

CITY COUNCIL STUDY SESSION

State Legislative Update

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DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

No action is required; this is an informational briefing. The State Legislature addresses a range of policy issues of interest to the City. Council may wish to provide direction to staff regarding legislative proposals.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS**2019 Session Moves Past Major Cutoff**

March 13 was the cutoff for bills to pass out of the house of origin to continue to move through the legislative session. The deadline saw hundreds of bills die and the process reverses itself with House bills going to the Senate and Senate bills going to the House. The Legislature is now meeting in committees, holding public hearings and voting on bills that passed out of the opposite chamber. The next important cutoffs are April 3 when bills need to be voted out of policy committees and April 9 when bills must be voted out of the fiscal and transportation committees.

Budget Proposals Coming Soon

Initial drafts of the operating, capital, and transportation budgets are anticipated to be released following the March 20 the Economic and Revenue Forecast Council's report. Following the revenue forecast it will become more clear which bills that have been designated "necessary to implement the budget" will advance.

Capital Funding Request: Gateway to Downtown Park

Senator Lisa Wellman and Representative My-Linh Thai have submitted the capital funding request forms to the leaders of the capital budget committees requesting \$1 million for Bellevue's Gateway to Downtown Park project. Capital budget funding for community projects is anticipated to be limited. The Local Community Project portion of the capital budget, the portion that funds Legislator-requested projects, has received nearly \$770 million in requests and is expected to have about \$70 million to allocate to projects. Many legislators have indicated that they expect less than \$1 million to be allocated per legislative district.

Transportation & Infrastructure

Legislation Authorizing, I-405 Tolls and Bonding Toll Revenues: House Bill 2132, sponsored by Representative Jake Fey (D-Tacoma), combines I-405 express toll lanes and State Route 167 high occupancy toll lanes into one express toll lanes corridor and account and authorizes tolls along the entire corridor. Additionally, the bill would authorize the issuance of up to \$1.5 billion of general obligation bonds for I-405 and State Route 167 payable from toll revenue. The bill was heard in the House Transportation Committee on Thursday, March 14. Bellevue City Councilmember Jennifer Robertson testified in support of the bill. The bill has been designated “necessary to implement the budget (NTIB)” and is exempt from cutoff deadlines.

Affordable Housing and Homelessness

Affordable Housing: There is one bill remaining that would increase funding for affordable housing - House Bill 1406, sponsored by Representative June Robinson (D-Everett). The bill would allow local jurisdictions to impose a .02 credit against the state sales tax to fund affordable housing. Cities that have imposed a local housing levy or the .01 mental health sales tax may impose the full .02 credit within city boundaries. All other cities would have the authority to impose a .01 sales tax credit in the incorporated areas, and counties would have the authority to impose a .01 sales tax credit in the incorporated areas. Counties may impose the full .02 credit in unincorporated areas. The revenue may be used to acquire, rehabilitate, or construct affordable housing or fund the operations and maintenance of new units of affordable or supportive housing for persons whose income is at or below 60% of the adjusted median income for the jurisdiction imposing the tax.

House Bill 1168, sponsored by Representative Mari Leavitt (D-University Place), would provide a sales and use tax exemption for qualifying purchases of labor, services, and tangible personal property related to self-help housing (i.e. housing constructed by Habitat for Humanity). The bill was amended in the House Finance Committee before passing the House. The most recent version of the bill requires the self-help unit to be occupied for five, rather than 20, years by a low-income purchaser and requires affordable homeownership facilitators that claim these tax preferences to annually report the number of self-help units using these preferences and the total amount of sales and use taxes exempted. The amended version also removes provisions allowing for a real estate excise tax (REET) exemption on the sale of self-help housing by an affordable homeownership facilitator to a low-income household. This version of the bill passed the House and will be heard in the Senate Housing Stability and Affordability Committee.

House Bill 1590, sponsored by Representative Beth Doglio (D- Olympia), would have allowed cities and counties to impose a .01% sales tax increase (not a credit as in House Bill 1406, but an increase in the sales tax) using councilmanic authority to fund affordable housing. The bill failed to pass out of the House prior to the cutoff deadline and is no longer under consideration this session.

