

# HOUSE BILL REPORT

## HB 2049

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**As Reported by House Committee On:**  
Community Development, Housing & Tribal Affairs

**Title:** An act relating to supporting the development of affordable housing in urban areas.

**Brief Description:** Supporting the development of affordable housing in urban areas.

**Sponsors:** Representatives Santos, Appleton and Pollet.

**Brief History:**

**Committee Activity:**

Community Development, Housing & Tribal Affairs: 2/12/15, 2/19/15 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Affordable Housing Land Bank within the Department of Commerce to acquire and lease publically owned land for the construction and development of affordable housing within urban development areas.
- Requires certain governmental entities to remit 20 percent of public lands sales to the Housing Trust Fund.
- Allows governmental entities to transfer or lease property within an urban development area into the Affordable Housing Land Bank to obtain an exemption from the 20-percent remittance of a land sale.
- Requires the same governmental entities to prepare a list of all property owned within an urban development area and to submit the list annually to the Department of Commerce.

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**HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Appleton, Chair; Robinson, Vice Chair; Johnson, Ranking Minority Member; Sawyer.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Zeiger, Assistant Ranking Minority Member; Hawkins and Van De Wege.

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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 a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Sean Flynn (786-7124).

**Background:**

State Affordable Housing Programs.

*Affordable Housing Policy.* The State Housing Policy Act identifies a state goal to coordinate, encourage, and direct the public and private sectors to participate in the attainment of a decent home in a healthy environment for every resident in the state. The objectives of this policy include developing an adequate supply of housing, preserving the existing supply of affordable housing, and ensuring fair and equal access to the housing market.

*Housing Trust Fund.* The Housing Trust Fund account was established in 1987 as a renewable resource to meet the basic housing needs of low income and special needs citizens. The Housing Trust Fund is managed by the Department of Commerce (Department) to support the Department's housing programs. The Legislature appropriated approximately \$51.5 million to the fund in the last biennium (fiscal years 2013-15).

*Housing Assistance Program.* The Department administers the Housing Assistance Program (HAP), which distributes funding through a competitive grant process to eligible organizations for projects that serve individuals and families with special needs and whose income is at or below 50 percent of the median family income for the county or city where the project is located. At least 30 percent of this funding must be used for projects in rural areas. Organizations eligible to receive funding include: local governments; local housing authorities; regional support networks; nonprofit community or neighborhood-based organizations; federally recognized Indian tribes; and regional or statewide nonprofit housing assistance organizations.

Surplus Property Inventory.

Since 1993, the Legislature has directed the Department to identify and catalog underutilized state-owned land and property that is suitable for the development of affordable housing for lower income households. Each year, the departments of Social and Health Services, Natural Resources, Transportation, Corrections, and Enterprise Services, must provide an inventory of real property owned by each agency that is available for lease or sale. The Department must provide the inventory of state-owned lands and buildings to parties interested in developing sites for affordable housing.

Affordable housing means residential housing that is rented or owned by a person or families who qualify on categories of income levels (moderate, low, very low) below 150 percent of the median income where the housing is located.

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**Summary of Substitute Bill:**

Affordable Housing Land Bank.

The Affordable Housing Land Bank (Land Bank) is created within the Department. The Land Bank is administered through the Department and may receive any publically owned real property. Property in the Land Bank only may be used for affordable housing purposes.

Any property in the Land Bank may be leased to an organization eligible for assistance under the HAP for purposes of the construction or operation of a project that dedicates at least 80 percent of its units to provide affordable housing. A lease agreement may last up to 40 years, and may include the transfer of any improvements on the property to an eligible organization at the end of that period.

#### Disposal of Public Property and Affordable Housing.

*Governmental Entities.* Certain governmental entities must comply with specific conditions regarding the sale or transfer of public property. The conditions apply to the State Parks and Recreations Commission, the departments of Natural Resources, Transportation, Social and Health Services, Corrections, and Enterprise Services, as well as, counties, cities, towns, port districts, school districts, and regional transit authorities.

*Inventory.* The designated government entities must identify and catalog all publically owned property that is located within certain designated urban development areas. The inventories must be provided to the Department by November 1 of each year.

*Urban Development Areas.* The Department must designate an urban development area within a city with a population over 200,000 people where:

- The average assessed real property value increase of all taxable property within one or more zip codes is greater than the average assessed property value increase for the entire city over a five-year period.
- There are properties owned by governmental entities.
- There is a need and potential for affordable housing development.

Cities under 200,000 may designate their own urban development areas by ordinance, based on the same criteria, and must notify the Department of any such designations. The Department may require cities to enter into an agreement for the administration of such locally designated areas.

