

SENATE BILL REPORT

SB 5884

As Reported By Senate Committee On:
Financial Institutions & Housing, February 24, 1995

Title: An act relating to the enforcement of financing terms by the housing finance commission.

Brief Description: Enforcing financing terms by the housing finance commission.

Sponsors: Senators Prentice, Winsley, Fraser, Franklin and Snyder; by request of Washington State Housing Finance Commission.

Brief History:

Committee Activity: Financial Institutions & Housing: 2/21/95, 2/24/95 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That Substitute Senate Bill No. 5884 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar and Sutherland.

Staff: David Cheal (786-7576)

Background: The Washington State Housing and Finance Commission stimulates the production of affordable housing through the issuance of tax exempt bonds, through the administration of federal tax credit programs and other programs authorized by state and federal law.

Financial advantages and incentives are often made available to developers and owners of housing facilities on the condition that requirements of commission policy and applicable state and federal law be met. Typically, these requirements relate to making housing available to households of a certain income level for a certain period of time.

These conditions can be enforced by the commission by contract with the recipient. If the contracting party sells the housing asset to someone not party to the original contract, it might be possible for the successor to assert some defenses to the conditions in the contract.

Summary of Substitute Bill: The commission is given authority to impose covenants which run with the land in order to satisfy and enforce requirements of applicable state and federal law and commission policy. These regulatory covenants are enforceable against successor owners of the housing or other facility, even though there may be no privity of contract or estate between the commission and the successor owner. This regulatory option is made available to the commission for existing as well as future agreements.

Substitute Bill Compared to Original Bill: The substitute bill adds the authority to apply covenants that run with the land to existing agreements, as well as future agreements.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This authority will ensure enforcement of state and federal policy with respect to commitments made by developers and owners and their successors.

Testimony Against: None.

Testified: Paul Fitzgerald, WA State Housing Finance Commission.