House Bill 1493, sponsored by Representative Melanie Morgan (D-Parkland), and **Senate Bill 5357**, sponsored by Senator Jeannie Darneille (D-Tacoma), would authorize city councils to impose an additional .25% real estate excise tax (REET) to fund affordable housing. These bills have been designated necessary to implement the budget and are still under consideration.

Legislation on the Residential Landlord Tenant Act: Democrats have indicated that, as part of their efforts to address affordable housing, they intend to reform the Residential Landlord Tenant Act. There are three bills that survived the March 13 cutoff that will have public hearings:

- **House Bill 1440**, sponsored by Representative June Robinson (D-Everett), would require a landlord to provide greater notice of any rent increases. Except for rental agreements governing certain subsidized tenancies, a landlord must provide each affected tenant at least 60 days' notice of a rent increase. In the case of a rental agreement governing subsidized tenancies where the rental amount is based on the income of the tenant or circumstances specific to the subsidized household, the landlord must provide 30 days' notice of a rent increase. The bill passed the House, 62-36, and the bill will be heard in the Senate Financial Institutions, Economic Development and Trade Committee.
- **House Bill 1462**, sponsored by Representative Andrew Barkis (R-Olympia), would require a landlord under the Residential Landlord-Tenant Act to provide at least 120 days' written notice to a tenant whenever the landlord plans to demolish or substantially rehabilitate the rented premises. The bill passed the House, 94-4, and the bill will be heard in the Senate Financial Institutions, Economic Development and Trade Committee on Tuesday.
- **Senate Bill 5600**, sponsored by Senator Patty Kuderer (D-Bellevue), was amended several times. The current version of the bill would extend the three-day notice for default in rent payments to 14 days, would establish a standard notice form, would require a landlord to apply any payments to rent owed rather than other charges, and would provide the court with greater discretion on landlord/tenant matters. This version of the bill passed the Senate 31-15. The bill will be heard by House Civil Rights and Judiciary Committee.

Condominium Legislation: Senate Bill 5334, sponsored by Senator Jamie Pedersen (D-Seattle), would reform the Condominium Liability Act. The bill would extend immunity from liability to officers and directors of homeowners' associations and clarifies that improvements to condominiums by a warranty dealer be made in accordance with generally applicable building codes in effect at the time of construction.

In proceedings for breach/defects by the builder, the purchaser must prove that the alleged breach is: 1) more than technical; 2) significant to a reasonable person; and, 3) has caused or will cause physical damage to the unit or common elements, has materially impaired the performance of mechanical,

electrical, plumbing, elevator, or similar building equipment, or presents an actual, unreasonable safety risk to the occupants of the condominium.

An amended version of the bill passed the Senate unanimously with minor technical changes and the addition of language prohibiting the sale of a condominium unless all liens on the developer have been released, unless the unit is subject to a lien representing a common expense liability for which the purchaser agrees, in writing, to be responsible. The amendment also corrects the effective date to clarify that the act affects common interest communities created on or after July 1, 2018.

House Bill 1576, sponsored by Representative Tana Senn (D-Mercer Island), would require the board of directors of a condominium association to notify condominium owners and construction professionals to convene a meeting of homeowners to determine whether to bring forth an action, and secure approval from a majority of homeowners before serving a summons. The House Civil Rights and Judiciary Committee amended the bill to change the title of “homeowners” to “unit owners” and establishes several additional requirements for notice, and additional options for the voting process. This version of the bill passed the House 94-4. The bill will be heard in the Senate Law and Justice Committee.

Homeless Encampments Hosted by Religious Organizations: House Bill 1754, sponsored by Representative Sharon Tomiko Santos (D-Seattle), would have placed new limitations on the ability of counties, cities or towns, and code cities to regulate outdoor encampments, safe parking efforts, indoor overnight shelters, and temporary small houses on property owned or controlled by a religious organization. The bill was amended significantly by the House Housing, Community Development, and Veterans Committee to address concerns raised by Bellevue and other cities. The bill did not pass out of committee by the cutoff deadline and is no longer under consideration this session.

