

HOUSE BILL REPORT

HB 1326

As Reported by House Committee On:
Local Government

Title: An act relating to waiving municipal utility connection charges for certain properties.

Brief Description: Waiving municipal utility connection charges for certain properties.

Sponsors: Representatives Cortes, Chopp, Berry, Duerr, Farivar, Morgan, Peterson, Ramel, Ryu, Senn, Simmons, Walen, Mena, Reed, Doglio, Pollet, Springer and Macri.

Brief History:

Committee Activity:

Local Government: 1/24/23, 1/27/23 [DPS].

Brief Summary of Substitute Bill

- Authorizes municipal utilities to establish a program to waive connection charges for properties owned or developed by, or on the behalf of, a nonprofit organization, public development authority, housing authority, or local agency that provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing.
- Provides that, when a property that received a waiver is no longer eligible for a waiver, any waived connection charges become immediately due and payable as a condition of continued service.
- Requires that any waived connection charges be funded through general funds, grant dollars, or another identified revenue stream.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Duerr, Chair; Alvarado, Vice Chair; Jacobsen, Assistant Ranking Minority Member; Berg, Griffey and Riccelli.

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 Report: Without recommendation. Signed by 1 member: Representative Goehner, Ranking Minority Member.

Staff: Kellen Wright (786-7134).

Background:

Cities and towns (cities) are authorized to acquire and operate waterworks for the provision of water to the city. The city may charge for the use of its water, but any rates that the city charges must be uniform for the same class of customers or service. The rates charged to a class must be at least the cost of the water and service.

Cities are also authorized to acquire and operate sewage, including facilities for both stormwater and sewage, and solid waste handling facilities. Rates for these services also have to be uniform for the same class of customers or service.

In setting classifications for water or sewage, the city can consider differences in the cost of services to customers and in maintenance and operation of the system, the location of the customers, the character of the service provided, the quantity or quality of the service supplied and the time of its use, and any other reasonable grounds for distinction. For water user classifications, cities can also consider water conservation goals and discouraging wasteful water practices, while sewerage use classifications can take into account the user's public benefit nonprofit status.

Aside from the rates that cities can charge for the use of water and sewage services, cities can also charge connection fees. These are fees charged to property owners as a condition of being able to connect to the water or sewer system. These can represent both the cost of the connection itself and a reasonable charge to ensure that the connecting property owners bear an equitable share of the cost of the system. This equitable share may include interest charges from the date of construction of the system until its connection, or up to 10 years, whichever is less. The interest rate charged may be the same interest rate that was applicable to the city at the time of the construction or of a major rehabilitation of the water system, up to 10 percent per year, though the aggregate interest imposed cannot exceed the equitable share of the cost of the system allocated to the connecting users.

Cities can also acquire and operate gas and electrical utilities, and charge for the provision of those services. Cities often charge service connection fees to connect properties to these utilities.

Cities are authorized to provide assistance to people with low income in connection with these water, sewer, solid waste, gas, and electric services (municipal utilities). Cities may waive or delay connection fees related to municipal utilities for people with low income under a program established by an ordinance. Cities may also waive electricity or gas connection charges for people with low income who purchase their property from a

nonprofit organization. Waivers for the same class of electric or gas service must be uniformly applied to all qualified properties.

Summary of Substitute Bill:

Municipal utilities are authorized to establish, by ordinance, a program to waive connection charges for properties owned or developed by, or on the behalf of, a nonprofit organization, housing authority, or local agency that provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing. Any waived connection charges must be funded using general funds, grant dollars, or other identified revenue stream. If a property that received a waiver is no longer eligible for a waiver, any waived connection charges become immediately due and payable as a condition of continued service.

A facility provides emergency shelter if its sole purpose is to provide temporary shelter to the homeless and does not require a lease or occupancy agreement. Housing is affordable if the monthly costs for the housing, including non-telephone utilities, do not exceed 30 percent of the monthly income of a household with income of:

- 60 percent of the median income of the county in which the household is located for rental housing; and
- 80 percent of the median income of the county in which the household is located for owner-occupied housing.

Permanent supportive housing is subsidized, leased housing with no limit on the length of stay that prioritizes people at risk of, or currently experiencing, homelessness and who need support services to retain tenancy. It uses lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, and is paired with support services for disabling behavioral health or physical health conditions.

Transitional housing provides housing and supportive services to homeless persons or families for up to two years, with the goal of moving homeless persons and families into independent living.

Substitute Bill Compared to Original Bill:

The substitute bill:

- allows waivers of connection charges for properties owned or developed by, or on the behalf of, the listed entities, rather than for properties used by the listed entities;
- removes "any other legal entity" from the list of entities that can qualify for a connection waiver if the entity provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing;
- specifies that limited partnerships, as described in RCW 84.36.560(7)(f)(ii), and limited liability companies, as described by RCW 84.36.560(7)(f)(iii), are included in the list of entities that can qualify for a connection waiver;

- requires that waived connection charges be funded using general funds, grant dollars, or another identified revenue stream; and
 - removes language from the definition of emergency shelter that required a shelter to be funded in whole or in part from the state capital or operating budget, housing finance commission programs, housing authorities, or local government housing funds in order to qualify as an emergency shelter.
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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) Affordable housing is a critical issue, and the state needs more affordable housing options built. Building and housing, however, is increasingly expensive. Costs continue to increase rapidly, and affordable housing construction also comes with other requirements that drive up costs, like prevailing wage scales, environmental requirements, and more. The high cost of housing and lack of affordable housing affects everyone and increases homelessness. We need to remove barriers to construction and decrease costs for affordable housing, and local governments can help to do so. This bill provides a local option for waiving costs of utility connection charges, and gives local governments more flexibility to reduce costs for affordable housing. Waiving these charges can help to reduce costs and to improve timelines for building affordable housing. These charges can add hundreds of thousands, or even over a million dollars, in costs to affordable housing projects. There are also often substantial costs for public utilities and rights-of-way. This legislation to reduce costs will increase the ability for housing providers to produce more units with the limited funds available. There are some issues to address in this bill, as it should strike language referring to legal entities, focus on nonprofits, and clarify that the funding for the waivers will come from the general fund rather than rate payer dollars. Overall, though, this bill is a thoughtful approach to reducing barriers to affordable housing, and would enhance the ability of local jurisdictions to bring affordable housing projects to communities. The law already allows for waiver of connection costs for people with low income, and should also allow waiver of charges for those that are serving those people. This will benefit areas that don't have resources like zoning fees or voter-supported housing levies. This would improve the ability to provide affordable housing throughout the state.

(Opposed) None.

Persons Testifying: Representative Julio Cortes, prime sponsor; Brian Lloyd, Beacon Development Group; Jesse Simpson, Housing Development Consortium; Joel Ing, Edge

Development; and Brandy DeLange, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.