

HOUSE BILL REPORT

HB 2873

As Reported by House Committee On: Capital Budget

Title: An act relating to increasing the debt limit of the housing finance commission.

Brief Description: Increasing the debt limit of the housing finance commission.

Sponsors: Representatives Ormsby, Lias, McIntire and Wood; by request of Governor Gregoire.

Brief History:

Committee Activity:

Capital Budget: 1/24/08, 2/5/08 [DP].

Brief Summary of Bill

- Increases the Housing Finance Commission's debt limit from \$4.5 billion to \$6.5 billion.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 22 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Appleton, Blake, Chase, Dunshee, Eickmeyer, Flannigan, Hankins, Hasegawa, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner, Smith and Upthegrove.

Staff: Nona Snell (786-7153).

Background:

The Housing Finance Commission (HFC) was created by the Legislature in 1983. However, it is not a state agency, does not receive or lend state funds, and the HFC debt is not backed by the full faith and credit of the state.

The HFC acts as a conduit of federal financing for housing, nonprofit facilities, and beginning farmers and ranchers. It issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain

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percentage of their units for low-income individuals and families. The HFC also issues tax-exempt bonds to provide below market-rate financing for non-housing nonprofit facilities and for beginning farmers and ranchers.

To date, the HFC has financed more than 126,000 affordable housing units and elderly beds, and provided over 38,000 loans for home ownership. It has also financed 127 nonprofit facilities throughout the state. The beginning farmers and ranchers program was created in 2005 and no projects have been financed.

When created in 1983, the HFC's statutory debt limit was \$1 billion. The debt limit was raised to \$2 billion in 1985, to \$3 billion in 1999, and to \$4.5 billion in 2006. The debt limit is the total amount of debt the HFC is authorized to have outstanding at any one time. As of January 2008, the HFC's outstanding debt reached \$4 billion. Once the HFC reaches the current debt limit of \$4.5 billion, it must stop issuing debt to finance additional affordable housing and nonprofit facilities.

Summary of Bill:

The HFC's debt limit is raised to \$6.5 billion.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The Housing Finance Commission's (HFC) bonds are not backed by the full-faith and credit of the state, and its programs are federal programs that encourage the private sector to develop affordable housing.

Along with the need for affordable housing for families is the increasing need for senior housing. If the HFC issues bonds to meet the current demand, it will run out of authority by 2008.

The Governor is concerned that moderate income people are paying more of their incomes for housing, and the state's home-ownership rate is declining. The HFC's financing tools are needed to keep up with the need.

(Opposed) None.

Persons Testifying: Representative Ormsby, prime sponsor; Kim Herman, Housing Finance Commission; and Kari Burrell, Governor's Policy Office.

Persons Signed In To Testify But Not Testifying: None.