
SUBSTITUTE HOUSE BILL 1111

State of Washington

68th Legislature

2023 Regular Session

By House Housing (originally sponsored by Representatives Ryu, Walen, Peterson, Lekanoff, Street, Bateman, Ramel, Fitzgibbon, Leavitt, Wylie, Pollet, Davis, and Santos)

READ FIRST TIME 02/10/23.

1 AN ACT Relating to housing benefit districts; and adding a new
2 chapter to Title 35 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** (1) The legislature finds the following:

5 (a) Housing for low-income and moderate-income households is a
6 fundamental government purpose;

7 (b) Providing local governments with more options to increase
8 residential capacity, especially in urban areas, consistent with RCW
9 43.21C.420, is essential to fulfill this public purpose;

10 (c) A history of segregation and displacement has led to
11 disparities in access to education, living wage employment,
12 affordable housing, and transportation, particularly for black,
13 indigenous, and people of color communities. This history has also
14 allowed certain populations to obtain and build wealth and to access
15 critical resources at the expense of others. Over time these factors
16 have put pressure on, marginalized, and displaced many from these
17 same communities;

18 (d) Black, Hispanic, and American Indian and Alaska Native
19 residents in Washington state experience disproportionate housing
20 cost burden and are more likely to be renters than homeowners.
21 According to 2018 data from the federal housing and urban development

1 department, the rates of homeownership for black residents were half
2 the rate for white residents of the region. Black renters are also 30
3 percent more likely to be cost-burdened than white renters, and black
4 homeowners are 38 percent more likely to be cost-burdened than white
5 homeowners. Similar disparities exist for Hispanic populations whose
6 rates of homeownership are 58 percent of the rate of white
7 homeownership, are 17 percent more likely to be rental cost-burdened
8 than white renters, and 25 percent more likely to be owner cost-
9 burdened than white homeowners. American Indian and Alaska Native
10 populations have rates of homeownership that are 71 percent that of
11 white residents, are 12 percent more likely to be rental cost-
12 burdened than white renters, and eight percent more likely to be
13 owner cost-burdened than white homeowners;

14 (e) According to the fair housing equity assessment for the
15 central Puget Sound region published by the Puget Sound regional
16 council in 2014:

17 (i) Black residents continue to be the most segregated racial
18 group in the region, which cannot be explained by income differences
19 among racial groups; and

20 (ii) White and Asian residents are more likely to live in census
21 tracts with high or very high access to opportunity relative to the
22 total population when compared to foreign-born, American Indian,
23 Hispanic, and black residents who are more likely to live in census
24 tracts with low or very low access to opportunity relative to the
25 total population. Living in poverty is associated with a higher
26 likelihood of living in an area of low or very low access to
27 opportunity, but this cannot explain why black and Hispanic persons
28 living in poverty are more likely to live in areas of low or very low
29 access to opportunity than their white or Asian peers;

30 (f) Many publicly funded salaried professionals and
31 paraprofessionals such as teachers, firefighters, law enforcement
32 officers, nurses, social workers, and transit operators cannot afford
33 to live in the community in which they serve due to increasing
34 housing costs;

35 (g) Many employees of nonprofit organizations who help deliver
36 essential public services on contract, as well as those who help
37 provide essential services to the poor and infirm as part of their
38 organizational mission, are similarly housing cost-constrained;

39 (h) The failure to make adequate provision for low-income and
40 moderate-income housing pushes many households to seek housing

1 further away from work, which leads to increased greenhouse gas
2 emissions from transportation, as well as congestion on state managed
3 transportation infrastructure, so providing for more low-income and
4 moderate-income housing within station areas would enable the state
5 to better meet established goals for greenhouse gas emissions
6 reduction and commute trip reduction;

7 (i) Better public policy outcomes, including improvements and
8 benefits to transportation infrastructure and business, will occur if
9 more public servants and nonprofit employees can afford to live in
10 the community they serve;

11 (j) Communities across the state are facing an affordable housing
12 crisis and there is a particularly acute need for affordable housing
13 in the Puget Sound region. With historic investments in transit in
14 the Puget Sound region, communities have the unprecedented and urgent
15 opportunity to plan for, invest in, and build additional affordable
16 housing, ensuring the region gets the most out of these investments
17 in transit while meeting critical economic, environmental, and equity
18 goals; and

19 (k) Housing can drive economic growth within neighborhoods if
20 developed with a focus on services, jobs, infrastructure
21 improvements, open spaces, equity, and other elements that make
22 housing vital and economically additive to nearby residents and the
23 region as a whole.

