

# HOUSE BILL REPORT

## E2SHB 1359

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### As Amended by the Senate

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

**Brief Description:** Creating an affordable housing for all program.

**Sponsors:** By House Committee on Appropriations (originally sponsored by 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)].

**Floor Activity:**

Passed House: 3/10/07, 57-39.

Senate Amended.

Passed Senate: 4/12/07, 32-16.

#### Brief Summary of Engrossed 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.
- Establishes an \$8 document recording fee surcharge to fund state and county programs under the Homeless Housing and Assistance Act.
- Requires the Employment Security Department to create two self-sufficiency income standards under contract with the Department of Community, Trade and Economic Development

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### HOUSE COMMITTEE ON HOUSING

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*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.*

**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).

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## 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).

### **Background:**

#### **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) to be used for the support operation and maintenance of extremely low income housing projects and to support homeless programs. 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.

#### **Homeless Housing and Assistance Act**

The Legislature enacted the Homeless Housing and Assistance Act in 2005, the goal of which is to reduce homelessness by 50 percent statewide and in each county by July 1, 2015. This goal is to be achieved through the creation of plans to address the causes of homelessness and the implementation of solutions to homelessness through state and county homeless housing programs.

Thirty-seven county governments participating in the Homeless Housing and Assistance program.

### **Homeless Housing and Assistance Program Funding**

The Homeless Housing and Assistance Program is funded by a \$10 surcharge for certain documents recorded by the county auditor. Of that \$10 surcharge:

- the auditor retains 2 percent;
- sixty percent of the remaining funds stay within the participating county of origin; *any city which assumes responsibility for reducing homelessness within its boundaries receives a percentage of the surcharge equal to the percentage of the city's local portion of the real estate excise tax*; and
- the remaining monies are remitted to the Department of Community, Trade and Economic Development (DCTED) and deposited into the Homeless Housing Account for program administration and to support the Homeless Grant Program.

Approximately \$16 million in new funding for homelessness is produced each year through the homeless document recording fee.

### **Summary of Engrossed Second Substitute Bill:**

#### **Affordable Housing for All Program**

Creates the Affordable Housing For All 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.

#### **Affordable Housing for All Surcharge**

RCW 36.22.178 is renamed the Affordable Housing for All (AHFA) Surcharge. The portion of revenue due to the state will be remitted to the Home Security Fund Account. All counties must report on their use of county funds to the DCTED.

#### **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 any additional state appropriations. 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; 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 by December 31, 2008 and updating 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 Affordable Housing for All Program 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 in housing-related funds 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;

#### **Homeless Housing and Assistance Act Program Funding Revisions**

##### *\$10 Surcharge*

The DCTED's share of revenue from the \$10 homeless housing surcharge will be deposited into the Home Security Fund and may be used for:

- program administration;
- to provide housing and shelter to homeless people and to financially support homeless shelters and other homeless housing programs; and
- to fund the Ending Homelessness Grant Program.

##### *\$8 Surcharge*

An additional \$8 document recording fee surcharge is established of which 90 percent may be used for county homeless programs and 10 percent will be deposited into the Home Security Fund Account to be used for the DCTED program administration, funding the creation of two self-sufficiency income standards by the Employment Security Department (ESD), housing and shelter assistance for homeless persons and the Homeless Housing Grant Program. The Departments of Revenue, Labor and Industries and Employment Security Department are exempt from the \$8 surcharge.

#### **Additional Homeless Program, Reporting and Evaluation Requirements**

##### **Responsibilities of the DCTED:**

- update the State Ending Homelessness plan annually;
- create program performance measures in collaboration with a taskforce; and
- evaluate local plans and local performance annually.

##### **Responsibilities of Local Governments:**

- update the Local Ending Homelessness plan annually; and
- include and report upon performance measures in Local Ending Homelessness plans.

##### **Other Bill Components**

- **The Joint Legislative Audit and Review Committee (JLARC)** will audit the Ending Homelessness program every 4 years beginning in 1009.

- **The DCTED will Contract With The Department of Employment Security** to develop two self-sufficiency income standards.

**EFFECT OF SENATE AMENDMENT(S):**

Removes requirements for counties to compose county Affordable Housing for All plans and otherwise participate in a state Affordable Housing for All program. Requires that the DCTED update a state Affordable Housing for All plan every five year, as exists in current statute, instead of annually. Reduces the number of new reporting requirements for the Affordable Housing for All plan and removes specific performance measures. Directs the existing low-income housing surcharge in RCW 36.22.178 to a new appropriated Affordable Housing for All Account, instead of to a new un-appropriated Home Security Fund Account. Alters low-income housing surcharge language and specifies that the state's portion of the funds must be used to provide housing and shelter including, but not limited to grants for housing operation and maintenance. Eliminates the requirement that the DCTED develop guidelines for state rental assistance programs. Eliminates the "Good Family Job" definition. Eliminates the quality management and Washington State Quality Award participation requirement for local governments. Eliminates the requirement of JLARC to conduct a performance evaluation of the Affordable Housing for All program and to conduct a study related to rental vouchers.

Reduces the new proposed recording surcharge for homeless programs from \$8 to \$2 and directs the state portion of both the existing and new homeless surcharge to a new appropriated Home Security Fund account instead of an un-appropriated account. Limits counties to using only 6% of their funds for administrative costs. Removes performance measures for the Homeless Housing program. Removes requirement that county homeless plans be updated annually.

Specifies that costs associated with any new Homeless Housing program planning, evaluation and reporting requirements may be funded by the new \$2 surcharge, but not by the existing homeless surcharge. Removes the requirement that the Employment and Security Department establish self-sufficiency income standards for the state. Eliminates JLARC's requirement to conduct a performance audit of the Homeless Housing program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** 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:** (Housing)

(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.

**Staff Summary of Public Testimony:** (Appropriations)

(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:** (Housing) (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 Testifying:** (Appropriations) Nick Federici, Washington Low-Income Housing Alliance and United Way of King County.

**Persons Signed In To Testify But Not Testifying:** (Housing) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.