Dear Chair Frame and committee members:

I’m writing to express Sightline Institute’s strong support for HB 1157.

In short, we believe HB 1157 is a groundbreaking new approach to easing the state’s housing crisis by creating more housing choices through a policy that offers cities and counties a “carrot” if they opt to make zoning reforms. And because the incentive only applies to new homes constructed as a result of the reforms, the state comes out ahead on sales and property tax revenue that wouldn’t have existed otherwise.

By legalizing middle housing types such as triplexes and townhouses, this bill gets at a root cause of the state’s affordability crisis: the fact that most cities lock away three quarters or more of their residential land for stand-alone houses only. So in more and more Washington cities, even middle class families can’t afford the only kind of home that’s legal in most neighborhoods: an expensive big house on a big lot.

Furthermore, banning everything but detached houses means fewer homes can fit in a city, creating a shortage that pushes up rents and prices for everyone. And on top of all that, it creates sprawling places where you have to drive everywhere, boosting climate pollution.

That’s why Oregon passed a statewide mandate legalizing middle housing in 2019. California almost passed a similar bill last year, and the latest state to consider doing the same is Montana. Note that all these examples are mandates, in contrast to HB 1157’s optional, incentivized approach.

The key innovation in this bill is that it recognizes zoning changes can be difficult for local governments and offers them a financial incentive: a partial rebate of the state’s real estate excise tax (REET). Plus, it’s optional: cities and counties can freely decide to not participate and forgo the incentive, or, they can implement a REET rebate zone anywhere they want inside their borders.

Also, because the bill only offers the REET rebate on sales of new homes that couldn’t have been built without the required code changes, the state doesn’t lose revenue. In
fact, over time the state likely comes out ahead from increased sales and property tax revenue on new construction that otherwise wouldn’t exist.

Lastly, we ask that the committee consider four refinements to the bill:

1 - Specify what percentage of land within a REET rebate district must allow each type of middle housing. See SB 5269 for an example.

2 - Define maximum limits on the amount of parking that cities can require for middle housing types. See SB 5269 for an example.

3 - Allow a 50 percent REET rebate for all locations (that is, remove the reduction in REET rebate to 25 percent for homes less than a half mile from transit).

4 - Remove the 15-year ban on short term rentals. This rule contradicts the intent of the bill by creating a disincentive to the construction of new homes inside REET rebate districts compared with homes not in districts. Cities and counties can regulate short term rentals separately, and rules should apply to all housing types equally.

Thank you for your work on this bill and we urge you to pass it out of committee without delay.

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