24 (2) The legislature intends to establish a housing benefit
25 district grant program which, using a land acquisition and deployment
26 strategy, would produce more affordable low-income and moderate-
27 income housing, ensuring any loss of affordable housing in a station
28 area is exceeded by new affordable units, to enable all members of
29 the workforce to live in the community in which they serve, including
30 members of racial and ethnic groups disproportionately experiencing
31 adverse housing outcomes, to make sure that the transportation and
32 housing investments in our state help to foster racial equity and
33 rectify discriminatory practices.

34 NEW SECTION. **Sec. 2.** The definitions in this section apply
35 throughout this chapter unless the context clearly requires
36 otherwise.

37 (1) "Affordable housing" means residential housing that is rented
38 by a person or household whose monthly housing costs, including

1 utilities other than telephone, do not exceed 30 percent of the
2 household's monthly income.

3 (2) "City" means a city or town as defined in Title 35 or 35A
4 RCW.

5 (3) "Community land trust" means a community housing development
6 organization:

7 (a) That is not sponsored by a for-profit organization;

8 (b) That is established to:

9 (i) Acquire parcels of land, held in perpetuity, primarily for
10 conveyance under long-term ground leases;

11 (ii) Transfer ownership of any structural improvements located on
12 such leased parcels to the lessee; and

13 (iii) Retain a preemptive option to purchase any such structural
14 improvement at a price determined by formula that is designed to
15 ensure that the improvement remains affordable to low-income and
16 moderate-income families in perpetuity;

17 (c) Whose corporate membership is open to any adult resident of a
18 particular geographic area specified in the bylaws of the
19 organization; and

20 (d) Whose board of directors:

21 (i) Includes a majority of members who are elected by the
22 corporate membership; and

23 (ii) Is composed of equal numbers of: (A) Lessees pursuant to (b)
24 of this subsection; (B) corporate members who are not lessees; and
25 (C) any other category of persons described in the bylaws of the
26 organization.

27 (4) "District" means a housing benefit district established as a
28 new, or part of an existing, public corporation or authority under
29 RCW 35.21.730 by a participating city.

30 (5) "Extremely low-income household" means a single person,
31 family, or unrelated persons living together whose income is at or
32 below 30 percent of the median income, as determined by the United
33 States department of housing and urban development, with adjustments
34 for household size, for the county where the housing benefit district
35 is located.

36 (6) "Low-income household" means a single person, family, or
37 unrelated persons living together whose income is above 50 percent
38 and at or below 80 percent of the median income, as determined by the
39 United States department of housing and urban development, with

1 adjustments for household size, for the county where the housing
2 benefit district is located.

3 (7) "Major transit stop" means:

4 (a) A stop on a high-capacity transportation system funded or
5 expanded under the provisions of chapter 81.104 RCW;

6 (b) Commuter rail stops;

7 (c) Stops on rail or fixed guideway systems, including
8 transitways;

9 (d) Stops on bus rapid transit routes or routes that run on high
10 occupancy vehicle lanes with service at intervals no greater than 15
11 minutes apart for five hours during the peak hours of operation on
12 weekdays; or

13 (e) Stops for a bus or other transit mode providing actual fixed
14 route service, or circulator service to another form of frequent
15 transit, at intervals of at least 15 minutes for at least five hours
16 during the peak hours of operation.

17 (8) "Moderate-income household" means a single person, family, or
18 unrelated persons living together whose income is above 80 percent
19 and at or below 120 percent of the median income, as determined by
20 the United States department of housing and urban development, with
21 adjustments for household size, for the county where the housing
22 benefit district is located.

