HOUSE BILL REPORT
HB 1624

As Reported by House Committee On:
Community Development & Housing

Title: An act relating to promoting residential infrastructure development in urban growth areas.

Brief Description: Promoting residential infrastructure development in urban growth areas.

Sponsors: Representatives Ormsby, Kenney, Dunshee, Upthegrove, Cody, Fitzgibbon, Roberts and Billig.

Brief History:
Committee Activity:
Community Development & Housing: 2/3/11, 2/17/11 [DPS].

Brief Summary of Substitute Bill

- Creates, subject to funding, the Residential Infrastructure Program (Program) in the Department of Commerce to provide loans and grants for public infrastructure that supports increased capacity for dense, affordable residential development in transit-proximate areas.
- Establishes Program eligibility, selection, funding, and reporting requirements.
- Limits the amount of financial assistance allocated to $10 million per project for eligible jurisdictions and $1 million per project for nonprofit organizations.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Kenney, Chair; Finn, Vice Chair; Maxwell, Ryu and Santos.

Minority Report: Do not pass. Signed by 4 members: Representatives Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Walsh.

Staff: Jennifer Thornton (786-7147).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Affordable Housing Programs.

The Housing Division of the Department of Commerce (Department) 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.

Growth Management Act.

The Growth Management Act (GMA) is the comprehensive land use planning framework for county and city governments in Washington. Enacted in 1990 and 1991, the GMA establishes numerous requirements for local governments obligated to fully plan and a reduced number of directives for all other counties and cities.

Among other requirements, counties that fully plan under the GMA (planning counties) must designate urban growth areas (UGAs) or areas within which urban growth must be encouraged and outside of which growth can occur only if it is not urban in nature. Planning counties, and each city within these counties, must include within their UGAs, areas and densities that are sufficient to permit the urban growth that is projected to occur in the county or city for the succeeding 20-year period.

Washington State Quality Award Program.

The Washington State Quality Award (WSQA) is a nonprofit organization that evaluates performance standards for organizations who apply for review. After an intensive screening process, the WSQA provides feedback to these organizations regarding how to improve quality performance and recognizes those that have achieved performance excellence.

Summary of Substitute Bill:

Intent.

The Legislature recognizes that:

1. The goals of the GMA include encouraging development in urban areas with existing adequate public facilities and services or those that can be efficiently provided, encouraging the availability of affordable housing, promoting a variety of residential densities and housing types, and encouraging the preservation of existing housing stock.
2. These goals can be promoted through efforts to thoughtfully and efficiently foster residential infrastructure development in UGAs. The Legislature intends to establish new policies for promoting residential infrastructure in UGAs designated under the GMA.

Program Creation.

Subject to funding for this purpose, the Residential Infrastructure Program (Program) is created in the Department to provide loans to eligible jurisdictions and grants to nonprofit organizations for public infrastructure that supports increased capacity for dense, affordable residential development in transit-proximate areas. "*Transit-proximate*" is defined to mean within one-half mile walking distance of a high capacity transit station or within one-quarter mile of a major transit stop.

Funds appropriated through the Program must be used to pay for the cost of qualifying public infrastructure projects. Allowable costs include planning, construction, repair, reconstruction, replacement, rehabilitation, or improvement of sidewalks, streets and roads, bridges, publicly owned utilities, drinking water systems, and storm and sanitary sewage systems. Program funds may also be used for the acquisition of real property when the acquisition is directly related to the development of qualifying public infrastructure.

<u>Program Eligibility and Administration</u>.

Eligible jurisdictions are defined as counties and cities planning under the GMA and federally recognized Indian tribes in Washington. Those eligible jurisdictions that are seeking Program funding must satisfy various requirements, including:

- designating a project area within its UGA, and demonstrating that overall development within the project area will increase the supply of dense, affordable residential development units;
- demonstrating that the project area will meet transit proximity and minimum density requirements;
- demonstrating that the infrastructure projects are contained in official planning documents and will maximize existing infrastructure as well as increase system capacity to accommodate projected population growth in a manner that supports infill and redevelopment of existing urban areas;
- committing to promote affordable housing; and
- committing to comply with prevailing wage provisions for each infrastructure project.

Eligible jurisdictions also must include a plan to construct or pay for the construction of comparable replacement housing within the jurisdiction when housing units are lost as a direct result of a project funded by the Program. Each residential unit lost as a result of a project funded by the Program must be replaced with a unit of equal or better affordability. Priority for the replacement units must be given to displaced households, and relocation assistance must be paid to any displaced households.

