

HOUSE BILL REPORT

HB 2060

As Reported by House Committee On:
Local Government & Housing
Finance

Title: An act relating to funds for operating and maintenance of low- income housing projects and for innovative housing demonstration projects.

Brief Description: Providing funds for housing projects.

Sponsors: Representatives Dunn, Cooper, Haigh, Edmonds and Fromhold.

Brief History:

Committee Activity:

Local Government & Housing: 1/14/02, 1/23/02 [DP];

Finance: 2/7/02, 2/11/02 [DPS].

Brief Summary of Substitute Bill

- Imposes a \$10 surcharge on recording fees for recordings of real property documents.
- Dedicates the funds to housing programs for extremely low-income and very low-income persons.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 6 members: Representatives Dunshee, Chair; Edwards, Vice Chair; Berkey, Hatfield, Kirby and Sullivan.

Minority Report: Do not pass. Signed by 2 members: Representatives Mulliken, Ranking Minority Member; and Crouse.

Staff: Scott MacColl (786-7106).

Background:

County auditors are required by statute to record deeds and other instruments that are to be filed and recorded with the county. Recording fees are fees charged for recording instruments by County Auditors for their official services, and are set forth in statute in

RCW 36.08.010. The fee for recording instruments is \$5 for the first page, and \$1 for each additional page.

The Office of Community Development within the Department of Community, Trade, and Economic Development, administers the state housing programs. Among these programs are the Housing Trust Fund, the HOME Program, and the Housing Improvements and Preservation Unit.

The Housing Trust Fund is created under RCW 43.185.030, and includes revenue established under statute, legislative appropriations, private contributions, repayment of loans, and all other sources. The fund was established to assist low and very low-income citizens in meeting their basic housing needs.

Summary of Bill:

County auditors are required to charge a \$10 surcharge on recording fees for recordings of real property documents, but not to assignments of previously recorded deeds of trust. County Auditors may retain up to 5 percent of collected funds for administration.

Sixty percent of the remaining funds are retained by the county and must be used by the county and its cities for low-income housing projects.

The remaining 40 percent of the revenue is deposited monthly with the State Treasurer in the Washington Housing Trust Account. The Office of Community Development is required to develop guidelines for the use of funds for a) unusual or one-time operation and maintenance costs of low-income housing projects that were developed with housing trust funds; and b) innovative housing demonstration projects for moderate or middle-income populations.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: This bill will do more for housing than any other bill. The HUD rental assistance limit is rent 30 percent of income for low income housing. For the populations covered in the bill, 30 percent of nothing is still nothing as they have no income. This bill would also allow communities local funding for local housing projects. This bill also supports the maintenance and operation of housing developed through the housing trust fund, as those projects need a funding source.

Senate bill 5436 from last year as amended was a great deal, as it was altered to focus on low-income folks. The Senate changes are strongly urged, plus amendments clarifying the stakeholder process, and to use the funding for new programs, not to backfill existing programs.

Housing should be viewed as economic development. Affordable housing constitutes a social program that has great economic benefit. The state has helped finance, through the Washington Housing Finance Commission, over 54 percent of the state's affordable housing rental units. The economic benefit comes through job creation for the construction, development, and operation of the housing, through payroll taxes, sales tax, etc. For every dollar spent on housing, the state receives in return of \$1.15 in investments. The state needs more investment in affordable housing. Also, these funds should be available for emergency funding of housing, that would be a good addition to the bill.

The lack of a stable affordable housing market contributes to disabled people not finding housing. The bill addresses operating funds for low income housing projects and creates a source of housing revenue for investment of local funds. Currently in Clark County, 12 percent of the population live in the poverty level, however 40 percent of single women live at or below the poverty level. Also, the unemployment rate has passed 7 percent, so more people will require housing assistance.

The benefits of affordable housing outweigh the fee charged under this bill. There are numerous benefits to public/private partnerships, which is how many of the current low income housing projects were created. The Metro Development Council provides low income housing for single people that was created with Housing Trust Fund dollars in the beginning, and has now helped over 1800 people in 10 years.

(In support with concerns) The surcharge should be charged on all recording documents, as the language in SB 5936 last year suggested. To implement the bill as it stands would be significantly more work to charge different documents different prices. Also, an amendment is offered to figure out some proportional distribution of the funds so that small counties would receive enough funds to actually finance a project. The need for affordable housing is recognized, however, the fee for recording documents has a direct correlation to the administration of the document - essentially a user fee. The surcharge discussed in the bill is essentially a new tax on those that record documents.

Testimony Against: Property values are rising in the Seattle area, but low-income housing doesn't pay property tax. This means that already the property tax payers are paying for low-income housing through higher property taxes to counter what isn't paid by low-income projects.

Testified: (In support) Representative Dunn, prime sponsor; Danielle Owcarz, John Kerdig, and Janis Lawless, Aloha Inn; Jean Wessman, Washington State Association of

Counties; Nick Federici, Washington Low-Income Housing Congress; Kim Herman, Washington State Housing Commission; Larry Stout, Washington Association of Realtors; Cathy Forslund, and Merri Duke, Metropolitan Development Council; LaVon C. Holden, Vancouver Housing Authority; Michael Pollowitz, Parkview Services; Lee Wilson, and DeeDee Olsen, The Arc of Washington; Seth Dawson, Washington Coalition for the Homeless; and Scott Gaspard, Washington Financial League.

(In support with concerns) Bob Terwilliger, Snohomish County Auditor; and Suzanne Sinclair, Island County Auditor.

(Opposed) Paul W. Locke, Citizen.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Conway, Morris, Santos and Veloria.

Minority Report: Do not pass. Signed by 5 members: Representatives Cairnes, Ranking Minority Member; Nixon, Orcutt, Roach and Van Luven.

Staff: Rick Peterson (786-7150).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government & Housing:

The substitute bill specifies that the local share of funds must be spent on the acquisition, construction, or rehabilitation of housing units or projects; supporting building operation and maintenance costs of housing built with housing trust fund support; and rental assistance vouchers for very low-income housing projects. The substitute prevents the used of funds for new housing construction when the vacancy rate for low-income housing within a county is above 10 percent. The substitute bill changes the dedication of the state share of funds from one time operation and maintenance cost of low income projects funded by the housing trust fund, and innovative housing demonstration projects for moderate or middle-income populations to operation and maintenance costs of low-income housing projects available to extremely low-income persons with income at or below 30 percent of the area median income. The substitute bill adds the statewide housing market analysis by region.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill

is passed.

Testimony For: Current funds in the state Housing Trust Fund are for capital purposes. This bill would provide funds for operating purposes. In some cases the rents are not sufficient to cover operating expenses. This will be a source to stabilize operating funds. The funds available at the local level can be used for building facilities, operating facilities, and rental vouchers. There is a need to maintain flexibility so that local conditions can determine how the funds will be spent.

(In favor with concerns) Rental vouchers make good economic sense in some areas of the state while construction of new facilities make sense in other areas. The bill should contain language that makes sure that rental vouchers are used in areas with high vacancy rates.

Testimony Against: None.

Testified: Judy Reed, Washington Community Reinvestment Association; Ray Price, Office of Community Development; Eric Mewhinney, Washington Apartment Association; Patty VandenBroek, Seattle/King County Apartment Association; Mark Paulsen, Apartment/Low Income Rental owner; Bob Mitchell, Washington Association of Realtors and Washington State Commercial Association of Realtors; Nick Federici, Washington Low-Income Housing Congress; Seth Dawson, Washington State Association for Community Action Agencies; Doreen Marchione, Action State Coalition for the Homeless; and Suzanne Sinclair, Island County Auditor.