

SENATE BILL REPORT

SB 5659

As Reported by Senate Committee On:
Housing, February 21, 2025

Title: An act relating to eliminating each local government's proportional share of Washington's housing shortage.

Brief Description: Eliminating each local government's proportional share of Washington's housing shortage.

Sponsors: Senators Goehner, Boehnke and Dozier.

Brief History:

Committee Activity: Housing: 2/14/25, 2/21/25 [DP-WM].

Brief Summary of Bill

- Directs the Department of Commerce to calculate each county, city, and town's (local governments) proportional share of the state housing supply shortage by April 1, 2026 and requires local governments to approve enough new housing to close each local government's proportional share of the housing supply shortage through 2035.
- Requires local governments regularly evaluate locally enacted codes, ordinances, plans and regulations to determine whether they are impeding progress towards meeting the goals.
- Prohibits distribution of the earnings of investment of balances in the Local Real Estate Excise Tax Account to any local governments that fails to comply.

SENATE COMMITTEE ON HOUSING

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Bateman, Chair; Alvarado, Vice Chair; Goehner, Ranking

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.

Member; Gildon, Orwall, Salomon and Trudeau.

Staff: Melissa Van Gorkom (786-7491)

Background: Housing Planning Goal. The Growth Management Act (GMA) includes various planning goals to guide the development of comprehensive plans and development regulations for counties and cities that plan under the GMA. Under the housing goal, GMA jurisdictions must plan for and accommodate housing affordable to all economic segments of the population of the state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock.

The Department of Commerce (Commerce) must provide an inventory and analysis of existing and projected housing needs that identifies the number of housing units necessary to manage projected growth as required in the housing element of the comprehensive plan, including units for moderate, low, very low, and extremely low-income households as well as emergency housing, emergency shelters, and permanent supportive housing.

Project Permit Process. Before developing land, a developer must obtain permits from the local government allowing the development. These permits can include land use permits, environmental permits, building permits, and others, and are referred to as project permits. When a county or city planning under the GMA is reviewing a project, decisions on permit applications are based on adopted development regulations.

Real Estate Excise Tax. Most real estate sales are subject to state and local real estate excise taxes (REET). The tax is usually collected by the treasurer of the county within which the property is located, or in some circumstances by the Department of Revenue. The county treasurer remits collections of state REET moneys to the state treasurer. For real estate transactions where the state collects REET directly, the local portion of the tax is deposited with the state treasurer in a local REET account. On a monthly basis, the state treasurer distributes from the local REET account to the local governments, the amount of tax collected on behalf of each taxing authority as well as all earnings of investments of balances in the local REET account.

Summary of Bill: Commerce must establish the proportional share of Washington's total housing shortage for each local government using the best available data no later than April 1, 2026 and report the number of new homes that must be created in each local government through 2035 to eliminate Washington's housing shortage.

Every local government that has authority to approve or deny permits or similar approvals necessary for the construction of new homes must:

- approve the construction of enough new homes through 2035, as calculated by Commerce;
- beginning May 1, 2026, regularly evaluate its locally enacted codes, ordinance, plans, and regulations to determine whether its requirements impede the ability to eliminate

- its proportional share of Washington's total housing shortage by 2035; and
- beginning May 1, 2026, record the total number of building permit applications received and the number denied. If more than 33 percent are being denied, the local government is encouraged to evaluate and address the factors that lead to the denial and increase the number of permit applications it approves.

Local jurisdictions must also report any state-enacted requirements that impede the local government's ability to approve the necessary construction to Commerce. Commerce must promptly forward any reports made by local jurisdictions to the Governor, Lieutenant Governor, Chief Clerk of the House of Representatives, and Secretary of the Senate. The Legislature intends to review the reports and take appropriate action to amend state-enacted requirements to ensure local governments can eliminate their proportional share of Washington's housing shortage by 2035.

The state treasurer may not distribute the earnings of investments of balances in the local REET account to any local government that does not comply with the conditions and requirements.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The intent is to identify the reason we are not able to meet the building projections. There are a lot of impediments for development. We have not been able to identify the reasons why building is not taking place. There are a lot of bills that are creating incentives but it is really the locals that know what is going on in their area and this bill would encourage them to analyze the reasons why building is not happening so that we can identify and change the problems that are really keeping us from achieving the goal. This is an interesting idea to give a self-assessment of what is causing the lack of supply and provides some accountability for local jurisdictions to do their job.

Persons Testifying: PRO: Senator Keith Goehner, Prime Sponsor; Jan Himebaugh, Building Industry Association of Washington.

Persons Signed In To Testify But Not Testifying: No one.