*Sale of Public Property Within an Urban Development Area.* The Department must work with the Department of Revenue, the Housing Finance Commission, county auditors, cities, school districts, and transit authorities to determine the location and boundaries of each urban development area. The urban development areas must be published on the Department's website, and the areas must be reestablished every five years with notice to each governmental entity.

A governmental entity that sells any underutilized or surplus real property for fair market value must remit an amount equal to 20 percent of the sale price to the state treasurer to be deposited in the Housing Trust Fund Account (Account). The money deposited in the Account must be allocated to provide funding to finance any loans or grants to eligible organizations for affordable housing within the same urban development area where the property was sold. Cities and counties have the first option to receive the 20 percent

remittance if it is used for a local affordable housing fund or program, or a local housing authority.

*Transfers to the Land Bank and Leases.* The sale of a publically owned parcel may be exempted from the 20 percent remittance to the account if the governmental entity selling the property transfers another parcel of real property within an urban development area to the Land Bank between one year before and one year after the fair market value sale. A transfer of property into the Land Bank may exempt only one fair market value property sale within this time period.

In order to qualify for the exemption, the transferred property's assessed value must be at least 15 percent of the value of the exempted fair market sale price. The Department also must accept the offered property in order for the governmental entity to qualify for the exemption, based on whether the property is suitable for affordable housing development. Public property leased for affordable housing may also qualify for an exemption, if the value of the lease is at least 15 percent of the exempted fair market sale price.

The transfer provisions do not apply to the sale or transfer of state forest lands and any state lands granted to the state by the federal government for education, or other restricted purpose.

**Substitute Bill Compared to Original Bill:**

The substitute bill makes several substitute changes.

*Sale of Public Property Within an Urban Development Area.* The substitute bill requires that public property sold within an urban development for fair market is subject to the 20-percent remittance, and that the remittance must be spent on housing projects within the same urban area where the property was sold. Cities and counties have the first option to receive the 20-percent remittance for a local affordable housing program or housing authority.

*Transfers to the Land Bank and Leases.* The transferred land must be worth at least 15 percent of the value of the property transferred in order to qualify for the property sale exemption. An entity may lease land for affordable housing in order to exempt a property sale, if the lease is worth at least 15 percent of the exempt property sale.

*Urban Development Areas.* Cities under 200,000 people are authorized to designate their own urban development area, and the Department must work with county auditors, cities, school districts, and transit authorities in establishing urban development areas.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 20, 2015.

**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) The sale of publically owned land contributes to the problem of land speculation and rising property values. Spiking land values and housing prices has accelerated gentrification in places like Seattle. Where state land exists in areas of rapidly increasing property values, it should be conserved and at least a portion of that land should be used for affordable housing. This will help maintain community integrity.

Public lands in rapidly increasing valued areas should continue to be used to provide for the needs of the community. When public land is sold in these areas, the government is participating and in a way promoting the speculation and increased property values. Affordable housing is expensive to build and there is great need for more availability, especially in accelerating growth areas. This bill is focused on areas where lands owned by tax payers should stay in the public trust, and will make sure that public lands are preserved for public uses and that underutilized property will serve a valuable function. It should even be expanded to include smaller cities. There are many examples of the development of surplus property on surplus government property. In prior bills, public entities would have discretion to determine if land were suitable for affordable housing development. The current law has never been implemented to collect an inventory of surplus properties.

There may be sections in the bill that need greater clarity to identify what public lands would be subject to the bill.

(With concerns) Ports are unique governmental entities in that they are only authorized to sell surplus properties. All port property sales would be subject to this bill. This would divert revenues from port functions. Ports rely on commercial transactions, which are primarily real estate related. Ports develop land for job creating purposes. The proceeds from land sales can be used to finance the development of other properties. The language should be clarified to meet the intent of the bill.

(Opposed) The 20-percent remittance would operate as a tax on transit authorities that have to use land sales proceeds according to federal regulations. Transit authorities are funding by local ballot measures. This bill would repurpose the funding authorized by taxpayers for state affordable housing purposes.

Local governments use revenues to serve all general purposes, which need to be balanced. Expenses can rise faster than revenues. This bill is an intrusion into local government decision-making. Surplus property is already being developed for affordable housing, and should continue, but not at the expense or local control. Not all surplus property sales are related to property value increase and speculation. The bill should direct the remittance back to local governments. The bill should not include counties.

**Persons Testifying:** (In support) Michele Thomas, Washington Low Income Housing Alliance; and Kim Herman, Washington State Housing Finance Commission.

(With concerns) Eric Johnson, Washington Public Ports Association; and Sean Eagan, Port of Tacoma.

(Opposed) Michael Shaw, Washington State Transit Association; Carl Schraeder, Association of Washington Cities; and Laura Merrill, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying:** None.