

# HOUSE BILL REPORT

## ESSB 6426

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### As Reported By House Committee On:

Trade & Economic Development

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

**Brief Description:** Administering the state housing finance commission.

**Sponsors:** Senate Committee on Financial Institutions & Housing (originally sponsored by Senators Prentice, Winsley, Fraser, Snyder, Hale and Franklin; by request of Housing Finance Commission).

### Brief History:

#### Committee Activity:

Trade & Economic Development: 2/15/96, 2/22/96 [DP].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** 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, multifamily, 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 Bill:** The Washington State Housing Finance Commission (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. WSHFC may use this regulatory option for existing as well as future agreements.

The definition of "nonprofit corporation" is amended to mean a "nonprofit organization" organized under section 501(c)(3) of the Internal Revenue Code.

WSHFC's statutory outstanding debt limit is raised from \$1.5 billion to \$2.0 billion.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The Housing Finance Commission provides financial assistance for the development of affordable housing, special needs housing, and facilities for nonprofit organizations. The recording of covenants protect any future purchasers and will inform them of regulatory agreements that are required when they receive federal or state financial assistance.

**Testimony Against:** None.

**Testified:** Kim Herman, Washington State Housing Finance Commission (pro).