23 (9) "Participating city" means a city that is selected to receive
24 a housing benefit district grant under the grant program established
25 in section 5 of this act.

26 (10) "Permanently affordable homeownership" means homeownership
27 that:

28 (a) Is sponsored by a nonprofit organization or government
29 entity, including a housing benefit district;

30 (b) Is subject to a ground lease or deed restriction that
31 includes a:

32 (i) Resale restriction designed to provide affordability for
33 future low-income and moderate-income homebuyers;

34 (ii) Right of first refusal for the sponsor organization to
35 purchase the home at resale; and

36 (iii) Requirement that the sponsor must approve any refinancing,
37 including home equity lines of credit; and

38 (c) Allows the sponsor organization to:

1 (i) Execute a new ground lease or deed restriction with a
2 duration of at least 99 years at the initial sale and with each
3 successive sale; and

4 (ii) Support homeowners and enforce the ground lease or deed
5 restriction.

6 (11) "Station area" means an area within one-half mile, including
7 contiguous full and partial blocks as defined by the street grid, of
8 a major transit stop.

9 (12) "Station area plan" means a subarea plan adopted under RCW
10 43.21C.420.

11 (13) "Very low-income household" means a single person, family,
12 or unrelated persons living together whose income is above 30 percent
13 and at or below 50 percent of the median income, as determined by the
14 United States department of housing and urban development, with
15 adjustments for household size, for the county where the housing
16 benefit district is located.

17 NEW SECTION. **Sec. 3.** (1) Cities are authorized to establish a
18 housing benefit district within their city boundaries for the purpose
19 of acquiring, land banking, predevelopment contracting, selling,
20 improving, funding, and leasing land for the development of
21 affordable housing for low-income and moderate-income households
22 within a station area consistent with any existing state, regional,
23 or county housing plans and chapter 43.185B RCW and utilizing
24 existing surplus land databases.

25 (2) The participating city shall provide for the nomination and
26 appointment of board members of the housing benefit district to
27 provide oversight, relevant experience, and expertise. If the housing
28 benefit district is established as a newly formed public corporation
29 or authority, the participating city must appoint at least two board
30 members who represent impacted communities in the geographic area of
31 the participating city.

32 (3) The treasurer of a city participating in the grant program
33 shall act as the ex officio treasurer of the housing benefit
34 district.

35 (4) Once a participating city has established a housing benefit
36 district within its boundaries, the district shall align land
37 acquisition and disposition policies of their station area plans with
38 antidisplacement policies in the comprehensive plan of the
39 establishing city, with consideration given to the preservation of

1 historical and cultural communities as well as investments in low-
2 income, very low-income, extremely low-income, and moderate-income
3 housing; equitable development initiatives; inclusionary zoning;
4 community planning requirements; tenant protections; land disposition
5 policies; and consideration of land that may be used for affordable
6 housing, as required under RCW 36.70A.070. The district shall plan
7 for and facilitate the following mix of affordable housing within the
8 station area:

9 (a) A minimum of 33 percent affordable to extremely low-income,
10 very low-income, and low-income households;

11 (b) A maximum of 33 percent for market rate; and

12 (c) Housing affordable to moderate-income households, provided
13 the minimum in (a) of this subsection is met.

14 (5) A city establishing a housing benefit district within a
15 county with a population of at least 750,000 must adopt an equitable
16 station area plan. Station area plans must be approved by the
17 advisory board created in section 6 of this act and include an
18 equitable framework with equity goals. Districts must submit any
19 subsequent amendments to station area plans to the advisory board for
20 approval.

21 (6) A housing benefit district is a public corporation or
22 authority with the power and authority of RCW 35.21.730 through
23 35.21.759.

