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**SUBSTITUTE HOUSE BILL 1880**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** House Housing, Human Services & Veterans (originally sponsored by Representatives Ryu, Pollet, Hackney, and Valdez)

1 AN ACT Relating to housing benefit districts; adding a new  
2 section to chapter 82.14 RCW; and adding a new chapter to Title 35  
3 RCW.

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

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

6 (a) Housing for low-income and moderate-income households is a  
7 public purpose;

8 (b) Providing local governments with more options to increase  
9 residential capacity, especially in urban areas, consistent with RCW  
10 43.21C.420, is essential to fulfill this public purpose;

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

19 (d) Black, Hispanic, and American Indian and Alaska Native  
20 residents in the King, Pierce, and Snohomish county region experience  
21 disproportionate housing cost burden and are more likely to be

1 renters than homeowners. According to 2018 data from the federal  
2 housing and urban development department, the rates of homeownership  
3 for black residents were half the rate for white residents of the  
4 region. Black renters are also 30 percent more likely to be cost-  
5 burdened than white renters, and black homeowners are 38 percent more  
6 likely to be cost-burdened than white homeowners. Similar disparities  
7 exist for Hispanic populations whose rates of homeownership are 58  
8 percent of the rate of white homeownership, are 17 percent more  
9 likely to be rental cost-burdened than white renters, and 25 percent  
10 more likely to be owner cost-burdened than white homeowners. American  
11 Indian and Alaska Native populations have rates of homeownership that  
12 are 71 percent that of white residents, are 12 percent more likely to  
13 be rental cost-burdened than white renters, and eight percent more  
14 likely to be owner cost-burdened than white homeowners;

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

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

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

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

35 (g) 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 would enable the state to better meet  
5 established goals for greenhouse gas emissions reduction and commute  
6 trip reduction;

7 (i) Better public policy outcomes, including improvements and  
8 benefits to transportation infrastructure and business, will occur if  
9 public servants and nonprofit employees can afford to live in the  
10 districts 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 with this act to establish a housing  
25 benefit district pilot program which, using a land acquisition and  
26 deployment strategy, would produce more affordable low-income and  
27 moderate-income housing, ensuring any loss of affordable housing in a  
28 station area is exceeded by new affordable units, to enable all  
29 members of the workforce to live in the district in which they serve,  
30 including members of racial and ethnic groups disproportionately  
31 experiencing adverse housing outcomes, to make sure that the  
32 transportation and housing investments in our state help to foster  
33 racial equity and 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 for which the  
38 monthly costs, including utilities other than telephone, do not  
39 exceed:

1 (a) For rental housing, 30 percent of the household's monthly  
2 income; or

3 (b) For owner-occupied housing, 38 percent of the household's  
4 monthly income and the total household debt is no more than 45  
5 percent of the monthly household income. For owner-occupied housing,  
6 housing costs include mortgage principle, interest, property taxes,  
7 homeowner's insurance, homeowner's association fees, and land lease  
8 fees, as applicable. Total household debt includes other debt and  
9 utilities.

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

11 (3) "Community land trust" means a community housing development  
12 organization:

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

14 (b) That is established to:

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

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

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

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

26 (d) Whose board of directors:

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

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

33 (4) "District" means a housing benefit district established under  
34 this chapter by the city legislative authority of a city authorized  
35 to participate in the housing benefit district pilot program. A  
36 district established by a participating city must have jurisdictional  
37 boundaries that are coextensive with the city's boundaries.

38 (5) "Extremely low-income household" means a single person,  
39 family, or unrelated persons living together whose income is at or  
40 below 30 percent of the median income, as determined by the United

1 States department of housing and urban development, with adjustments  
2 for household size, for the county where the taxing district is  
3 located.

4 (6) "Low-income household" means a single person, family, or  
5 unrelated persons living together whose income is above 50 percent  
6 and at or below 80 percent of the median income, as determined by the  
7 United States department of housing and urban development, with  
8 adjustments for household size, for the county where the taxing  
9 district is located.

10 (7) "Major transit stop" means:

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

13 (b) Commuter rail stops;

14 (c) Stops on rail or fixed guideway systems, including  
15 transitways;

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

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

24 (8) "Moderate-income household" means a single person, family, or  
25 unrelated persons living together whose income is above 80 percent  
26 and at or below 120 percent of the median income, as determined by  
27 the United States department of housing and urban development, with  
28 adjustments for household size, for the county where the taxing  
29 district is located.

30 (9) "Participating city" means a city that is authorized to  
31 create a housing benefit district under the pilot program established  
32 in section 3 of this act.

33 (10) "Permanently affordable homeownership" means homeownership  
34 that:

35 (a) Is sponsored by a nonprofit organization or government  
36 entity;

37 (b) Is subject to a ground lease or deed restriction that  
38 includes a:

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

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

3 (iii) Requirement that the sponsor must approve any refinancing,  
4 including home equity lines of credit;

5 (c) Allows the sponsor organization to:

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

9 (ii) Support homeowners and enforces the ground lease or deed  
10 restriction.

