

SENATE BILL REPORT

SHB 1250

As Reported by Senate Committee On:
Ways & Means, March 23, 2009

Title: An act relating to allowing capital appropriations for the housing trust fund to be used for project application, review, selection, contracting, and project development.

Brief Description: Concerning the housing trust fund.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Orwall, Miloscia, Springer, Dunshee, Ormsby and Dickerson; by request of Department of Community, Trade and Economic Development).

Brief History: Passed House: 3/04/09, 59-36.

Committee Activity: Ways & Means: 3/18/09, 3/23/09 [DP, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Oemig, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Carrell, Honeyford, Parlette, Pflug and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland and Hewitt.

Staff: Richard Ramsey (786-7412)

Background: The Department of Community, Trade and Economic Development (CTED) administers the Housing Assistance Program and the Affordable Housing Program. Both of these programs, commonly referred to as the Housing Trust Fund (HTF), provide loan and grant monies to eligible organizations to provide housing for low-income and special needs populations. The HTF is available to fund acquisition, new construction, and rehabilitation of low-income housing units.

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.

Current law prohibits the HTF administration costs from exceeding 5 percent of the annual funds available for the HTF. This administrative cap is calculated as a percentage of the total annual funds available for the HTF; however, the funds for administrative costs are appropriated from the Washington Housing Trust Fund Account (Account). The sources of this Account are HTF loan repayments, real estate excise taxes, and unclaimed interest earned on escrow accounts. Capital bond proceeds may not be used for administrative costs.

The administrative cap was increased from 4 percent to 5 percent in 2005.

The 2007-09 capital budget appropriations for the HTF is \$200 million, of which \$186.7 million is from bonds, and \$13.3 million is from the Washington Housing Trust Fund Account. The CTED cost of administering the program for the 2007-09 biennium is \$8.7 million.

Summary of Bill: The act eliminates the prohibition of the use of capital bond proceeds for administration costs directly related to project application, selection, contracting, and development. The restriction that not more than 5 percent of the funds available for the HTF project may be used for administration is also eliminated.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: None.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Washington leads the nation in providing low-income housing. We need to manage well the \$600 million portfolio of projects and also provide the front door services of application support, project award, and contract development. This is a straight-forward approach; many other capital programs use capital funds for up front activities. The Housing Trust Fund has 40-year contracts. Through portfolio management CTED can identify projects at risk and act to protect the state's investment. This bill is needed for excellent portfolio management. We trust the Legislature to set the appropriation amount. This is good investment management.

Persons Testifying: PRO: Representative Orwall, prime sponsor; Lisa Vatske, CTED; Nick Federici, Low Income Housing Alliance.