24 NEW SECTION. **Sec. 4.** (1) A housing benefit district shall by
25 covenant, deed restriction, and contract ensure that the properties
26 that it transfers or arranges to develop for housing purposes meet or
27 exceed the minimum affordable housing mixture requirements of section
28 3(4) of this act and ensure that the overall mixture of housing
29 developed shall result in a net gain in extremely low-income, very
30 low-income, and low-income housing from the levels existing at the
31 time of formation of the district. The district must perform an
32 annual audit of all properties held and transferred after formation
33 to determine progress towards the mix of affordable housing required
34 under section 3(4) of this act. The audit must be submitted to the
35 advisory board established in section 6 of this act. If an audit
36 finds the affordable housing requirements have not been met, the
37 district must suspend sales of property for market rate development.

38 (2) Once a housing benefit district is established and property
39 has been transferred or developed as housing by the district and

1 opened for residency, the participating city must conduct regular
2 audits of those housing units built to date on properties of which
3 the district has either transferred ownership for housing purposes or
4 retained ownership and developed for housing to ensure that the
5 district and current owners or operators of such housing units are
6 achieving the affordable housing mix as required by section 3(4) of
7 this act. Audits shall be performed every three years, and at least
8 one-third of all units must be audited during each three-year cycle,
9 with the entire number of units audited after three audit cycles. The
10 audit should determine whether there is a net gain of housing
11 affordable to extremely low-income, very low-income, and low-income
12 households within the station area. If any owner or manager of
13 housing units is determined by the audits required by this section to
14 not be offering units deemed affordable to the residents pursuant to
15 the mixture of affordability established by the district, the
16 auditing city shall provide notice to the district and establish a
17 plan to bring the owner or manager into compliance for minor or
18 inadvertent variation from the plan.

19 (3) For significant variances from the affordable housing plan
20 and commitments, the city shall notify the department of revenue and
21 the state, county, and city shall require repayment of any tax
22 preference provided on the basis of the owner providing affordable
23 housing for all years during which the owner was not substantially in
24 compliance; and may issue penalties up to the difference between the
25 market rate at which units were offered and the affordable housing
26 rental rate which would have been charged if the owner or manager was
27 compliant with the plan. Penalties collected by the city shall be
28 transferred to the housing benefit district and used solely for
29 purposes associated with providing affordable housing and related
30 services as defined in section 5 of this act. Audits must be
31 conducted at the expense of the housing benefit district.

32 NEW SECTION. **Sec. 5.** (1) The housing finance commission shall
33 administer a housing benefit district grant program. Subject to the
34 availability of amounts appropriated for the specific purposes
35 provided in this section, the commission must establish a process to
36 receive, review, process, and competitively award grants to cities
37 who have established or plan to establish a housing benefit district.
38 No participating city may receive an award exceeding \$50,000,000 in
39 any biennium.

1 (2) (a) Funds awarded under the grant program must be spent to pay
2 or reimburse districts for the cost of implementing the purposes of
3 this chapter, directly or by contracting with the participating city
4 or other entity, including the following:

5 (i) Station area planning strategies, including creating new or
6 updating existing plans, including an equitable framework and equity
7 goals, identifying a community vision including with those who are
8 most impacted by housing and transportation disparities, assessing
9 the current regulatory environment and identify possible barriers to
10 affordable housing development, assessing displacement risk for
11 current low-income residents and underrepresented racial and ethnic
12 minorities, creating a displacement mitigation plan including an
13 equitable framework and equity goals, promoting equitable
14 homeownership opportunities for underrepresented racial and ethnic
15 minorities, and assessing alternate pathways to ownership models such
16 as permanently affordable homeownership models, community land
17 trusts, and limited or shared equity cooperatives;

18 (ii) Infrastructure development, such as area-wide environmental
19 plans, sewers, and sidewalks; and

