

HOUSE BILL REPORT

HB 2166

As Reported by House Committee On:
Local Government & Housing
Ways & Means

Title: An act relating to an additional document recording surcharge to fund certain affordable housing and homeless purposes.

Brief Description: Imposing an additional document recording surcharge to fund certain affordable housing and homeless purposes.

Sponsors: Representatives Darneille, Pedersen, Kenney, Kirby and Hasegawa.

Brief History:

Committee Activity:

Local Government & Housing: 2/18/09, 2/19/09 [DPS];
Ways & Means: 2/24/09, 2/27/09 [DPS(LGH)].

Brief Summary of Substitute Bill

- Requires county auditors to charge an additional document recording fee of up to \$12, to be deposited in the Affordable Housing for All Account.
- Allows the Department of Community, Trade and Economic Development to use such funds to administer, implement, and fund programs and activities to reduce homelessness.
- Requires a local governmental entity receiving certain housing funds totaling over \$300,000 to submit to a Washington State Quality Award Program assessment at least once every three years.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Simpson, Chair; Nelson, Vice Chair; Miloscia, Springer, Upthegrove, White and Williams.

Minority Report: Do not pass. Signed by 3 members: Representatives Angel, Ranking Minority Member; Cox, Assistant Ranking Minority Member; Short.

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.

Staff: Sara del Moral (786-7291) and Thamas Osborn (786-7129)

Background:

County Auditor--Housing Surcharges.

When filing and recording deeds and other documents, county auditors must assess three surcharges to support housing programs. These are the Affordable Housing for All (AHFA) surcharge and two Homeless Housing and Assistance (HHA) surcharges.

Affordable Housing for All Surcharge.

County auditors assess the AHFA surcharge, a \$10 fee allocated for affordable housing projects and programs.

A county may keep up to 5 percent of this surcharge to cover administrative costs. Of the remaining funds, 40 percent is transmitted to the AHFA Account to be used for housing and shelter for extremely low-income households. The county retains the remainder of the revenue for low-income housing programs and projects.

Homeless Housing and Assistance Surcharges.

In addition to the AHFA surcharge, county auditors must assess two HHA surcharges, of \$10 and \$8 respectively, for each document recorded. With the exception of administrative costs, these funds are divided between local homeless housing plans and the State Treasurer, which allocates the funds to provide housing and shelter to homeless people.

Homeless Housing and Assistance Program.

Established in 2005, the goal of the HHA Program (Program) is to reduce homelessness by 50 percent statewide and in each county by 2015. The Program is funded by the AHFA surcharge and the HHA surcharges through the AHFA Account.

The Homeless Housing and Assistance Act requires the Department of Community, Trade and Economic Development (DCTED) to create a state HHA Plan and also requires each county to create local HHA Plans. Thirty-seven counties participate in this Program.

Independent Youth Housing Program.

The DCTED's Independent Youth Housing Program provides housing stipends and case management services to youth, ages 18 to 23, who have exited the state dependency system.

Emergency Shelter Programs.

The DCTED administers two emergency shelter programs: the Emergency Shelter Assistance Program and the Homeless Family Shelter Program. These two programs support a network of 146 community-based emergency shelters and programs statewide to prevent homelessness and re-house homeless people in safe, secure, and affordable housing.

Housing Assistance Program.

Through the Housing Assistance Program, the DCTED uses money from the Housing Trust Fund and other sources to help finance loans and grants to provide housing to people with special housing needs and incomes below 50 percent of area median income (AMI).

Affordable Housing Program.

The Affordable Housing Program under the Housing Trust Fund develops and coordinates resources to meet the housing needs of households making less than 80 percent of the AMI.

Homeless Families Services Fund.

The DCTED administers the Homeless Families Services Fund (Fund). This Fund may be used to provide state matching funds for housing-based supportive services for homeless families. A number of activities are eligible for funding. Examples include case management, counseling, and domestic violence services.

Housing Authorities.

A housing authority may be established by any county or city that determines a need for such an authority. Housing authorities may provide a variety of programs and services to help residents meet housing needs. Services provided include public housing, housing vouchers, elderly housing, and low-income rural housing.

Washington State Quality Award Program.

The Washington State Quality Award Program's purpose is to improve overall competitiveness of the state's economy. This is accomplished by setting standards for organizational excellence, encouraging organization self-assessment, identifying successful organizations as role models, and providing a mechanism for promoting and strengthening a commitment to quality improvement in all sectors of the state's economy.

Summary of Substitute Bill:

County auditors must assess an additional surcharge of \$12 per document recorded. Revenues from the surcharge are remitted to the State Treasurer for deposit into the AHFA Account.

The DCTED may expend the funds to:

- administer and implement the:
 - Independent Youth Housing Program;
 - emergency shelter programs;
 - Housing Assistance Program;
 - Affordable Housing Program; and

- Homeless Housing and Assistance Program.
- provide affordable housing and shelter for low-income and homeless persons including, but not limited to:
 - grants to operate, repair, and staff shelters;
 - grants to operate transitional housing;
 - partial payments for rental assistance;
 - consolidated emergency assistance;
 - overnight youth shelters;
 - independent youth housing and emergency shelter assistance;
 - community housing for persons with mental illness; and
 - mobile home relocation.
- the Homeless Family Services Fund; and
- provide grants to housing authorities.