11 (11) "Station area" means an area within one-half mile, including  
12 contiguous full and partial blocks as defined by the street grid, of  
13 a major transit stop that is zoned to have an average minimum density  
14 of at least 15 dwelling units per gross acre.

15 (12) "Station area plan" means a subarea plan adopted under RCW  
16 43.21C.420.

17 (13) "Very low-income household" means a single person, family,  
18 or unrelated persons living together whose income is above 30 percent  
19 and at or below 50 percent of the median income, as determined by the  
20 United States department of housing and urban development, with  
21 adjustments for household size, for the county where the taxing  
22 district is located.

23 NEW SECTION. **Sec. 3.** (1) Cities with a population, as of April  
24 1, 2021, between 110,000 and 115,000 in a county located west of the  
25 crest of the Cascade mountains with a population between 825,000 and  
26 840,000; cities with a population between 55,000 and 60,000 or  
27 105,000 and 110,000 in a county located west of the crest of the  
28 Cascade mountains with a population between 2,250,000 and 2,300,000;  
29 and cities with a population between 217,000 and 220,000 in a county  
30 located west of the crest of the Cascade mountains with a population  
31 between 920,000 and 930,000 are authorized to establish a housing  
32 benefit district within their city boundaries for the purpose of  
33 acquiring, land banking, predevelopment contracting, selling,  
34 improving, funding, and leasing land for the creation of affordable  
35 low-income and moderate-income housing and community development  
36 projects within their city boundaries consistent with any existing  
37 state, regional, or county housing plans and chapter 43.185B RCW.

1 (2) The members of the legislative authority of a city  
2 participating in the pilot program, acting ex officio and  
3 independently, constitute the governing body of the district.

4 (3) The treasurer of a city participating in the pilot program  
5 shall act as the ex officio treasurer of the district.

6 (4) Once a participating city has established a district within  
7 its boundaries, the participating city shall plan for and facilitate  
8 the following mix of affordable housing within the district:

9 (a) A minimum of five percent affordable to extremely low-income  
10 households;

11 (b) A minimum of 10 percent affordable to very low-income  
12 households;

13 (c) A minimum of 19 percent affordable to low-income households;

14 (d) A minimum of 33 percent affordable to moderate-income  
15 households; and

16 (e) The remainder at market rate.

17 (5) A city establishing a district within a county with a  
18 population of at least 750,000 must adopt an equitable station area  
19 plan. Station area plans must be approved by the advisory board  
20 created in section 7 of this act and include an equitable framework  
21 with equity goals. Districts must submit any subsequent amendments to  
22 station area plans to the advisory board for approval.

23 (6) A district established by a city participating in the pilot  
24 program is a municipal corporation, an independent taxing "authority"  
25 within the meaning of Article VII, section 1 of the Washington state  
26 Constitution, and a "taxing district" within the meaning of Article  
27 VII, section 2 of the Washington state Constitution.

28 NEW SECTION. **Sec. 4.** A housing benefit district shall by  
29 covenant, deed restriction, and contract ensure that the properties  
30 which it transfers or arranges to develop for housing purposes meet  
31 or exceed the minimum affordable housing mixture requirements of  
32 section 3(4) of this act; and, that the overall mixture of housing  
33 developed shall result in a net gain in extremely low-income, very  
34 low-income, and low-income housing from the levels existing at the  
35 time of formation of the district. Once a housing benefit district is  
36 established and housing has been developed and opened for residency,  
37 participating cities must conduct regular audits of those housing  
38 units built to date on properties of which the district has either  
39 transferred ownership for housing purposes or retained ownership and

1 developed for housing to ensure that the district and current owners  
2 or operators of such housing units are achieving the affordable  
3 housing mix as required by section 3(4) of this act. Audits shall be  
4 performed every three years, and at least one-third of all units must  
5 be audited during each three-year cycle, with the entire number of  
6 units audited after three audit cycles. The audit should determine  
7 whether there is a net gain of affordable housing within each  
8 quartile below median income within the station area. Audits shall be  
9 conducted at the expense of the housing benefit district. If any  
10 owner or manager of housing units is determined by the audits  
11 required by this section to not be offering units deemed affordable  
12 to the residents pursuant to the mixture of affordability established  
13 by the district, the auditing city shall provide notice to the  
14 district and establish a plan to bring the owner or manager into  
15 compliance for minor or inadvertent variation from the plan. For  
16 significant variances from the affordable housing plan and  
17 commitments, the city shall notify the department of revenue and the  
18 state, county, and city shall require repayment of any tax preference  
19 provided on the basis of the owner providing affordable housing for  
20 all years during which the owner was not substantially in compliance;  
21 and may issue penalties up to the difference between the market rate  
22 at which units were offered and the affordable housing rental rate  
23 which would have been charged if the owner or manager was compliant  
24 with the plan. Penalties collected by the city shall be used solely  
25 for purposes associated with providing affordable housing and related  
26 services as defined in section 6 of this act.

