

# SENATE BILL REPORT

## SB 5598

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, February 19, 2013

**Title:** An act relating to the disposition of surplus property for the development of affordable housing.

**Brief Description:** Concerning the disposition of surplus property for the development of affordable housing.

**Sponsors:** Senators Mullet, Litzow, McAuliffe, Fain, Kohl-Welles, Shin, Nelson, Chase and Frockt; by request of Washington State Housing Finance Commission.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/14/13, 2/19/13 [DPS, DNP].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 5598 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hobbs, Chair; Mullet, Vice Chair; Fain and Nelson.

**Minority Report:** Do not pass.

Signed by Senator Benton, Ranking Member.

**Staff:** Alison Mendiola (786-7483)

**Background:** Department of Commerce's Surplus Land Inventory Program. The Department of Commerce (Department) must administer a program for the statewide identification and cataloging of under-utilized, state-owned real property that is suitable for the development of affordable housing for: very low-income, low-income, and moderate-income households. Specified state agencies and local governments must provide the Department with an inventory, subject to yearly updates, of all real property that is owned or controlled by such agencies, and that is available for lease or sale. The state agencies and local governments subject to this requirement are the:

- Department of Natural Resources;
- Department of Transportation;
- Department of Social and Health Services;

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- Department of Corrections;
- Department of General Administration;
- counties; and
- cities, towns, and code cities.

Although not specifically referenced in the Departments' surplus lands inventory statute (RCW 43.63A.510), counties, cities, towns, and code cities are explicitly required to fully participate in the inventory program by statutes contained in the various chapters regulating these municipalities.

As part of the Department's inventory program, each of the participating state agencies and local governments must provide the Department with an inventory of its eligible surplus property by November 1 of each year. The inventory must include pertinent information regarding the location, approximate size, and current zoning classification of the property. In addition, by November 1 of each year, the governmental entities must purge their real property inventories of sites that are no longer available for the development of affordable housing. The Department must then update its master inventory to reflect the inventory changes reported by the governmental entities.

Upon written request, the Department must provide a copy of the inventory of state-owned and publicly-owned real property to parties interested in developing the sites for affordable housing.

Affordable housing is defined as residential housing that is rented or owned by a person who qualifies as a very low-income, low-income, or moderate-income household, or who is from a special needs population, and whose monthly housing costs, including utilities other than telephone, do not exceed 30 percent of the household's monthly income.

Sale or Disposition of Surplus Land by Governmental Entities Not Required to Participate in Department's Surplus Land Inventory. Most state and local governmental entities that are authorized to own, control, or administer real property are subject to some form of statutory regulation regarding the sale, disposition, or administration of such property. Most of these governmental entities, however, are not required to participate in the Department's surplus property inventory, nor are they subject to statutory provisions requiring that they consider the development of affordable housing when disposing of surplus property. The Parks and Recreation Commission is not a participant in the inventory or otherwise directed to consider affordable housing uses when selling surplus property.

**Summary of Bill (Recommended Substitute):** The Department is not required to maintain an inventory of an agency's surplus housing but rather may work with the state and local governmental agencies, that choose to utilize real property, including air rights, owed by these governmental agencies, suitable for the development of affordable housing. State and local governmental that may voluntarily utilize this process includes the departments of Natural Resources, Transportation, Social and Health Services, Corrections, Enterprise Services, public lands except for state forest lands, the State Parks and Recreation Commission, counties, cities, towns, and regional transit authorities.

- Affordable housing includes the following:

- extremely low-income, which means a single person, family, or unrelated persons living together whose income is at or below 30 percent of the county area median income where the affordable housing is located, adjusted for household size;
- very low-income, which means a single person, family, or unrelated persons living together whose income is at or below 50 percent of the county area median income where the affordable housing is located, adjusted for household size;
- federally qualified low-income, means a single person, family, or unrelated persons living together whose income is more than 50 percent but is at or below 60 percent of the county area median income where the affordable housing is located, adjusted for household size; and
- low-income, which means a single person, family, or unrelated persons living together whose income is more than 60 percent but is at or below 80 percent of the county area median income where the affordable housing is located, adjusted for household size.

Eligible organization means any city, town, or county government, local housing authority, public development authority, community renewal agency, regional support network (71.24 RCW), nonprofit community or neighborhood-based organization, federally-recognized Indian tribe in the state of Washington, farmworker housing or nonprofit housing assistance organization.

A governmental entity may sell or lease real property, including air rights, to an eligible organization for less than fair market value, provided that the housing developed on the property will be occupied primarily by households who are extremely low-income, very low-income, federally-qualified low-income, or low-income. The governmental entity may create beneficial sales terms including, but not limited to, extended closings.

An eligible organization may obtain a government entity surplus property through purchase, lease, exchange, or donation in return for: a recorded covenant to provide rental housing for extremely low-income, very low-income, federally-qualified low-income, or low-income households for at least 40 years; or a loan note in the name of the governmental entity for homeownership programs in which homeowners are extremely low-income, very low-income, federally-qualified low-income, or low-income. The governmental entity must monitor compliance with the covenant or loan note.

Alternatively, counties, cities, and towns may sell surplus property at a discount for affordable housing that may be part of mixed-income or mixed-use developments meeting affordable housing requirements as provided under the Growth Management Act – RCW 36.70A.540.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute):** Ports are removed from the bill. Farmworking housing is added to the definition of eligible organization. It is clarified that language addressing counties, cities and towns does not limit any existing authority. Technical changes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill:** PRO: Under the right conditions there could be surplus government land suitable for affordable housing. Location is a challenge for affordable housing due to the price of land. Surplus land may provide easy access to transportation, doctors, transportation, and grocery stores. Developing affordable housing in some areas can cost as much as \$50,000 per unit. There is a growing demand from people of all incomes to live in dense areas which makes housing more expensive. Selling government property is optional.

OTHER: Ports are not suitable for affordable housing due to their location near airports, trains, and contaminated property. There could also be security and safety issues as well as federal restrictions. While we support affordable housing, the diversion of dollars from regional transit projects would make it that much harder to build the transit. Farm workers' housing should be added as an eligible organization.

**Persons Testifying:** PRO: Steve Walker, WA State Housing Finance Commission; Daniel Landes, Shelter Resources, Inc.; Jeff Foster, GGLO, LLC.; April Putney, Futurewise.

OTHER: Scott Dilley, WA Farm Bureau; Ginger Eagle, WA Public Ports Assn.; Paul Roberts, Sound Transit Board.