SENATE BILL REPORT
SB 5377

As of February 6, 2009

Title: An act relating to funding for residential infrastructure development.

Brief Description: Concerning funding for infrastructure that supports dense, affordable development in transit-oriented areas.

Sponsors: Senators Kilmer, McCaslin, Kastama, Fairley, Swecker and Marr.

Brief History:
Committee Activity: Economic Development, Trade & Innovation: 2/02/09.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Philip Brady (786-7460)

Background: The Housing Division of the Department of Community, Trade, and Economic Development (CTED) administers programs to create, preserve, and support affordable housing. These programs award funds for the construction, acquisition, and rehabilitation of affordable housing, but, with limited exceptions, do not fund infrastructure required to support housing development.

A real estate excise tax (REET) is imposed by the state upon the sale of real property at the rate of 1.028 percent of the selling price. Of the amount collected, 6.1 percent of the proceeds are deposited into the Public Works Assistance Account, and 0.6 percent of the proceeds are deposited into the City-County Assistance Account.

Summary of Bill: The residential infrastructure program is created within CTED. It provides loans to cities and counties planning under the Growth Management Act (eligible jurisdictions) and grants to nonprofit organizations to create the infrastructure necessary to increase capacity for dense, affordable residential development near existing or likely future mass transit stops.

In order to qualify for loans, an eligible jurisdiction must designate a project area and demonstrate that the relevant infrastructure projects: 1) are in its comprehensive capital facilities plan; 2) will maximize the use of existing infrastructure; 3) will support infill and redevelopment of existing areas; 4) will promote affordable residential development; 5)

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include a plan to replace any housing units lost due to the project; and 6) will pay a prevailing wage for each project.

In order to qualify for grants, nonprofits must demonstrate the project will: 1) support public infrastructure projects; 2) take place in an urban growth boundary; 3) increase the supply of dense, affordable residential development; and 4) replace lost housing units.

Projects by eligible jurisdictions may not exceed $10 million per year, and those by nonprofits may not exceed $1 million per year. Interest rates on loans to eligible jurisdictions are capped at half of one percent and all or part of loans may be forgiven if certain criteria are met. Loans and grants are awarded through a competitive process, and projects receiving funds must report annually.

The Residential Infrastructure Account is created in the state treasury. The State Treasurer annually transfers the lesser of $50 million or the excess REET growth amount to the account. The excess REET growth amount is obtained by multiplying REET collection by the excess growth factor. The excess growth factor is the difference between annual growth in REET collections and the fiscal growth factor. The fiscal growth factor is the average growth in state personal income for the prior ten year period.

Appropriation: None.

Fiscal Note: Requested on January 26, 2009.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Growth will fund growth. The REET is the most volatile form of income, so tying these funds to it will reduce the impact on the General Fund. There are no statewide funds for high-density residential infrastructure. This will create jobs and provide housing across all wage bands. This wouldn't change what counties get out of the REET, just refocus it. It also doesn't change the amount of the REET, which is good. This is strategic investment in infrastructure. This would make the Growth Management Act work. This is a good first step, and would decrease transit costs and congestion. Developers currently have to pay for infrastructure, and the costs can be prohibitive.

OTHER: Cities and counties are going to have disagreements over growth boundaries. Some transit systems are ineligible, so some definitions should be reworked.

Persons Testifying: PRO: Bob Drewell, Puget Sound Regional Council; Chris Strow, Prosperity Partnership; Terri Jeffreys, Realtors; Steve Williams, Homesight of Washington; Bob Drea, Puget Sound Regional Council; April Putney, Futurewise.

OTHER: Joe Daniels, City of Seatac; Ashley Probart, Association of Washington Cities.