

HOUSE BILL REPORT

HB 2018

As Reported by House Committee On:
Local Government & Housing

Title: An act relating to state funding for low-income housing.

Brief Description: Regarding state funding for low-income housing.

Sponsors: Representatives Simpson, Miloscia and Chase.

Brief History:

Committee Activity:

Local Government & Housing: 2/18/09, 2/19/09 [DP].

Brief Summary of Bill

- Requires the Department of Community, Trade and Economic Development (DCTED), the Housing Finance Commission, and counties to include a life-cycle cost analysis as a criterion in awarding funds for low-income housing.
- Requires counties to report to the DCTED on funds awarded for low-income housing.
- Requires the DCTED to report to the Legislature on county reports and other funds awarded for low-income housing.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 11 members: Representatives Simpson, Chair; Nelson, Vice Chair; Angel, Ranking Minority Member; Cox, Assistant Ranking Minority Member; Ericksen, Miloscia, Short, Springer, Upthegrove, White and Williams.

Staff: Sara del Moral (786-7291) and Thamas Osborn (786-7129)

Background:

Housing Finance Commission.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Washington State Housing Finance Commission (WSHFC or Commission) stimulates the production of affordable single family, multifamily, and special needs housing through the:

- issuance of revenue bonds;
- administration of the federal Low-Income Housing Tax Credit Program; and
- administration of other programs authorized under federal and state law.

The WSHFC offers financial incentives to developers and housing owners who meet certain federal and state guidelines. Typically, these requirements relate to making a percentage of housing units available to households of a given income level for a certain period of time.

Housing Assistance Program.

Through the Housing Assistance Program (Program), the Department of Community, Trade and Economic Development (DCTED or Department) uses money from the Housing Trust Fund and other sources to help finance loans and grants to provide housing to people with special housing needs and incomes below 50 percent of area median income (AMI).

The Department distributes Program funds through grants and loans. Each year, the Department must publicly announce a grant and loan application period and distribute all available funds, less a deduction of up to 5 percent for administrative costs.

The DCTED must give first priority to projects utilizing existing privately owned housing stock. In evaluating an application, the Department must apply a number of specific criteria. Examples include:

- for a project focused on special needs populations, the degree of commitment to provide habilitation and support services;
- recipient contributions to total project costs, including allied contributions from other sources; and
- projects that encourage ownership, management, and other opportunities for responsibility.

Affordable Housing for All Surcharge.

When filing and recording deeds and other documents, a county auditor must assess the Affordable Housing for All (AHFA) Surcharge, a \$10 fee allocated for affordable housing projects and programs.

A county may keep up to 5 percent of this surcharge to cover administrative costs. Of the remaining funds, 40 percent is transmitted to the Affordable Housing for All Account, administered by the DCTED to be used for housing and shelter for extremely low-income households. The county retains the remainder of the revenue for low-income housing programs and projects.

Homeless Housing and Assistance Surcharges.

In addition to the AHFA Surcharge, a county auditor must assess two Homeless Housing and Assistance (HHA) surcharges, of \$10 and \$8 respectively, for each document recorded. With

the exception of administrative costs, these funds are divided between local homeless housing plans and the State Treasurer, who allocates the funds to provide housing and shelter to homeless people.

Summary of Bill:

Housing Finance Commission.

In addition to its other duties, the Commission must include a life-cycle cost analysis when evaluating proposals for funding.

The Department of Community, Trade and Economic Development and the Housing Assistance Program.

In addition to other criteria it applies when awarding Program funds, the DCTED must apply a life-cycle cost analysis to proposed housing projects and programs.

The Department must also prepare an annual report for the Legislature including a compilation of reports from the counties and information on Program funds allocated to entities other than counties. With regards to the non-county funds, the report must include:

- a description of the process used to allocate funds;
- a list of projects receiving funds; and
- the criteria used to allocate funds.

County Auditors.

County auditors have new responsibilities regarding the AHFA Surcharge and the HHA surcharges.

Beginning July 1, 2009, a county auditor must include a life-cycle cost analysis as a criterion for awarding funds.

Beginning on September 30, 2009, a county auditor must submit an annual report describing the distribution of all unreported funds collected in previous fiscal years to the DCTED. The period covered under this requirement begins in July 2002. The report must include, but is not limited to:

- a description of the process used to allocate funds;
 - the criteria used to allocate funds;
 - a list of projects receiving funds; and
 - the amount awarded to each project.
-

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill just adds another criterion to the 14 considerations already used when allocating housing funds. We are in a financial crisis. We need to cut costs and implement government reform. This bill is not a mandate; it does not require an entity to follow the findings of the life-cycle cost analysis.

(With concerns) This bill is in response to a study by the Joint Legislative Audit and Review Committee (JLARC). Proponents have worked with JLARC to develop the bill. But the bill shouldn't require a life-cycle cost analysis for single-family residences because this would take too much time and expense.

The Housing Finance Commission (HFC) has already agreed to consider the JLARC's software for LCCA. It has not had the opportunity to try it out yet. But a mandate is unnecessary. The tools in the software came from information the HFC already uses.

The bill creates new responsibilities for county auditors, requiring them to file a new report. The auditors are the wrong ones to do this report because they do not allocate housing funds.

Persons Testifying: (In support) Terry Kohl, Washington Apartment Association; and Terri Holtvedt, Rental Housing Association of Puget Sound.

(With concerns) Kim Herman, Housing Finance Commission; and Evelyn Arnold, Washington State Association of County Auditors.

Persons Signed In To Testify But Not Testifying: (In support) Maggie Nelson Poole, People Kitchen of Olympia Project.

(With concerns) Kim Wyman, Washington Association of County Auditors.