

HOUSE BILL REPORT

HB 1359

As Reported by House Committee On:

Housing
Appropriations

Title: An act relating to providing affordable housing for all.

Brief Description: Creating an affordable housing for all program.

Sponsors: Representatives Miloscia, Chase, Hasegawa, Pettigrew, Springer, Ormsby, Roberts, Darneille, Goodman and Santos.

Brief History:

Committee Activity:

Housing: 2/1/07, 2/7/07 [DPS];

Appropriations: 3/3/07, 3/5/07 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Creates the Affordable Housing For All (AHFA) program and establishes a state goal of ensuring a decent, appropriate, and affordable home in a healthy, safe environment for every very low-income household by 2020.
- Appropriates \$7 million to the Department of Community, Trade and Economic Development to cover administrative costs of the AHFA and to distribute to counties participating in the program.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Miloscia, Chair; Springer, Vice Chair; Kelley, McCune and Ormsby.

Minority Report: Do not pass. Signed by 1 member: Representative Schindler.

Staff: Robyn Dupuis (786-7166).

Background:

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.

Existing Low Income Housing Surcharge (RCW 36.22.178)

County auditors are required by statute to record deeds and other instruments that are filed and recorded. A \$10 surcharge is charged for recording certain documents to support low-income housing projects.

The county is allowed to keep up to 5 percent of the \$10 surcharge for the collection, administration, and local distribution of the funds. Of the remaining funds, 40 percent is transmitted into the Housing Trust Account administered by the Department of Community, Trade and Economic Development (DCTED). The remainder of the revenue generated is retained by the counties for low-income housing programs and projects which serve households making at or below 50 percent of the area median income.

Summary of Substitute Bill:

Affordable Housing for All Goal

Creates a state goal of ensuring a decent, appropriate, and affordable home in a healthy, safe environment for every very low-income household by 2020.

Affordable Housing for All Surcharge

RCW 36.22.178 is renamed the Affordable Housing for All (AHFA) Surcharge. Revenue due to the state will be remitted to the Affordable Housing For All Account. All counties must report on their use of funds to the DCTED.

The AFHA Appropriation

Seven million dollars is appropriated to the DCTED to be used for state planning, evaluation, and reporting requirements as well as to provide technical assistance to counties. The remainder is to be distributed to counties participating in the AHFA program to be used for planning and programs.

County Participation in Affordable Housing for All Program

Counties may decline to participate in the AHFA program. In doing so they continue to collect and have use of the AHFA surcharge (in RCW 36.22.178), however they are not eligible for monies from the additional appropriation. Counties that do choose to participate in the program are required to fulfill the following responsibilities:

- create an Affordable Housing for All Taskforce;
- create a County Affordable Housing Plan by June 30, 2008, and update that plan annually; Plans may be combined with other required housing plans. and
- comply with additional planning, reporting, and evaluation requirements.

City Participation in Affordable Housing for All Program

- A city may participate in the AHFA program if the county in which it is located declines to participate.

The DCTED Responsibilities of the Affordable Housing for All Program:

- creating a state AHFA plan and update the plan annually;

- establishing performance measures by December 2007;
- evaluating participating county plans annually beginning in 2008;
- evaluating participating county programs annually starting in 2008;
- evaluating all counties' use of the AHFA surcharge; and
- conducting annual performance evaluations of all state agency housing programs.

Additional Bill Components

- **The Joint Legislative Audit and Review Committee (JLARC):** evaluates the AHFA program every four years (starting in 2010);
- **Quality Management:** city and county governments receiving more than \$500,000 from state sources, the Housing Finance Commission (HFC), and certain document recording fee surcharges must apply to the Washington State Quality Award program;
- **Voucher Study:** to be conducted by JLARC to determine the cost effectiveness of voucher programs;
- **Affordable Housing Data Base:** a database of all publically owned rental units;
- **Homeownership Data Base:** a resource of homeownership programs; and
- **Housing Waiting List Database Study:** to determine the need for such a waiting list.

Substitute Bill Compared to Original Bill:

The statutory requirement of counties to enter into interlocal agreements with cities is retained in the bill. A city may participate in the program if its county declines to participate. The eligible uses of AHFA (36.22.178) funds are generally retained as exist in current statutes and the allowance to use the funds for services and for other uses outlined in the state and local plans is removed. The allowance for the DCTED to use its portion of the AHFA (36.22.178) surcharge for planning and technical assistance is also removed. Rental voucher programs using funds from AHFA (36.22.178) must be similar to the U.S. Department of Housing and Urban Development Section 8 program instead of being consistent with the Section 8 program. Eligible uses for the \$7 million appropriation is expanded to include services and other programs and projects outlined in the AHFA plan as well as to include costs to the DCTED for planning, evaluation, and technical assistance to counties associated with the AHFA program. The \$50,000 appropriations for quality management programs for Housing Authorities and Community Action Agencies are removed. The DCTED is required to partner with another state agency or non-profit organization on the creation of a homeownership resource database, instead of contracting with that entity. The voucher study is limited in scope to the cost efficiency of voucher programs and will be conducted by the JLARC instead of the Washington State Institute for Public Policy.

