

SENATE BILL REPORT

SB 5662

As Reported by Senate Committee On:
Local Government, February 20, 2025

Title: An act relating to the waiver of municipal utility connection charges for certain properties.

Brief Description: Concerning the waiver of municipal utility connection charges for certain properties.

Sponsors: Senators Riccelli, Nobles and Slatter.

Brief History:

Committee Activity: Local Government: 2/17/25, 2/20/25 [DP, w/oRec].

Brief Summary of Bill

- Requires the waiver of connection charges be conditioned upon the developer recording a covenant that prohibits using the property for any purpose other than emergency shelter, transitional housing, permanent supportive housing, or affordable housing.
- Requires the property owner to pay applicable connection charges in effect if the property is converted to a use other than emergency shelter, transitional housing, permanent supportive housing, or affordable housing.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass.

Signed by Senators Salomon, Chair; Lovelett, Vice Chair; Bateman and Goehner.

Minority Report: That it be referred without recommendation.

Signed by Senator Torres, Ranking Member.

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.

Staff: Karen Epps (786-7424)

Background: Cities and towns are authorized to construct and operate waterworks to provide water for the city and its inhabitants. The city or town may charge for the use of its water, but the rates must be uniform for the same class of customers or service and cannot be less than the cost of the water and service.

Cities and towns are also authorized to construct and operate sewage, including facilities for both stormwater and sewage, and solid waste handling facilities. Rates for these services also have to be uniform for the same class of customers or service.

When setting classifications for water or sewage, the city or town can consider differences in:

- the cost of services to customers, and in maintenance and operation of the system;
- the location of the customers;
- the character of the service provided;
- the quantity or quality of the service supplied and the time of its use; and
- any other reasonable grounds for distinction.

Cities and towns can also consider water conservation goals and discouraging wasteful water practices under water user classifications. Cities and towns can consider the user's public benefit nonprofit status under sewerage use classifications.

Cities and towns can charge connection fees to property owners seeking to connect to the water or sewerage system as a condition to connecting to the system. In addition to the cost of connection, the legislative body of the city or town must determine a reasonable charge so that the property owners bear their equitable share of the cost of the system. The equitable share may include interest charges from the date of construction of the system until its connection, or up to ten years, whichever is less. The interest rate charged may be the same interest rate that was applicable to the city or town at the time of the construction or of a major rehabilitation of the water system, up to 10 percent per year, though the aggregate interest imposed cannot exceed the equitable share of the cost of the system allocated to the connecting users.

Cities and towns may also construct and operate gas and electrical utilities, and regulate the use, distribution, and price of those services. Cities and towns may charge service connection fees to connect properties to these utilities.

If a city or town waives or delays tap-in fees, connection fees, or hook-up fees related to municipal utilities for people with low income, the city must have established a program by an ordinance. Cities and towns may also waive electricity or gas connection charges for people with low income who purchase their property from a nonprofit organization. Waivers for the same class of electric or gas service must be uniformly applied to all qualified properties.

Municipal utilities may waive connection charges for properties owned or developed by, or on the behalf of, a nonprofit organization, housing authority, or local agency that provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing. Any waived connection charges must be funded using general funds, grant dollars, or other identified revenue stream. If a property that received a waiver is no longer eligible for a waiver, any waived connection charges become immediately due and payable as a condition of continued service.

Summary of Bill: Any waived connection charges must be funded using general funds, grant dollars, or other identified revenue stream, unless the waiver of charges is conditioned upon requiring the developer to record a covenant that prohibits using the property for any purpose other than emergency shelter, transitional housing, permanent supportive housing, or affordable housing.

At a minimum, the covenant must address price restrictions and household income limits, and that if the property is converted to a use other than emergency shelter, transitional housing, permanent supportive housing, or affordable housing, the property owner must pay the applicable connection charges in effect at the time of conversion. These covenants must be recorded with the applicable county auditor or recording officer.

Appropriation: None.

Fiscal Note: Not requested.

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 cost of connection fees creates a problem for home ownership projects and low-income housing is becoming more expensive. This bill is one mechanism that makes things less expensive for developers filling the need for low-income housing. In 2023, Spokane made the decision to increase the general facilities fees by over 500 percent, increasing costs for Habitat for Humanity homes by \$16,000. The 2023 bill included language that the waiver costs needed to be backfilled. This bill allows cities the option to waive the connection fees and does not mandate it. The rising general facilities charges make home ownership even harder to achieve. These fees recover past capital costs, and they disproportionately impact smaller homes. This bill ties nicely with other incentives for affordable housing. These utilities fees are approximately \$80,000 for an affordable housing project and this bill will help to continue to create affordable housing.

OTHER: There are some questions about implementation of this bill, including what procedures need to be followed to recoup waived fees from new property owners and whether interest should be applied to those fees.

Persons Testifying: PRO: Senator Marcus Riccelli, Prime Sponsor; Ben Stuckart, Spokane Low Income Housing Consortium; Michelle Girardot, Habitat for Humanity-Spokane; Matt Kilbourne, Catholic Charities of Eastern Washington.

OTHER: Logan Bahr, Tacoma Public Utilities/Tacoma Power.

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