Multi-family Tax Exemption: Senate Bill 5363, sponsored by Senator Guy Palumbo (D-Maltby), would allow a city or county to extend the period of time it may provide a multi-family housing property tax exemption to qualifying properties an additional 12 years. The local government must adopt requirements to ensure that the unit remains affordable. The bill passed the Senate 39-10 and has been referred to House Housing, Community Development and Veterans Committee.

Senior Property Tax Exemption: Senate Bill 5160, sponsored by Senator Manka Dhingra (D-Redmond), would modify the qualifying income thresholds for the existing property tax exemption and deferral programs for low-income senior citizens, individuals with disabilities, and veterans. Under current law, to receive the property tax exemption, a taxpayer must have a combined disposable income of less than a set amount per year. The bill would replace set amounts with the following: 1) if disposable income is \$30,000 or less, all excess levies, the additional state levy, and regular levies on the greater of \$60,000 or 60 percent of assessed valuation of a person's residence is exempted; 2) if disposable income is \$30,001 to \$35,000, all excess levies, the additional state levy, and regular levies on the greater of \$50,000 or 35 percent of assessed valuation, at a \$70,000 maximum, are exempted; and, 3) if disposable income is \$35,001 to \$40,000, all excess levies and the additional state levy are exempted.

The bill was amended and adopted by the Senate Ways and Means Committee. Amendments included: adding a definition of relative; adding heirs and devisees to those eligible for the deferral program upon the death of the claimant; requiring the Department of Revenue to report to the Legislature, beginning December 1, 2021, and every fifth year after, the extent to which the legislation uniformly and equitably benefits residential property owners; making the act effective with taxes levied in 2022, rather than 2020. The bill passed the Senate and will be heard in the House Finance Committee.

Environment and Energy

Stormwater Charges: Senate Bill 5505, sponsored by Senator Steve Hobbs (D-Lake Stevens), would limit how cities can use local storm water charges paid by the Washington State Department of Transportation (WSDOT). As drafted, the bill would require that any charges paid by the WSDOT be used solely for storm water control facilities related to state highway runoff. This bill would negatively impact Bellevue and several other cities that collect storm water fees from the WSDOT. The bill passed the Senate, 45-2 and will be heard in the House Transportation Committee.

Plastic Packaging: Senate Bill 5397, sponsored by Senator Christine Rolfes (D-Bainbridge Island), as originally drafted would have established a product stewardship program for plastic packaging. However, the bill was amended to require the state Department of Ecology to hire a third-party independent contractor to conduct a study on the management and disposal of plastic packaging in the state and provide a report with findings and recommendations to the Legislature by December 31. The bill will be heard in the House Environment and Energy Committee.

Land Use and Planning

Short Subdivisions: Senate Bill 5008, sponsored by Senator Guy Palumbo (D-Maltby), would increase the number of lots allowed in a short plat or short subdivision. Jurisdictions planning under the Growth Management Act (GMA) could create short subdivisions of up to nine lots, tracts, or parcels, and, by ordinance, increase the number to 24 within an Urban Growth Area (UGA). In order to increase the number of lots, tracts, or parcels, there must be a determination that appropriate provisions are made for the public health, safety, and general welfare, for open spaces, drainage ways, streets or roads, alleys, other public ways, transit stops, potable water supplies, sanitary wastes, parks and recreation, playgrounds, and schools and schoolgrounds. This inquiry and determination may be done by administrative personnel. This version of the bill passed the Senate on a 46-2 vote. The bill will be heard by the House Local Government Committee.

Accessory Dwelling Units: Senate Bill 5812, sponsored by Senator Guy Palumbo (D-Maltby), as originally drafted would have preempted city authority to regulate accessory dwelling units (ADUs). The bill passed out of the Senate with an amendment that exempts any city with an ordinance as of the effective date of the bill (July 2019) from the requirements of the bill which are included below:

- Attached or detached ADUs would be allowed on all single-family lots.
- The property would not have to be owner-occupied.
- No off-street parking would be required within one-half mile of a light right stop or transit stop that has scheduled service every 15 minutes for at least 10 hours per day.

