with these requirements. Affordable housing developers need to fill funding gaps when such requirements are in place because tax credits are not available. These kind of mandates can result in prolonged commercial vacancies. The housing shortage exists across the entire state, so it is appropriate for the state to step in with new statewide policies. This bill addresses both land availability and commercial barriers to housing. If there is too much regulation then housing is not built. This bill removes real, unnecessary barriers to building more homes. This bill allows the right project to be put in the right place. Housing is about dignity, stability, and opportunity. The bill does not require that any space be used for housing, but allows it as an option. Developers are currently passing over properties for housing development that have commercial requirements. This is resulting in thousands of lost units. Commercial properties are sitting vacant and are difficult to sell. This bill will allow housing to be built in the short term while long-term studies on the right balance of commercial and residential use go forward.

(Opposed) Cities have been updating their land use codes for years and have increased density while working with developers and affordable housing providers to remove barriers and align the development code with market realities. We are seeing great results on housing due to recent policy changes. The goal is balance, as we need more housing while at the same time protecting neighborhood services that make walkable communities function. Eliminating all ground floor requirements removes flexibility and does not guarantee more housing, as these changes could encourage lower density projects that damage the walkability that cities are trying to create. Cities need to be able to implement their vision for walkable cities strategically. Cities should be allowed to rebalance by removing commercial requirements in 50 percent of the area. This bill is not a workable way to create complete communities, and will instead turn cities into bedroom communities. This bill puts businesses that families rely on every day at risk. There needs to be an exemption for grocery stores and drug stores, as well as an increase in allowed ground floor commercial requirements in 50 percent of the community. Taking away the ability to require ground floor commercial will force cities to consider new taxes or service cuts. Cities want to be able to keep small business districts and ground floor retail requirements. Cities are concerned that, even with exemptions, there will be areas that cannot be provided with walkable communities. The changes made to the bill so far do not address the concerns. This bill is trying to create a single policy that is intended to apply to dozens of cities from Walla Walla to Seattle. There would be no need for this bill if

developers wanted to build ground floor retail. This bill will take the decision about ground floor retail requirements away from cities. Some cities support this bill because it has exemptions that fit their communities, but it does not fit all cities. This bill may have significant impacts on revenue. If the bill is passed in its current form it will probably need to be changed in the future. There should be an exemption for cities that do not impose parking minimums. The bill overlooks smaller growing cities that do not have historic downtowns. This bill may undermine existing affordable housing requirements. Some cities already have existing residential development opportunities available outside of commercial zones, and these cities should be exempt from the bill. Some cities have proactively upzoned to exceed housing targets, but even current development is already displacing commercial and retail at a rate that city cannot afford. Some cities currently have very little retail vacancy. We need to allow small businesses and residential housing to coexist. The bill is confusing and would take significant work to implement. While the bill has improved since the original version, it still has issues. Cities need a clear date to remove commercial requirements and the bill needs to establish an objective compliance standard. The bill should be amended to require a 50 percent reduction in ground floor commercial requirements. This would maintain regulatory stability. This bill will impose costs on cities, and if it requires code updates outside of the normal update cycle it will require a lot of staff time and will come at the cost of other important work.

(Other) Ground floor makes sense for commercial use but it not as viable for residential use. Ground floor residential reduces the pedestrian environment and experience. Cities should be allowed to maintain design parameters to address urban design issues and make spaces livable.

Staff Summary of Public Testimony (Appropriations):

(In support) People should be able to work, play, and get educated where they live. Ground floor retail requirements prevent housing development in cities because it forces retail in areas where there is no market demand. This bill takes underutilized commercial space and allows it to be used for housing. This bill allows for more flexibility for the market to decide whether there should be ground floor retail. This bill has some limits on ground floor retail in key zones and is a big step forward in how land use will be done. This bill is not perfect and should continue to be improved. It should be amended to incentivize less than 100 percent commercial space on first floors.

(Opposed) None.

(Other) Ground floor retail is critical to placemaking and for creating livable, walkable, and grocery shop-able communities. It is essential for small businesses and creates a significant number of jobs in all communities. Ground floor retail is of value, but rigid retail mandates can make or break projects, especially in areas impacted by this bill. Transit-oriented development zones are exempt under this bill, so the parcels affected are not the ones with strong retail demand. Mandatory retail blocks housing and leaves property sitting vacant,

which are outcomes that should be avoided. Ground floor commercial requirements help small businesses located in strip malls that have been displaced by redevelopment into high density housing. In Redmond, there is a 1 percent commercial vacancy rate and there are 100 small businesses displaced by redevelopment. In Bellevue, the city has worked with developers to remove barriers for housing in mixed-use areas and better align its code with market realities. A balanced code enables more housing while protecting grocery stores, childcare, and neighborhood businesses that make communities function. A blanket elimination of ground floor requirements removes local flexibility.

There were a lot of significant concerns with this bill as it was introduced, because of potential unintended consequences from the inability to do community building in vibrant, walkable communities. The original bill also had tax base implications from the loss in ability for cities to have retail opportunities. Previous versions of this bill had the potential to undermine tens of thousands of hours of work done at the local level to update comprehensive plans, including millions of dollars, potentially impacting climate reduction plans, affordable housing goals, and job growth targets.

This bill is the strongest bill in the nation and moves the needle on housing supply. It should not have any further amendments, unless it is to provide cities with funding to implement unfunded mandates or restore the exemption for main streets. This bill touches on complex land use policy that impacts small businesses, the sustainability of city tax codes, and the ability for cities to meet climate goals. It allows cities the flexibility to retain ground floor commercial requirements in key areas to complete neighborhoods where housing and small businesses can coexist.

This bill preserves the status quo too much. It limits feasibility and narrows the path for real housing production. The intent of the bill is to allow builders and developers flexibility in determining whether a project would pencil or not. This bill should treat cities that are as different as Seattle and Walla Walla fairly. This bill needs more discussion and balanced negotiations to get there.

Persons Testifying (Local Government): (In support) Senator Emily Alvarado, prime sponsor; Alex Hur, Master Builders Association of King and Snohomish Counties; Carter Nelson, Commercial Real Estate Development Association (NAIOPWA); Em Stone, Governor's Office; Dave Andersen, Department of Commerce; Carl Shorett, AvalonBay Communities; Patience Malaba, Housing Development Consortium; Mark Villwock, D.R. Horton; Neil Strege, WA Roundtable; Denny Heck, Lt. Governor; Bryce Yadon, Futurewise; and Lauren McDonald.

(Opposed) Shannon Vincent, City of Lacey; Mo Malakoutian, City of Bellevue; Amy Falcone, Council Member, City of Kirkland; Carol Helland, Director, Planning and Community Development for City of Redmond; Carl Schroeder, Association of Washington Cities; Jeff Rimack, City of Lakewood; Mason Thompson, Mayor, City of Bothell; and Kristen Holdsworth, City of Kent and Long Range Planning Manager.

(Other) Blake Lyon, City of Bellingham, WA.

Persons Testifying (Appropriations): (In support) Neil Strege, WA Roundtable; and Bryce Yadon, Futurewise.

(Other) Carl Schroeder, Association of Washington Cities; Brian Enslow, Cities of Kirkland, Lacey, and Vancouver; Carter Nelson, CREDAWA, The Commercial Real Estate Development Association (Formally NAIOPWA); Angela Birney, City of Redmond Mayor; Mo Malakoutian, City of Bellevue Mayor; Alex Hur; and Blake Lyon, City of Bellingham, WA.

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

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