

# SENATE BILL REPORT

## SB 5725

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As of February 17, 2025

**Title:** An act relating to expanding affordable housing opportunities on community and technical college lands.

**Brief Description:** Expanding affordable housing opportunities on community and technical college lands.

**Sponsors:** Senators Slatter, Hasegawa, Trudeau and Valdez.

**Brief History:**

**Committee Activity:** Housing: 2/19/25.

**Brief Summary of Bill**

- Authorizes the State Board for Community and Technical Colleges to enter into long-term leases up to 99 years for development of affordable housing on underutilized community and technical college (CTC) land.
- Creates a leasehold excise tax exemption when underutilized CTC lands are used for the placement of affordable housing.

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### SENATE COMMITTEE ON HOUSING

**Staff:** Melissa Van Gorkom (786-7491)

**Background:** State Board for Community and Technical Colleges. The State Board for Community and Technical Colleges (college board) provides general supervision and sets policy direction for the community and technical college (CTC) system. Among its specific responsibilities, the college board may sell or exchange and convey any or all interest in any CTC real and personal property, except such property as is received by a college district, when it determines that such property is surplus or that such a sale or exchange is in the best interests of the CTC system.

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*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.*

State Surplus Property. Any state or local agency with authority to dispose of surplus property may transfer property to any public, private, or nongovernmental body on any terms agreeable to the parties, including a no-cost transfer, if the property is used for a public benefit and the governing body or legislative authority has enacted rules to regulate the disposition of property for public benefit purposes.

Before any state agency, except the Department of Transportation, may dispose of surplus state-owned real property to a private or any nongovernmental party, the agency must provide written notice to all other state agencies, each federal agency operating within the state, and the governing authority of each county, city, town, special purposed district and federally recognized Indian tribe in which the land is located. Notice must be provided at least 60 days before entering into any agreement. The state agency providing notice must dispose of the property for continued public benefit to any governmental entity responding to the notice—with state agencies receiving priority—on any terms agreeable to the parties, except where the law requires the sale for fair market value.

Leasehold Excise Tax. State leasehold excise taxes are levied and collected on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest. A leasehold interest is an interest in publicly owned real or personal property that exists by virtue of any lease, permit, license, or other written or verbal agreement between a public owner and a person who would not be exempt from property taxes if that person owned the property. The leasehold excise tax is levied at a rate of 12.84 percent of taxable rent. There are several leasehold excise tax exemptions, including facilities owned or used by:

- a school, college or university which provide housing for students; and
- a CTC, which leasehold interest provides: food services for students, faculty, and staff; the operation of a bookstore on campus; or maintenance, operational, or administrative services to the CTC.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Substitute):** State Board for Community and Technical Colleges. The responsibilities of the college board are updated to authorize them to lease,

transfer, assign, pledge, grant or dispose of CTC real or personal property for a public purpose such as affordable housing. The college board is authorized to enter into long-term leases up to 99 years for the development of underutilized CTC land and may pledge or grant land as security for loans to support affordable housing projects. If the college board decides to sell or lease underutilized CTC land, a CTC has a right of first refusal to purchase or lease the property or unused portions of the property at fair market value by negotiated agreement with mutual consideration. If a project fails to secure financing or does not commence construction within four years of property transfer or lease approval, the CTC may reclaim the land under a repurchase agreement.

Any land leased for affordable housing must:

- include restrictive covenants to prevent future conversion to market-rate housing or commercial use; and
- address criteria and policies to maintain public benefit if the property is converted to a use other than which continues to provide for affordable housing.

A CTC may allow affordable housing projects to share parking, roads and utilities without violating restrictions on the use of public resources. Easements may be granted to provide necessary access and services to affordable housing developments.

State Surplus Property. A CTC providing affordable housing is not required to provide written notice to all other state agencies, each federal agency operating within the state, and the governing authority of each county, city, town, special purposed district and federally recognized Indian tribe in which the land is located before disposing of the land to a private or nongovernmental party.

Leasehold Excise Tax. The college board may enter into leaseback agreements with nonprofit developers. All leasehold interests for placement of affordable housing on underutilized CTC land are exempt from leasehold excise tax if the lessee commits to renting or selling at least 100 percent of housing units as affordable to low- and moderate-income households for 99 years.

Tax Preference Performance Statement. A TPPS is included, stating the public policy objective is to incentivize the placement of affordable housing on underutilized CTC land and the Legislature intends to continue the preference if a JLARC review finds that the number of affordable housing units placed on underutilized CTC land increased following the enactment of this tax preference. The bill is not subject to automatic expiration for tax preferences.

**Appropriation:** None.

**Fiscal Note:** Requested on February 11, 2025.

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

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