The current version of the bill outlines additional development standards that a city may vary from if the city adopts local findings explaining why the development standards do not work for the city. The Senate version of the bill has now been referred to the House Local Government Committee, where it will likely be amended further. The companion bill, House Bill 1797, sponsored by Representative Mia Gregerson (D-SeaTac), did not pass by the cutoff deadline and is considered dead for this session.

Minimum Density Requirements: House Bill 1923, sponsored by Representative Joe Fitzgibbon (D-Burien), would have required cities to select from a menu of options to increase density and increase housing affordability. If a city did not select options, the city would be required to update the housing element of its comprehensive plan and comply the criteria in the bill. If a city does neither, it would be ineligible to receive certain grant funds. The bill was amended on the House floor to make all the provisions of the bill optional. Rather than requiring cities to act, it now states that cities are *encouraged* to act. The bill passed the House 66-30 but has not yet been referred to a Senate committee. The bill will likely be significantly amended in the Senate.

Additional Legislative Issues

Pension Proposal: Senate Bill 5983, sponsored by Sen. Kevin Van De Wege (D-Sequim), would transfer \$300 million from the Law Enforcement Officers' and Firefighters' (LEOFF) Plan 2 Retirement Fund to the Benefit Enhancement Account, and eliminates biennial transfers from the state General Fund to the Local Public Safety Enhancement Account. This bill was not introduced until March 12 and is being described as a cost saving measure for the state. Many local governments, including Bellevue and the AWC have significant concerns with this bill as it may result in a cost shift from the state to local governments.

Occupational Disease Presumptions: House Bill 1913, sponsored by Representative Beth Doglio (D-Olympia), would change the current statute governing presumed occupational diseases for certain publicly employed emergency response professions. This legislation would extend existing protections for firefighters to fire investigators and law enforcement personnel and would extend the conditions by which the disease is considered presumptive, making firefighters and fire investigators who did not receive a qualifying examination before June 1, 2020 eligible for presumptive status.

The bill would also expand the list of presumptive occupational diseases. Additions to this list include mesothelioma, stomach cancer, nonmelanoma skin cancer, breast cancer and cervical cancer. Finally, the bill establishes an advisory committee on occupational disease presumptions for assessment. The committee would include two epidemiologists, two preventive medicine physicians, and one industrial hygienist. The committee's decisions must be supported by scientific, field-accepted evidence. The

Association of Washington Cities negotiated this bill with proponents and is supportive of the proposal. The bill passed the House, 89-5, and will be heard in the Senate Labor and Commerce Committee.

Wrongful Death: Senate Bill 5163, sponsored by Senator Bob Hasegawa (D-Seattle), addresses actions for wrongful injury or death. The bill is identical to bills introduced last session, except it would now apply retroactively. It expands the beneficiaries of a wrongful death action by removing dependence and residency requirements for parents and siblings. A parent or sibling may be a beneficiary of a wrongful death action if there is no spouse, domestic partner, or child, without having to show dependency on the deceased and regardless of whether the parent or sibling resided in the United States at the time of death.

Additional changes have been made that would expand liability under the wrongful death statutes. The Senate Law and Justice Committee amended the bill to replace any reference to “jury” with “trier of fact” in order to include bench trials. The committee also limited noneconomic damages in a survival action to the decedent’s pain and suffering, anxiety, emotional distress, or humiliation. The bill passed the Senate on a 30-17 vote and will be heard by the House Civil Rights and Judiciary Committee. The House version of the bill died with the March 13 cutoff deadline.

Business and Occupations (B&O) Tax Apportionment: House Bill 1403, sponsored by Representative Noel Frame (D-Seattle), would simplify the administration of municipal business and occupation tax apportionment. The bill would make a series of changes that clarify who is eligible for the tax, what types of activities are taxable, and the appropriate administrative procedures. The bill also provides direction on how to determine an individual’s tax liability within a municipality depending on the location of their business activities. The bill is the result of a multi-year B&O Apportionment Task Force and reflects an agreement between cities and businesses. The bill passed the House unanimously with an amendment to add an effective date of January 1, 2020, which will allow cities adequate time to implement the changes outlined in the bill. The bill will be heard in the Senate Ways and Means Committee.

POLICY & FISCAL IMPACTS

The State Legislature addresses a range of policy issues of interest to the City.

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A