20 (iii) Land acquisition, based on equitable station area plans and
21 working with local jurisdictions, both nonprofit and for-profit
22 developers, and other permanently affordable homeownership developers
23 to acquire, assemble, lease, land bank parcels, or sell, in cases
24 where the station area plan clearly demonstrates that it is not
25 financially feasible to lease all development parcels, with the net
26 proceeds directed to subsidies for affordable housing and permanently
27 affordable homeownership and to promote permanently affordable
28 homeownership models and infrastructure costs. Where leasing a
29 development parcel is financially feasible, the housing benefit
30 district may also choose to retain the underlying ownership of the
31 parcel. The housing benefit district shall include in station area
32 plans specific enforceable commitments to include in deed
33 restrictions, covenants, contracts, and leases that ensure that the
34 plan does not reduce the housing units available in the station area
35 for extremely low, very low, and low-income residents; and which
36 establish a plan to meet the affordable housing population
37 requirements in section 3(4) of this act, including minimum
38 expectations for owners and managers of all properties which it has
39 purchased. The housing benefit district shall provide ongoing funding
40 for the participating city that is adequate for the jurisdiction to

1 perform the auditing function required pursuant to section 4 of this
2 act.

3 (b) A housing benefit district may lease or sell land for an
4 amount that represents a discount from the market value of the land
5 in consideration of the lessee's or buyer's enforceable obligation to
6 provide affordable housing meeting the district's requirements.

7 (3) Up to one percent of the grant funds and penalties under this
8 act may be used to:

9 (a) Cover the actual costs incurred by the advisory board created
10 in section 6 of this act in the performance of its oversight and
11 technical assistance duties; and

12 (b) Compensate housing finance commission staff providing support
13 to the advisory board and managing the grant program in subsection
14 (1) of this section.

15 (4) To be eligible for a grant under this section, a
16 participating city must:

17 (a) Levy a local tax dedicated to the construction, acquisition,
18 or rehabilitation of housing affordable to households at or below 80
19 percent of area median income;

20 (b) Have removed barriers to the siting of permanent supportive
21 housing; and

22 (c) Have reduced permit issuance timelines for housing affordable
23 to low-income, very low-income, and extremely low-income households.

24 NEW SECTION. **Sec. 6.** (1) There is hereby established a housing
25 benefit district advisory board, to be appointed by the governor, to
26 provide oversight and technical assistance to districts.

27 (2)(a) The governor shall appoint nine members of the advisory
28 board, one of whom shall be appointed by the governor as chair. The
29 advisory board shall consist of the following voting members:

30 (i) One member with public or private real estate finance
31 experience;

32 (ii) One member with affordable housing development experience;

33 (iii) One member with market rate housing development experience;

34 (iv) One member with experience in neighborhood and community
35 planning;

36 (v) One member with design and architecture experience;

37 (vi) One member with experience in transit-oriented development;

38 (vii) One member with economic development experience;

1 (viii) One member representing advocates for affordable housing
2 for marginalized communities; and

3 (ix) One member representing nonprofit housing developers.

4 (b) In appointing persons to serve on the advisory board, the
5 governor shall strive to reflect the racial and ethnic makeup of
6 state residents overall to ensure the inclusion of members of racial
7 and ethnic groups disproportionately experiencing severe and moderate
8 housing cost burden.

9 (c) The term of the persons appointed by the governor, other than
10 the chair, is four years from the date of their appointment, except
11 that the terms of three of the initial appointees are for two years
12 from the date of their appointment.

13 (3) The advisory board must review the annual audits submitted by
14 districts pursuant to section 4(1) of this act. If the advisory board
15 determines the audit does not demonstrate compliance with the
16 affordable housing requirements under section 3(4) of this act, the
17 advisory board must notify the district to suspend sales of
18 properties for market rate development. The advisory board must
19 review and approve the station area plans submitted by the districts
20 pursuant to section 3(5) of this act.

21 (4) Staff to the housing finance commission under chapter 43.180
22 RCW must provide administrative and staff support to the advisory
23 board and must be compensated for its services as prescribed under
24 section 5(3) of this act. In performing administrative and staff
25 support to the advisory board, housing finance commission staff must:

26 (a) Employ permanent and temporary staff with expertise in
27 housing finance, land use and planning, transit, and project
28 development; and

29 (b) Provide all administrative and information technology
30 services required for the advisory board.

31 (5) The advisory board shall be dissolved 20 years after it is
32 established.

33 NEW SECTION. **Sec. 7.** Sections 1 through 6 of this act
34 constitute a new chapter in Title 35 RCW.

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