
Local Government Committee

HB 1128

Brief Description: Concerning housing benefit districts.

Sponsors: Representatives Ryu, Hackney, Wylie, Bateman, Berg, Simmons, Ramel, Gregerson, Valdez, Duerr, Lekanoff, Macri, Pollet and Harris-Talley.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Authorizes the establishment of housing benefit districts and sets out requirements and authorities related to their governance, powers, and finances.
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Hearing Date: 1/19/21

Staff: Elizabeth Allison (786-7129).

Background:

Special Purpose Districts.

Special purpose districts are local units of government other than a county, city, or town that are created by the legislature to perform specific limited functions. Examples include public hospital districts, public utility districts, water-sewer districts, and cemetery districts. Special purpose districts can be authorized to impose and collect taxes.

Housing Action Plan.

A city planning under the Growth Management Act may adopt a housing action plan (Plan) to encourage construction of affordable and market rate housing in a greater variety of housing types and at prices that are accessible to a greater variety of incomes. The Plan should quantify existing and projected housing needs for all income levels, including extremely low-income households; develop strategies to increase the supply of housing and a variety of housing types;

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analyze population and employment trends, with documentation of projections; consider strategies to minimize displacement of low-income residents resulting from redevelopment; review and evaluate the current housing elements adopted in required comprehensive plans; and provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups; and include a schedule of programs and actions to implement the recommendations of the housing action plan.

Housing Finance Commission.

The Housing Finance Commission (Commission) is a public body that assists in making affordable housing available throughout the state. It issues revenue bonds and participates in federal, state, and local housing programs to make additional funds available to help provide low to moderate income housing throughout the state without the use of public funds or lending the state's credit. The Commission also establishes eligibility standards for eligible persons, considering income, family size, cost, condition, and energy efficiency of available housing.

Summary of Bill:

The legislative authority of a county or city is authorized to establish a housing benefit district (District) for the purpose of acquiring, land banking, predevelopment contracting, selling, improving, funding, and leasing land for the creation of affordable low- and middle-income housing and community development projects within the District consistent with any existing state, regional, or county housing plans and the Washington Housing Policy Act. A District is a municipal corporation with taxing authority and may include two or more cities or counties or a combination of both.

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Governing Body.

The governing body of the District consists of the members of the legislative authority proposing to establish the District, acting ex-officio and independently.

For Districts with more than one participating jurisdiction, the District must be governed under an interlocal agreement with a governing body composed of at least five members, including:

- at least one elected official from the legislative authority of each participating jurisdiction; and
- any remaining members appointed by the legislative authority of the participating jurisdictions in a manner determined in the interlocal agreement with expertise in the following areas:
 - public or private real estate finance;
 - affordable housing development;
 - neighborhood and community planning;
 - design and architecture;
 - transit-oriented development; or
 - economic development. Section 3(3)(a).

Alternatively, the governing body of the metropolitan planning organization serving the District

may serve as the governing body, but only if the District boundaries are identical to the boundaries of the metropolitan planning organization.

The treasurer of the participating jurisdiction proposing to establish the District is the ex-officio treasurer of the District, unless the interlocal agreement states otherwise.

Housing Action Plan.

Before forming a District, the participating jurisdictions must adopt a housing action plan as described in the Growth Management Act that includes at least two actions to increase its residential building capacity and results in development within the station area producing the following mix of affordable housing:

- 5 percent affordable to extremely low-income households;
- 10 percent affordable to very low-income households;
- 19 percent affordable to low-income households;
- 33 percent affordable to middle-income households; and
- 33 percent available at market rate.

A station area is an area within one-half mile of a major transit stop that is zoned to have an average minimum density of 15 dwelling units or more per gross acre.

A city or county that establishes a District within an encompassing county with a population of at least 750,000 is required to adopt a station area plan. The plan must be consistent with accommodating 65 percent of future population growth and must be approved by the Housing Benefit District Advisory Board before any proposition for tax is submitted to the voters. A District is eligible to apply to the Department of Commerce for a grant up to \$100,000 for planning assistance.

Finances.

To carry out its objectives, a District is authorized to impose sales and use taxes and property taxes.

Upon voter approval, a District may impose a sales and use tax at a rate not to exceed .2 percent of the selling price in the case of a sales tax, or .2 percent of the value of the article used in the case of a use tax. For Districts consisting of a single participating jurisdiction with a population over 750,000, or Districts with at least two participating jurisdictions with a combined population over 250,000, the rate of tax may be up to .5 percent. A District may also impose a sales and use tax without majority approval not to exceed a rate of .1 percent. This tax is in addition to any other taxes authorized by law.

Beginning with taxes levied for collection in calendar year 2022, a District can impose a regular property tax up to \$1 per \$1,000 of the assessed value of property in the District. The tax may be imposed each year for six consecutive years when specifically authorized by a majority of voters in the District.

A District is also authorized to issue and retire general obligation and revenue bonds to carry out its objectives, including:

- the retirement of voter-approved general obligation bonds, issued for capital purposes only, by levying bond retirement ad valorem property tax levies in excess of the one percent limitation upon voter approval;
- general obligation bonds without voter approval equal to 1.5 percent of the value of taxable property within the District; and
- general obligation bonds for capital purposes only and the retirement of those bonds by excess property tax levies imposed upon voter approval.

The revenue from taxes imposed or bonds issued must be used exclusively to implement or reimburse jurisdictions for implementing the specific objectives of the District, including:

- station area planning strategies, including creating new or updating existing plans, identifying a community vision, assessing the current regulatory environment and identify possible barriers to affordable housing development, assessing displacement risk for current low-income residents and underrepresented racial and ethnic minorities, creating a displacement mitigation plan, promoting equitable homeownership opportunities for underrepresented racial and ethnic minorities, and assessing alternate pathways to ownership models such as community land trusts and limited or shared equity cooperatives;
- land acquisition, based on station area plans and working with local jurisdictions and both nonprofit and for-profit developers to acquire, assemble, lease, land bank parcels, or sell, in cases where the station area plan clearly demonstrates that it is not financially feasible to lease all development parcels, with the net proceeds directed to subsidies for affordable housing and to promote community land trusts and infrastructure costs; and
- infrastructure development, such as area-wide environmental plans, sewers, and sidewalks.

Housing Benefit District Advisory Board.

A seven-member Housing Benefit District Advisory Board (Board) is established. The members, including the chair, are appointed by the Governor to provide oversight and technical assistance to Districts. Members must consist of the following voting members:

- one member with public or private real estate finance experience;
- one member with affordable housing development experience;
- one member with market rate housing development experience;
- one member with experience in neighborhood and community planning;
- one member with design and architecture experience;
- one member with experience in transit-oriented development; and
- one member with economic development experience.

When appointing members, the Governor must strive to reflect the racial and ethnic makeup of state residents overall to ensure the inclusion of members of racial and ethnic groups disproportionately experiencing severe and moderate housing cost-burden.

Other than the chair, members serve four-year terms, except for three of the initial appointees,

who will serve two-year terms.

The Board must review and approve the station area plans submitted by Districts to confirm compliance with regional growth strategies. The Housing Finance Commission is required to provide administrative and staff support to the Board.

Appropriation: None.

Fiscal Note: Requested on 1/12/2021

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