

SENATE BILL REPORT

SHB 1326

As Reported by Senate Committee On:
Local Government, Land Use & Tribal Affairs, March 16, 2023

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

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

Sponsors: House Committee on Local Government (originally sponsored by Representatives Cortes, Chopp, Berry, Duerr, Farivar, Morgan, Peterson, Ramel, Ryu, Senn, Simmons, Walen, Mena, Reed, Doglio, Pollet, Springer and Macri).

Brief History: Passed House: 2/2/23, 83-15.

Committee Activity: Local Government, Land Use & Tribal Affairs: 3/09/23, 3/16/23 [DPA, w/oRec].

Brief Summary of Amended Bill

- Allows municipal utilities to waive connection charges for properties owned or developed by, or on behalf of, a nonprofit organization, housing authority, or local agency that provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing.
- Establishes 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.

SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS

Majority Report: Do pass as amended.

Signed by Senators Lovelett, Chair; Salomon, Vice Chair; Kauffman.

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: That it be referred without recommendation.

Signed by Senators Torres, Ranking Member; Short.

Staff: Karen Epps (786-7424)

Background: Cities and towns are authorized to construct and operate waterworks to provide water for the city and its inhabitants. The city or town may charge for the use of its water, but the rates must be uniform for the same class of customers or service and cannot be less than the cost of the water and service.

Cities and towns are also authorized to construct 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.

When setting classifications for water or sewage, the city or town 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.

Cities and towns can also consider water conservation goals and discouraging wasteful water practices under water user classifications. Cities and towns can consider the user's public benefit nonprofit status under sewerage use classifications.

Cities and towns can charge connection fees to property owners seeking to connect to the water or sewerage system as a condition to connecting to the system. In addition to the cost of connection, the legislative body of the city or town must determine a reasonable charge so that the property owners bear their equitable share of the cost of the system. The equitable share may include interest charges from the date of construction of the system until its connection, or up to ten years, whichever is less. The interest rate charged may be the same interest rate that was applicable to the city or town 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 and towns may also construct and operate gas and electrical utilities, and regulate the use, distribution, and price of those services. Cities and towns may charge service connection fees to connect properties to these utilities.

If a city or town waives or delays tap-in fees, connection fees, or hook-up fees related to municipal utilities for people with low income, the city must have established a program by an ordinance. Cities and towns 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 Amended Bill: Municipal utilities may 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. Connection charges means the one-time capital and administrative charges, as authorized in RCW 35.92.025, that are imposed by a utility on a building or facility owner for a new utility service and costs borne or assessed by a utility for the labor, materials, and services necessary to physically connect a designated facility to the respective utility service.

Whenever a city or town waives or delays collection of tap-in charges, connection fees, or hookup fees for a nonprofit organization, public development authority, housing authority, or local agency that provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing to connect to lines or pipes used by the city or town to provide utility service, the waiver or delay must be pursuant to a program established by ordinance.

EFFECT OF LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS COMMITTEE AMENDMENT(S):

- Amends the definition of "connection charge" to add as authorized in RCW 35.92.025.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Affordable housing is a critical issue and building housing is increasingly expensive. This bill provides municipalities with a local option to reduce construction barriers in their community. Hookup fees and connection charges can add hundreds of thousands of dollars to affordable development affecting a non-profit's ability to build affordable housing. Public utilities' ability to support affordable housing projects is limited because municipally owned utilities

are legally prohibited from using rate payer dollars for projects that do not benefit all rate payers. State law allows a waiver of connection or hookup fees for low-income people and this bill extends that waiver to nonprofits and public agencies serving low-income people and developing affordable housing in communities across the state. Granting a local government the option to waive the connection fees for affordable developments reduce costs and accelerate timelines for building affordable homes. Bold action is needed to address housing availability and this bill will allow cities to remove one of the barriers to affordable housing. This bill will allow local governments to remove barriers and accelerate the development of affordable units.

Persons Testifying: PRO: Representative Julio Cortes, Prime Sponsor; Mendy Droke, Seattle City Light; Andrew Baker, City of Bellevue; Jesse Simpson, Housing Development Consortium; Mason Cavell, Community Roots Housing; Brandy DeLange, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: No one.