Washington State Quality Award Program.

Beginning in 2012, local governmental entities must submit to a Washington State Quality Award Program assessment at least once every three years if they receive at least \$300,000 in funding from any combination of the following sources in any given year:

- the surcharge authorized in this bill;
- the AHFA surcharge;
- the HHA surcharges;
- state housing-related funding sources; and
- any other housing surcharge.

"Local governmental entity" means a county, city, code city, town, or housing authority.

Exemptions.

The county may not impose the surcharge upon assignments or substitutions of previously recorded deeds of trust.

Substitute Bill Compared to Original Bill:

The amendment adds a requirement that beginning in 2012, local governmental entities must submit to a Washington State Quality Award Program assessment at least once every three years if they receive at least \$300,000 in funding from any combination of the following sources in a given year: (1) the surcharge authorized in this bill; (2) the AHFA Surcharge; (3) the HHA surcharges; (4) state housing-related funding sources; and (5) any other housing surcharge.

"Local governmental entity" means a county, city, code city, town, or housing authority.

Appropriation: None.

Fiscal Note: Requested February 12, 2009.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Housing authorities are having serious financial problems. During these hard economic times, local governments need revenues for housing. This provides resources for housing authorities. This money will help local communities.

The problem for housing authorities is not just the economy, it's a lack of affordable housing. The Kitsap Housing Authority is in financial crisis because it has lost bond money and because of the market crash. Without help, 1,400 people will lose housing. We can't afford to have more people on the street.

This is an important source of funds. We need affordable housing to protect people from homelessness.

This creates a funding stream for House Bill 1492 (addressing the independent youth housing program). Youth are not sure what they will do if the Independent Youth Housing Program goes away June 30.

(With concerns) It's questionable whether document recording fees are the place for this kind of funding. County general funds only collect \$5 per document; this has not increased since 1985. This bill is not the only tool to meet proponents' goals.

(Opposed) None.

Persons Testifying: (In support) Tom McBride, Kitsap County; Katheryn Quade, Kitsap County Consolidated Housing Authority; Nick Federici, Washington Low-Income Housing Alliance; and Jim Theofelis, Mockingbird Society.

(With concerns) Evelyn Arnold, Washington Association of County Auditors.

Persons Signed In To Testify But Not Testifying: Kim Wyman, Thurston County Auditor; Maggie Nelson Poole, People's Kitchen; and Darlene Kordonorry, City of Bainbridge Island and Kitsap County Consolidated Housing Authority.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill by Committee on Local Government & Housing be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Linville, Chair; Ericks, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Seaquist and Sullivan.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Priest, Ross and Schmick.

Staff: Steve Smith (786-7178)

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

No new changes were recommended.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Kitsap County supports Substitute House Bill 2166 in its role in assisting the county's Housing Authority, which is in distress. The housing authorities will benefit from these additional funds, particularly in these difficult economic times.

Habitat for Humanity also supports the bill. This bill is congruent with supporting a continuum of local housing providers. Over the years, the state has stepped up and worked with local housing efforts, and this would be another instance of the state's assisting not only housing, but also some of the state's most vulnerable citizens.

The Washington State Coalition for the Homeless supports this bill. Other than trying to preserve GAU, the Coalition's priorities are to maintain the four key line items that are devoted to addressing homelessness throughout Washington, which are Emergency Shelter, Transitional Housing, the Independent Youth Housing Program, and the Offender Reentry Pilot. Ideally, we would also ask for an enhancement to Emergency Shelter. The Coalition supports this bill because without these revenues, progress on the safety net will be difficult. Before the legislative session began, the Department of Community, Trade and Economic Development had estimated that in 2009 alone, there will be an additional 15,000 homeless in Washington State, and due to the declining fee revenues that are currently used to address homelessness, and due to lower private contributions, fewer people will be able to be sheltered. An article from the Washington Post documented that more and more two-parent families are becoming homeless because people are now losing jobs from no fault of their own.

The \$12 recording fee is assessed almost exclusively on real estate transaction and is a nominal cost to consumers. In previous years, such additional costs have been determined in both the House of Representatives and the Senate to be fees and not taxes.

(Opposed) The Washington Realtors Association opposed this bill because this fee, along with all other fees, translates into average closing costs of \$7,800 on a \$240,000 house, and cash at closing is the primary barrier to entering home ownership. Given the costs of providing publicly-funded housing, and given all of the programs that this fee could

potentially address, there would likely soon be pressure to raise the fee from \$12 to a higher amount.

Persons Testifying: (In support) Representative Darneille, prime sponsor; Tom McBride, Kitsap County; Maureen Howard, Habitat for Humanity of Washington State; Nick Federici, Washington Low Income Housing Alliance; and Seth Dawson, Washington Joint Coalition for the Homeless.

(Opposed) Terri Jeffreys, Realtors.

Persons Signed In To Testify But Not Testifying: None.