

HOUSE BILL REPORT

2SHB 1173

As Amended by the Senate

Title: An act relating to state lands development authorities.

Brief Description: Concerning state lands development authorities.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Berry, Frame, Dolan and Lekanoff).

Brief History:

Committee Activity:

Community & Economic Development: 1/26/21, 1/29/21 [DPS];
Capital Budget: 2/9/21, 2/17/21 [DP2S(w/o sub CED)].

Floor Activity:

Passed House: 2/25/21, 77-21.
Passed House: 2/9/22, 81-15.
Senate Amended.
Passed Senate: 3/4/22, 46-1.

Brief Summary of Second Substitute Bill

- Authorizes the establishment of State Lands Development Authorities in counties with a population of 2 million or greater to oversee and manage the development or redevelopment of state-owned property that is within or adjacent to manufacturing industrial centers.
- Authorizes the establishment of the Ballard-Interbay State Lands Development Authority.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Ryu, Chair; Paul, Vice Chair; Boehnke, Ranking

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

Minority Member; Chase, Assistant Ranking Minority Member; Corry, Frame, Jacobsen, Johnson, J., Lovick, Rule and Taylor.

Minority Report: Do not pass. Signed by 1 member: Representative Kraft.

Minority Report: Without recommendation. Signed by 1 member: Representative Sutherland.

Staff: Cassie Jones (786-7303).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development. Signed by 14 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; Bateman, Kloba, Leavitt, Peterson, Riccelli, Rule, Santos, Sells and Shewmake.

Minority Report: Do not pass. Signed by 9 members: Representatives McEntire, Assistant Ranking Minority Member; Dye, Eslick, Gilday, Kraft, MacEwen, Maycumber, Mosbrucker and Volz.

Staff: Richelle Geiger (786-7139).

Background:

In 2018 the Legislature established the Interbay Public Development Advisory Committee (Committee). The Committee was created to make recommendations regarding the highest public benefit and future economic development uses for the land on which the Washington Army National Guard (Guard) Armory facility (Armory) sits in the City of Seattle, which the Guard has determined is no longer suitable for its operations. The Committee consisted of two legislative members and five non-legislative members with collective experience in:

- forming public-private partnerships to develop workforce housing or affordable housing, project financing options for public-private partnerships related to housing;
- architectural design and development experience related to industrial lands and mixed-use zoning to include housing; and
- leading public processes to engage communities and other stakeholders in public discussions regarding economic development decisions.

The Committee was required to:

- work in collaboration with the Military Department to determine its needs if the Armory is relocated;
- explore the future economic development opportunities for the land on which the

- Armory sits if the land is vacated by the Military Department and explore potential funding sources and partners;
- conduct public meetings at which members of the public could present to the Committee regarding the future uses of the site and potential issues such as industrial land use, commercial development, residential zoning, and public infrastructure needs; and
 - provide a report to the Legislature and Office of the Governor with recommendations, including a recommendation regarding the structure, composition, and scope of authority of any subsequent state public development authority that may be established to implement the recommendations of the Committee.

Summary of Second Substitute Bill:

State Lands Development Authorities (Authorities) are authorized to oversee and manage the development or redevelopment of state-owned property, except for property owned or managed by the Department of Natural Resources, that is within or adjacent to manufacturing industrial centers.

Formation.

The legislative delegation from a district containing state-owned land that is included within, or is adjacent to, a manufacturing industrial center, may propose the formation of an Authority. To form an Authority, the legislative delegation from the district containing the boundaries of the Authority must submit a written proposal to the Legislature that contains the proposed general geographic boundaries of the Authority; and legislative findings that:

- the state owns property within the boundaries of the proposed Authority;
- the state-owned land is located within or adjacent to a manufacturing industrial center;
- the state agency with custodial responsibility for the property has completed an assessment regarding the current use, future use, and a projected date or conditions when the land is vacant, excess, or surplus to the mission of the agency;
- the Legislature intends that the Authority be appropriately funded and staffed; and
- the formation of the Authority will be useful and beneficial to the community within and adjacent to the boundaries of the Authority.