Nonprofit organizations seeking funding from the Program must satisfy several requirements, including:

- demonstrating that the funding will support public infrastructure projects or the acquisition of property related to the development of infrastructure projects subject to specified requirements;
- demonstrating that a project area is within UGA boundaries and that overall development within the project area will increase the supply of dense, affordable residential development; and

- complying with requirements relating to the provision of comparable replacement housing, priority for replacement units, and relocation standards and requirements.

Each year the Department must determine the total amount of funding available in loans and grants and must establish the total amount of financial assistance to be awarded to eligible applicants based on funds, application quality, and future revenue projections.

The total amount of financial assistance allocated may not exceed $10 million per project for eligible jurisdictions and $1 million per project for nonprofit organizations.

These funding limits must be adjusted for inflation. Loan interest rates may not exceed 0.5 percent per year. The Department must establish policies, priorities, and procedures by which all or part of a loan may be forgiven if an eligible jurisdiction significantly exceeds Program expectations.

The Department is required to establish and use a competitive application process for loan and grant awards and must review and prioritize proposals in consultation with the Public Works Board and the Transportation Improvement Board or their respective designees.

Priority must be awarded to projects with plans to maximize capacity to accommodate growth, residential density, affordability to the lowest-income households, length of affordability, and the number of affordable housing units. They must also prioritize projects demonstrating readiness to proceed.

The Department must give additional consideration to jurisdictions that have completed a WSQA program assessment of management systems, and jurisdictions that demonstrate a commitment to creating receiving areas for transferred development rights from rural and resource lands.

Jurisdictions and nonprofit organizations that receive more than $250,000 in total loans or grants in a calendar year from the Program or other housing-related funding sources must apply to the WSQA for an assessment of management systems. Entities that receive more than $250,000 in total loans or grants from qualifying sources for three or more consecutive calendar years must apply to the WSQA for an assessment of management systems every three years.

<u>Repayment Requirements</u>.

If an infrastructure project funded by the Program is not completed by the agreed upon date or will result in the creation of less affordable residential development than specified in the agreement, the applicable jurisdiction or nonprofit organization must either make necessary project adjustments as determined by the Department or refund all or a portion of the loan or grant amount.

If an eligible jurisdiction rescinds its commitment to promoting affordable residential development within the designated project area, the jurisdiction may be required to refund all or a portion of the principal loan amount plus compounded interest.

If a nonprofit organization fails to produce the agreed upon number of affordable residential units within its designated project, the nonprofit organization may be required to refund all or a portion of its grant amount plus compounded interest.

The Department may grant an exemption from these repayment requirements if it determines that a project is substantially complete or that the property has been substantially used in keeping with the original affordable residential housing purpose of the loan or grant.

Reporting Requirements.

Eligible jurisdictions and nonprofit organizations that receive support from the Program must submit an annual report containing specified information to the Department until 10 years after the infrastructure project is completed.

Definitions.

Numerous definitions associated with the Program are established, including affordable residential development, comparable replacement housing, residential development, transfer of development rights, and transit-supportive density.

Substitute Bill Compared to Original Bill:

Local eligible jurisdictions must commit to complying with prevailing wage provisions, rather than commit to paying prevailing wages for infrastructure projects.

The Program created in the Department is subject to the availability of amounts appropriated for its creation.

Comparable replacement housing provisions must include providing displaced households with priority for obtaining replacement units. The displaced households must be provided with a 45 day option to obtain a replacement unit prior to a unit being made available to non-displaced households.

The affordable residential development requirement that nonprofit organizations must meet through a commitment from the Housing Trust Fund is modified to also allow a commitment of funding from the Housing Finance Commission.

Definitions are modified.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This document is the culmination of nearly four years worth of work, and it addresses many laudable goals. The intent section is instructive for encouraging adequate public facilities and services, affordable housing, housing preservation, and infrastructure. Although there is no money, it does not mean we shouldn't strive to achieve policy goals and set up a program for when resources become available. The population is growing. HomeSight's 102-unit urban fill-in development for low-income and moderate-income homebuyers is an example of something that would qualify for this Program. Since there was no investment at the location, the infrastructure costs were 3 percent of the construction budget. People are putting facilities off of transit routes because lands are cheaper. This encourages development on transit routes which is the best use of resources. This helps create great communities where people want and can afford to live. It addresses growth challenges. This Program will provide a needed tool.

(Opposed) None.

Persons Testifying: Representative Ormsby; Velma Veloria, Homesight; Leda Chahim, Cascade Land Conservancy; and Michael Shaw, American Planners Association.

Persons Signed In To Testify But Not Testifying: None.