27 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.14  
28 RCW to read as follows:

29 (1) A city participating in the housing benefit district pilot  
30 program authorized in section 3 of this act may impose a sales and  
31 use tax in accordance with the terms of this chapter. The tax is in  
32 addition to other taxes authorized by law and must be collected from  
33 those persons who are taxable by the state under chapters 82.08 and  
34 82.12 RCW upon the occurrence of any taxable event within the city.  
35 The rate of tax for a participating city may not exceed 0.025 percent  
36 of the selling price in the case of a sales tax or value of the  
37 article used in the case of a use tax.

38 (2) The tax imposed under subsection (1) of this section must be  
39 deducted from the amount of tax otherwise required to be collected or



1 paid over to the department under chapter 82.08 or 82.12 RCW. The  
2 department must perform the collection of such taxes on behalf of the  
3 participating city at no cost to the participating city.

4 (3) The tax imposed in this section expires when bonds issued to  
5 finance or refinance the purposes defined in section 6 of this act  
6 are retired, but not more than 40 years after the tax is first  
7 collected.

8 (4) Moneys collected under this section may only be used for the  
9 purposes set forth in section 6 of this act or to repay bonds issued  
10 set forth in section 6 of this act.

11 (5) To impose the tax authorized in this section, participating  
12 cities must establish a housing benefit district within three years  
13 of the effective date of this section.

14 (6) To carry out the purposes of this act and notwithstanding RCW  
15 39.36.020(1), a district may issue general obligation bonds without  
16 voter approval, not to exceed an amount, together with any other  
17 outstanding nonvoter-approved general obligation indebtedness of the  
18 district, equal to one and one-half percent of the value of taxable  
19 property within the district, as the term "value of the taxable  
20 property" is defined in RCW 39.36.015. General obligation bonds shall  
21 be issued in accordance with chapter 39.46 RCW. Whenever general  
22 obligation bonds are issued to fund specific projects or enterprises  
23 that generate revenues, the district may specifically pledge all or a  
24 portion of the revenues to pay the principal of and interest on the  
25 general obligation bonds. The district may also pledge any other  
26 revenues that may be available to the district.

27 (7) In addition to general obligation bonds, a district may issue  
28 revenue bonds to be issued and sold in accordance with chapter 39.46  
29 RCW.

30 (8) For purposes of this section, "participating city" means a  
31 city that is authorized to create a housing benefit district under  
32 the pilot program established in section 3 of this act.

33 NEW SECTION. **Sec. 6.** (1)(a) Any moneys received from the taxes  
34 imposed under section 5 of this act or penalties issued under section  
35 4 of this act must be spent to implement or reimburse jurisdictions  
36 for implementing the purposes of this chapter, including the  
37 following:

38 (i) Station area planning strategies, including creating new or  
39 updating existing plans, including an equitable framework and equity

1 goals, identifying a community vision including with those that are  
2 most impacted by housing and transportation disparities, assessing  
3 the current regulatory environment and identify possible barriers to  
4 affordable housing development, assessing displacement risk for  
5 current low-income residents and underrepresented racial and ethnic  
6 minorities, creating a displacement mitigation plan including an  
7 equitable framework and equity goals, promoting equitable  
8 homeownership opportunities for underrepresented racial and ethnic  
9 minorities, and assessing alternate pathways to ownership models such  
10 as community land trusts and limited or shared equity cooperatives;

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

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

36 (b) For purposes of (a)(iii) of this subsection, land may not be  
37 leased or sold at a discounted rate unless affordable housing  
38 comprises 100 percent of the units.

39 (2) Up to one percent of revenue generated by the taxes imposed  
40 under this act may be used to:

1 (a) Cover the actual costs incurred by the advisory board created  
2 in section 7 of this act in the performance of its oversight and  
3 technical assistance duties; and

4 (b) Compensate housing finance commission staff providing support  
5 to the advisory board.

6 NEW SECTION. **Sec. 7.** (1) There is hereby established a housing  
7 benefit district advisory board, to be appointed by the governor, to  
8 provide oversight and technical assistance to districts.

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

12 (i) One member with public or private real estate finance  
13 experience;

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

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

16 (iv) One member with experience in neighborhood and community  
17 planning;

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

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

20 (vii) One member with economic development experience;

21 (viii) One member representing advocates for affordable housing  
22 for marginalized communities; and

23 (ix) One member representing nonprofit housing developers.

24 (b) In appointing persons to serve on the advisory board, the  
25 governor shall strive to reflect the racial and ethnic makeup of  
26 state residents overall to ensure the inclusion of members of racial  
27 and ethnic groups disproportionately experiencing severe and moderate  
28 housing cost-burden.

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

33 (3) The advisory board must review and approve the station area  
34 plans submitted by the districts pursuant to section 3(5) of this  
35 act.

36 (4) Staff to the housing finance commission under chapter 43.180  
37 RCW must provide administrative and staff support to the advisory  
38 board and must be compensated for its services as prescribed under

1 section 6(2) of this act. In performing administrative and staff  
2 support to the advisory board, housing finance commission staff must:

3 (a) Employ permanent and temporary staff with expertise in  
4 housing finance, land use and planning, transit, and project  
5 development; and

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

8 NEW SECTION. **Sec. 8.** Sections 1 through 4, 6, and 7 of this act  
9 constitute a new chapter in Title 35 RCW.

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