Formation of an Authority must be authorized in statute. An Authority may only be formed in a county with a population of 2 million or greater.

Governance.

An Authority is governed by a board of directors. The initial board must be appointed by the Governor upon recommendation from the state legislative delegation from the district that contains the boundaries of the Authority. The number of persons on the board must be included in the proposal to establish the Authority. The board must include at least one member representing each of the following:

- the governing body of each city included in the boundaries of the Authority;

- the mayor's office of each city included in the boundaries of the Authority;
- the governing body of each county included in the boundaries of the Authority; and
- the governing body of each port district included in the boundaries of the Authority.

The board may include additional members as may be prescribed in the proposal to create the Authority.

Powers and Duties.

An Authority has the power to:

- accept gifts, grants, loans, or other aid from public and private entities;
- employ and appoint agents, attorneys, officers, and employees;
- contract and enter into partnerships with individuals, associations, corporations, and local, state, and federal government;
- buy, own, and lease real and personal property;
- sell real and personal property, subject to any rules and restrictions contained in the proposal to establish the Authority;
- hold in trust, improve, and develop land;
- invest, deposit, and reinvest its funds;
- incur debt in furtherance of its mission, provided that any debt incurred is solely the responsibility of the Authority and is not an obligation of the state; and
- lend or grant its funds for any lawful purposes.

An Authority may not levy any taxes or assessments.

An Authority has a duty to:

- adopt bylaws that will govern how the Authority will generally conduct its affairs;
- establish specific geographic boundaries for the Authority with its bylaws based on the general geographic boundaries established in the proposal approved by the Legislature;
- assume responsibility for the development or redevelopment of the state-owned property within its boundaries;
- create a strategic plan for the development or redevelopment of the state-owned property that includes, but is not limited to, the following elements:
 - an examination of the existing uses of the property and an assessment of whether such should change in the future for the use of the property to achieve maximum public benefit;
 - an examination of options for development or redevelopment that include industrial uses only, mixed-use commercial and residential development, and mixed-use light industrial and residential development, as well as the incorporation of community-oriented facilities, and an evaluation which options would achieve maximum public benefit;
 - a plan for extensive public engagement throughout the development or redevelopment process, which must include a regular schedule of public meetings and opportunities for public comment; and

- a financial plan that identifies funding sources necessary to carry out the Authority's strategic plan;
- use gifts, grants, loans, and other aid from public or private entities to further the development and redevelopment projects identified in the Authority's strategic plan; and
- submit a written report to the relevant committees of the Legislature by December 1 of each even numbered year that summarizes the Authority's strategic plan and details its progress in meeting its strategic goals related to development and redevelopment, public engagement, and financial planning.

Account.

The State Lands Development Authority Account is created in the State Treasury for use if the Legislature provides state funds for Authority purposes. Funds in the account may be spent only after appropriation.

Ballard-Interbay State Lands Development Authority.

The Ballard-Interbay State Lands Development Authority (BISLDA) is authorized. The BISLDA's boundaries coextensive with the Interbay property, the state-owned property on which the Guard's Armory currently operates. The BISLDA may exercise its authority in furtherance of projects located only on the Interbay property. The BISLDA is prohibited from selling the Interbay property.

The board of directors of the BISLDA must be composed of the following members:

- one member with experience developing workforce or affordable housing;
- one member with project financing options for public-private partnerships related to housing;
- two members with architectural design and development experience related to industrial and mixed-use zoning;
- one member representing the Port of Seattle;
- one member representing the Governor's office;
- one member representing the King County Council;
- one member representing the City of Seattle mayor's office;
- one member representing the Seattle City Council; and
- two members of the thirty-sixth legislative district delegation.