Appropriation: The sum of \$7 million in the Fiscal Year ending June 30, 2008 is appropriated from the General Fund to the Affordable Housing for All Account..

Fiscal Note: Fiscal note requested on February 2, 2007.

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

Staff Summary of Public Testimony to Original Bill:

(In support) Housing for all economic levels is challenging in today's market but finding appropriate affordable housing is particularly difficult for very low income households. This bill requires the local and state governments to come up with solutions. This is an exciting goal and the bill addresses a variety of issues that impact housing availability and accessibility by people with a variety of income levels. The focus on the very lowest income populations is very important. It is appreciated by local governments that funds are provided along with the new program requirements.

(With concerns) There is a fear that the state may be placing too much of a burden on the DCTED with additional programs. Furthermore, the state should be cautious about the effect this new program would have on existing programs. There is a concern that money may be diverted from current operation and maintenance programs to fund the DCTED planning and evaluation requirements under this Act. These new planning and evaluation requirements should be funded by new monies from the state, not from existing resources. The performance measures may be expensive to measure and it's important that financial resources are primarily reserved for housing programs. The removal of the vacancy standard in the surcharge language makes sense, but it should be replaced with a requirement that local governments implement voucher programs, at least until they can determine whether new construction is truly needed or not.

(Opposed) None.

Persons Testifying: (In support) Representative Miloscia, prime sponsor; Walter Zisette, Washington Low Income Housing Alliance; Daniel Malone, Washington State Coalition for the Homeless; and Greg Provenzano, Columbia Legal Services.

(With concerns) Dave Williams, Association of Washington Cities; LaVon Holden, Association of Washington Housing Authorities; Doug Levy, Cities of Kent and Federal Way; Terry Kohl, Washington Apartment Association; and Terry Hotvendt, Rental Housing Association of Puget Sound.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

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 Housing. Signed by 22 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Grant, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Morrell, Pettigrew, Schual-Berke, Seaquist and P. Sullivan.

Minority Report: Do not pass. Signed by 12 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking

Minority Member; Anderson, Buri, Chandler, Dunn, Hinkle, Kretz, McDonald, Priest and Walsh.

Staff: Owen Rowe (786-7391).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Housing:

The second substitute bill clarifies that cities, towns, and counties receiving over \$500,000 a year from a variety of housing-related state and local sources must apply to the Washington State Quality Award Program (WSQA). The time is extended in which the WSQA applications must be completed from 2009 to 2010. The requirement that the Department of Community, Trade and Economic Development (DCTED) apply to the WSQA is removed. The date for the implementation of performance measures is pushed forward from December 31, 2010 to January 1, 2010. State and local plans must include information about all state and local housing programs. The requirements of the DCTED to study the potential development of a low-income household waiting list database, create a master affordable housing database and create a homeownership resource database are removed. Counties may use their surcharge funds for any of the eligible activities listed, but the priority must be to serve extremely low-income households. A representative from a private for-profit development organization is added to the list of those that the DCTED must include in its task force to develop performance measures for the Affordable Housing for All Program. The \$7 million General Fund appropriation is removed and a null and void clause is added, so that the bill is null and void unless funded in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) This bill provides additional resources for local jurisdictions to battle homelessness and expand access to affordable housing for low-income persons and ensure more effective use of current and new revenues. The existing document recording fee would be renamed the Affordable Housing for All Account. This bill would use General Fund money that will be split 60 percent for local jurisdictions and 40 percent to the state just as the existing revenues are currently apportioned. The addition of General Funds will allow this program to do a better job to provide the operation and maintenance support which leverages capital assistance from the Housing Trust Fund. About \$1.9 million are for the additional new tasks requested of the Department of Community, Trade and Economic Development and local jurisdictions in terms of reporting requirements and performance measurement. The most important piece of this bill is the additional resources that would help to improve the success of housing outcomes for people.

Persons Testifying: Nick Federici, Washington Low-Income Housing Alliance and United Way of King County.

Persons Signed In To Testify But Not Testifying: None.