

HOUSE BILL REPORT

HB 2629

As Reported By House Committee On:
Trade & Economic Development
Capital Budget

Title: An act relating to the Washington state housing finance commission.

Brief Description: Administering the state housing finance commission.

Sponsors: Representatives Skinner, Mason, Ballasiotes, Quall, Horn, Valle, Radcliff, Veloria and Van Luven; by request of Housing Finance Commission.

Brief History:

Committee Activity:

Trade & Economic Development: 1/25/96, 2/1/96 [DPS];
Capital Budget: 2/6/96 [DP2S(w/o sub TED)].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; D. Schmidt, Vice Chairman; Sheldon, Ranking Minority Member; Veloria, Assistant Ranking Minority Member; Ballasiotes; Hatfield; Mason; Skinner and Valle.

Minority Report: Do not pass. Signed by 3 members: Representatives Backlund; Hickel and Sherstad.

Staff: Kenny Pittman (786-7392).

Background: The Washington State Housing Finance Commission (WSHFC) was created in 1983. The goal of the WSHFC is to stimulate the production of affordable single, multi-family, and special needs housing through the (1) issuance of tax-exempt and taxable nonrecourse revenue bonds; (2) administration of the federal low-income housing tax credit program; and (3) administration of other programs authorized under federal and state law.

Under state law, the WSHFC's total amount of outstanding debt limit may not exceed \$1.5 billion at any time. This amount does not include notes or bonds that have been satisfied or discharged.

Financial advantages and incentives are often made available to developers and owners of housing on the condition that certain requirements of applicable federal and state law and commission policy are met. Typically, these requirements relate to making a percentage of the housing units available to households of a certain income level for a certain period of time. These conditions can be enforced by the WSHFC by contract with the recipient of assistance. WSHFC is not statutorily authorized to impose covenants that run with the land as a means to enforce its requirements.

Summary of Substitute Bill: The WSHFC is authorized to impose covenants on housing or other facilities either financed by WSHFC or financed by programs administered by WSHFC.

The regulatory covenants shall (1) run with the land; (2) be used to satisfy and enforce requirements of applicable federal and state law and WSHFC policy; and (3) be enforceable against any successor owners of the housing or other facility, regardless of their lack of knowledge of the agreements. The covenants are only for the term of the regulatory agreement. WSHFC may use this regulatory option for existing as well as future agreements.

A technical correction is made to clarify that "nonprofit corporation" means a "nonprofit organization" under section 501(c)(3) of the Internal Revenue Code.

WSHFC's statutory outstanding debt limit is repealed.

Substitute Bill Compared to Original Bill: The substitute bill clarifies that WSHFC's recorded covenant is only for the term of the regulatory agreement.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The housing finance commission provides financial assistance in the development of affordable housing and special needs housing. The original owner agrees to certain contractual agreements as a condition of financial assistance. Recording the covenant would ensure that any future purchaser of the property is aware of the regulatory agreement.

Testimony Against: None.

Testified: (Pro) Representative Skinner, sponsor; Mike Swanson, Washington Apartment Owners Association; Busse Nutley and Kim Herman, Washington State Housing Finance Commission; Dorothy Lagget, Home Sight; Katherine Roseth, Lutheran Alliance to Create Housing; and Judy Reed, Washington Community Reinvestment Association.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Trade & Economic Development. Signed by 12 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Chopp, Assistant Ranking Minority Member; Costa; Hankins; Mitchell; Regala; Romero; Silver; D. Sommers and Valle.

Minority Report: Do not pass. Signed by 2 members: Representatives Pennington and L. Thomas.

Staff: Bill Robinson (786-7140).

Summary of Recommendation of Committee on Capital Budget Compared to Recommendation of Committee on Trade & Economic Development: The debt limit for the Housing Finance Commission is retained and increased from \$1.5 billion to \$2 billion.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The Housing Finance Commission currently has \$1.2 billion in outstanding debt and will soon reach the \$1.5 billion debt limit. There are a number of state and federal controls and financial audits of the commission that make the debt limit no longer necessary. Removal of the debt limit will allow the commission to continue to provide financial assistance to housing all across the state.

Testimony Against: None.

Testified: Representative Skinner, prime sponsor.