Board members serve staggered terms and may serve for no more than four years. The initial board of directors must be appointed by the Governor upon recommendation from the legislative delegation from the district containing the boundaries of the BISLDA. After the initial appointments to the board, the board members must develop a list of candidates for open positions and deliver recommendations to the legislative delegation. The legislative delegation must present the list of candidates for recommendation to the Governor for appointment to the board of directors. In developing the list of candidates, the board of directors must consider racial, gender, and geographic diversity so that the board may reflect the diversity of the community.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment makes the following changes to Second Substitute House Bill 1173:

- clarifies that a state lands development authority is a public body corporate and politic and instrumentality of the state;
- adds language prohibiting a state lands development authority board member from participating in any decision on a board contract in which the board member has any interests with any firm that would be the recipient of any gain resulting from a transaction with a state lands development authority and requires a board to adopt a code of ethics designed to protect the state and its citizens from any unethical conduct by the board;
- changes the State Lands Development Account from a single account with two subaccounts to two separate accounts: the State Lands Development Authority Operating Account and the State Lands Development Authority Capital Account; and
- removes members of the thirty-sixth legislative district from the board of directors of the Ballard-Interbay State Lands Development Authority and adds the director of the Department of Commerce as an ex officio, nonvoting member.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony (Community & Economic Development):

(In support) The thirty-sixth district contains the National Guard's Armory facility. The National guard has been negotiating its move to North Bend. There are several problems with the current site including risk of natural disaster. Moving the National Guard is a matter of state and regional security. The move will free-up 25 acres of land in the middle of Seattle. This is a unique opportunity which must be considered by multiple stakeholders. This bill facilitates the development of the 25 acres by creating an Authority to take over the property and manage its redevelopment for the public's benefit. The process of the Committee was good. The consultants did come up with some ideas of affordable housing, but they were dismissed as not penciling out. The City of Seattle seemed absent from the discussion. The new Authority is supported but with reservations. Public lands should stay in public hands. There should be a discussion of whose land this is and land sovereignty for indigenous people There is alarm at the lack of a climate analysis in the discussions.

(Opposed) None.

(Other) There are a few concerns with the bill, including a lack of a process for input from

state agencies regarding when lands will become vacant or surplus. The members of the board of directors should be appointed by the Governor with input from legislative members. The Department of Defense currently restricts the use of the land and it is appropriate to gain assurance that the restrictions will be lifted. The Armory site itself is 25 acres in a 900-acre manufacturing industrial center. The larger area includes a tangled mess of agencies with competing jurisdictions. The legislation is unclear regarding whether the authority is to maintain ownership of the 25 acres. The authority should be a steward of the area. The legislation should be amended to clarify this. Preservation of industrial land is a core issue. Maximum public benefit is a good goal for the authority and industrial lands do provide public benefit.

Staff Summary of Public Testimony (Capital Budget):

(In support) The National Armory property in the Interbay area is 25 acres of land in the middle of Seattle. The National Guard has been negotiating a move from this location to North Bend for years. Relocating the National Guard to North Bend as quickly as possible is a matter of state and regional security and is supported by a bipartisan, bicameral group of legislators. In the case of an emergency, the National Guard could respond to a disaster more effectively if responding from North Bend.

Vacating this property provides an opportunity to repurpose the land in a way that maximizes public benefit with input from multiple stakeholders.

If the bill passes now, it sets the Ballard-Interbay Authority up to be ready to start work as soon as the property is vacated, in approximately 10 to 15 years. This bill does not appropriate funds to the Ballard-Interbay Authority.

An additional Ballard-Interbay board member should be added, focused on cultural space. Cultural spaces include performance spaces, galleries, and libraries and they benefit the entire community.

Equity and diversity should be a priority in the planning phase. A diverse board can fight against systematic racism

(Opposed) None.

Persons Testifying (Community & Economic Development): (In support) Representative Berry, prime sponsor; and Laura Bernstein, Share the Cities.

(Other) Jim Baumgart, Office of the Governor; Raymond Dubicki; and Eric Fitch, Port of Seattle.

Persons Testifying (Capital Budget): Representative Berry, prime sponsor; Emily Harvey, Theatre Puget Sound; and Suzanne Cohen, Mirror Stage.

Persons Signed In To Testify But Not Testifying (Community & Economic Development): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.