

SENATE BILL REPORT

SB 5375

As Reported by Senate Committee On:
Housing & Local Government, February 10, 2021

Title: An act relating to a study of the differences in low-income housing development in urban and rural locations.

Brief Description: Concerning a study of the differences in low-income housing development in urban and rural locations. [**Revised for 1st Substitute:** Concerning the provision of technical assistance for low-income housing development in rural locations.]

Sponsors: Senators Warnick, Fortunato, Rolfes, Van De Wege and Wilson, J..

Brief History:

Committee Activity: Housing & Local Government: 2/04/21, 2/10/21 [DPS-WM].

Brief Summary of First Substitute Bill

- Requires the Department of Commerce to contract with at least one affordable housing development consultant to provide technical and pre-construction assistance to rural communities during the 2021-2023 fiscal biennium, subject to appropriations.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5375 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Short, Assistant Ranking Member; Cleveland, Lovelett, Salomon and Warnick.

Staff: Brandon Popovac (786-7465)

Background: Housing Trust Fund. Established in 1986, the Washington Housing Trust

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

Fund (HTF) Program provides grants or loans to help communities develop and preserve affordable housing to meet the needs of low-income and special needs populations. Since 1986, the HTF has awarded over \$1 billion in funding and helped build or preserve over 50,000 units of affordable housing statewide.

The HTF is governed by two statutory programs: the Housing Assistance Program established in 1986 and the Affordable Housing Program established in 1991. The Department of Commerce (Commerce) refers to both of these statutes in the administration of the HTF.

Pre-construction Technical Assistance. Commerce may use HTF funds and other legislative appropriations that are not from capital bond proceeds to provide pre-construction technical assistance to eligible recipients seeking to construct, rehabilitate, or finance housing-related services for very low and low-income persons. Commerce must emphasize providing pre-construction technical assistance services to rural areas and small cities and towns. Commerce may contract with nonprofit organizations to provide such technical assistance, including, but not limited to, the following services:

- financial planning and packaging for housing projects;
- project design, architectural planning, and siting;
- securing matching resources for project development; and
- maximizing local government contributions to project development in the form of land donations, infrastructure improvements, waivers of development fees, locally and state-managed funds, zoning variances, or creative local planning.

Summary of Bill (First Substitute): During the 2021-2023 fiscal biennium, and subject to the availability of amounts appropriated, Commerce must contract with one or more affordable housing development consultants to provide technical and pre-construction assistance to rural communities across the state.

The consultant contracts must include performance measures, such as:

- increases in the number of low-income housing project applications well positioned for competitive funding rounds under the HTF program or other capital financing programs;
- the success of such project applications in obtaining capital financing awards; and
- the development of new affordable housing units in rural communities.

EFFECT OF CHANGES MADE BY HOUSING & LOCAL GOVERNMENT COMMITTEE (First Substitute):

- Removes the provisions requiring a JLARC study.
- Requires Commerce to contract with at least one affordable housing development consultant to provide technical and pre-construction assistance to rural communities during the 2021-23 fiscal biennium, subject to appropriations.
- Requires the consultant contracts to include certain performance measures.

- Modifies the bill title and intent section to be consistent with the new substantive provisions.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 11.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: It is challenging to find and build affordable housing in rural areas. There has yet to be a third-party review of why housing developers are not incentivized to build in rural areas. Providing housing in rural areas is essential to future economic development.

OTHER: The Housing Trust Fund has funded many housing projects and developed many units across the state. Rural areas present unique challenges. The Department of Commerce has been leading discussions on building affordable housing in rural areas with various boards and stakeholders, including the creation of a special subcommittee on the issue. Certain recommendations have already been implemented, including increased funding for rural development. Commerce has made a policy change in the review of project applications, including a special waiver for certain rural projects. Multiple investors are not as likely to build in rural areas, thus requiring the need for state funding. More technical assistance is needed, with the biennial budget proposing \$2 million for technical assistance. Commerce is working with the Housing Finance Commission (HFC) to leverage available programs. HFC is already assessing the allocation of programs in rural communities. Housing developers have four times the number of projects ready than what HFC can currently fund. Further clarity is needed on the study elements. The state already has a strong affordable housing delivery system. A study may not be necessary since many issues are already known. Other key factors could be addressed, including determining the appropriate income qualification thresholds, target populations, technical assistance, and public/private partnerships necessary to provide more affordable housing.

Persons Testifying: PRO: Senator Judy Warnick, Prime Sponsor.

OTHER: Corina Grigoras, Community Services and Housing Division Deputy Assistant Director Department of Commerce; Lisa Vatske, Director, Multifamily Housing and Community Facilities Washington State Housing Finance Commission; Marty Miller, Office of Rural and Farmworker Housing.

Persons Signed In To Testify But Not Testifying: No one.