

SENATE BILL REPORT

ESHB 2753

As Reported by Senate Committee On:
Ways & Means, March 1, 2010

Title: An act relating to the creation of a workforce housing program.

Brief Description: Creating the Washington works housing program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Orwall, Springer, Maxwell, Jacks, Nelson, Simpson, Conway, Ormsby, Chase and Santos).

Brief History: Passed House: 2/10/10, 75-22.

Committee Activity: Ways & Means: 2/22/10, 3/01/10 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

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

Minority Report: Do not pass.

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

Minority Report: That it be referred without recommendation.

Signed by Senators Tom, Vice Chair, Operating Budget; Brandland, Hewitt and Parlette.

Staff: Brian Sims (786-7431)

Background: The Bond Cap Allocation Program (BCAP) at the Department of Commerce authorizes the issuance of the state's bond cap. Bond cap is the tax-exempt private activity bonds issued by state issuers pursuant to Congressional authorization. The BCAP reviews and approves bond issuances for projects to ensure compliance with federal and state law and to ensure that the state does not exceed its tax-exempt issuance ceiling.

Bond cap is the maximum amount of tax-exempt private activity municipal bonds that can be issued by state issuers for a given year. The federal Tax Reform Act of 1986 identifies the amount of bond cap allocated to each state, which is currently \$90 per capita. The Tax Reform Act of 1986 defines private activity bonds as bonds used to fund projects or

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programs that include more than 10 percent private participation or more than 5 percent of the proceeds are used for loans to private business or individuals.

The categories of tax-exempt bonds that receive allocations of bond cap in Washington are housing, student loans, small issue (also known as Industrial Development Bonds or IDBs and Industrial Revenue Bonds or IRBs), exempt facility, redevelopment, and remainder.

The Washington State Housing Finance Commission (HFC) was created by the Legislature in 1983. The HFC is not a state agency; it does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state. The HFC acts as a conduit of federal allocated bond cap. It issues both tax-exempt and taxable bonds to provide below-market-rate financing to nonprofit and for-profit housing developers that set aside a certain percentage of their units for low-income individuals and families. The HFC also acts as a conduit issuer of bonds for nonprofit facilities and beginning farmers and ranchers.

Bond cap is also issued through other state issuers, including the State Higher Education Facilities Authority, the Washington Economic Development Finance Authority, local governments, ports, and economic development authorities.

Summary of Bill (Recommended Amendments): One billion dollars of the HFC's outstanding debt is for the implementation of the Washington Works Housing Program to increase opportunities for nonprofit organizations and public agencies to purchase, acquire, build, and own real property used for affordable housing if subsidies are available.

The purpose of the program is to provide financing for affordable housing that meets the following income and rent restrictions:

- During the period of time before the bonds are retired:
 1. at least 20 percent of the units must be rented to households earning less than 50 percent of the area median income, and an additional 31 percent of the units must be rented to households earning less than 80 percent of the area median income; or
 2. 40 percent of the units must be rented to households earning less than 60 percent of the area median income, and an additional 11 percent of the units must be occupied by households earning less than 80 percent of the area median income.
- After the bonds issued for a project are retired, the amount charged for rent must be adjusted to sufficiently pay reasonable operation and maintenance expenses, and make reasonable deposits into a reserve account to provide affordable housing to very low or low income households for the remaining useful life of the property.

If no subsidies are available to make financing feasible, the HFC may authorize the portion of the \$1 billion available for the Workforce Housing Program to support its other bond programs until the \$1 billion is issued or state subsidies are available.

The HFC must enter into a recorded regulatory agreement to ensure that the property will meet the income and rent restrictions established in the bill.

Bond allocations and reallocations of bond cap, except tax exempt private activity bond cap, must be determined by Internal Revenue Service code or by Department of Commerce rule.

The date for which available initial allocations may be allocated or reallocated to an issuer within the same bond use category, except for the remainder category, is changed from prior to September 1 to July 1.

The dates are changed for requests and reversions for bond cap use for all bond categories except housing.

Out-of-date references to the Community Economic Revitalization Board and the public utility issuers are removed, the private activity bond allocation ratification section of law is repealed, and the references to the federal Internal Revenue Service code are revised.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): The student loan bond cap allocation is not removed.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Engrossed Substitute House Bill: PRO: The community needs a range of affordable housing, including for working families. In many high cost areas of the state families are paying a large portion of their income for housing, or they have to live further away from where they work. In some areas, market rate housing is available and low income housing exists, but housing that accommodates incomes in between is lacking. Releasing student loan bond cap and moving other allocations dates forward allows housing to use the cap as needed.

Persons Testifying: PRO: Representative Orwall, prime sponsor; Liz Green-Taylor, Department of Commerce; Kim Herman, Washington State Housing Finance Commission.