

HOUSE BILL REPORT

HB 2683

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 and Chase.

Brief History:

Committee Activity:

Housing: 1/23/08, 1/30/08 [DPS];

Appropriations: 2/6/08, 2/8/08 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Creates the Affordable Housing for All (AHFA) program with a goal to ensure a decent, appropriate, and affordable home in a healthy, safe environment for every very low-income household by 2020.
- Requires the Department of Community, Trade and Economic Development as well as all counties to create AHFA plans to accomplish the AHFA goal.
- Requires the Employment Security Department to establish a state self-sufficiency standard.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Miloscia, Chair; Springer, Vice Chair; Lias and Ormsby.

Minority Report: Do not pass. Signed by 3 members: Representatives Armstrong, Ranking Minority Member; McCune and Schindler.

Staff: Robyn Dupuis (786-7166).

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.

Background:

Affordable Housing for All Surcharge

County auditors are required by statute to record deeds and other instruments that are filed and recorded. A \$10 surcharge, authorized by the Legislature in 2002, is charged for recording certain documents to support low-income housing projects. The 2007 Legislature named this surcharge the "Affordable Housing for All Surcharge."

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 Affordable Housing for All Account administered by the Department of Community, Trade and Economic Development (DCTED) to be used to provide housing and shelter for extremely low-income households. 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:

The Affordable Housing for All Program (AHFA)

The AHFA program is created with a goal to ensure a decent, appropriate, and affordable home in a healthy, safe environment for every very low-income household by 2020. The priority is reaching this goal for extremely low income individuals (those with incomes at or below 50 percent of the area median income) and there is a program focus on promoting self-sufficiency and economic independence.

The DCTED AHFA Requirements:

- **State AHFA Plan:** The DCTED is required to produce and annually update a state AHFA plan which may be combined with the state Homeless Housing and Assistance Plan to create one state housing plan (first due December 31, 2009). The DCTED must make recommendations for performance measures and information to be reported in the plan.
- **Annual Performance Evaluations of County Plans:** The DCTED is required to evaluate county AHFA plans.
- **Annual Performance Evaluations of Counties:** The DCTED is required to evaluate county performance in relation to the stated goals in county plans.
- **Annual Presentation to the Legislature:** The DCTED must present the results of county performance evaluations annually to the Legislature.

County AHFA Requirements:

Counties may "opt out" of the AHFA program.

- **County AHFA Plans:** All counties are required to produce a county AFHA plan by June 30, 2010 and update the plan annually. Plans may be the same as the county Homeless Housing and Assistance Plan, the county Growth Management Act comprehensive plan or other county housing plan. County plan requirements are consistent with the state AHFA plan requirements.

- **County Taskforces:** Counties must convene a county taskforce (which may be the same as the county's Homeless taskforce) to create the county plan and recommend expenditures of AHFA surcharge funds.
- **Report on Use of Funds:** Counties must report to the DCTED on the uses of the AHFA surcharge funds.

Other Planning Agencies

- A \$20,000 appropriation is included for the DCTED to distribute to statewide organizations addressing homelessness or affordable housing. Funding must be used by these organizations to create their own statewide AHFA plans. Plans are to be presented to the Legislature one year after fund receipt.

Other Significant AHFA Bill Components

- **Quality Management:** Beginning in 2010, all local governments receiving over \$500,000 per year from the state housing-related funding sources and local housing-related surcharges must apply to the Washington State Quality Award (WSQA) program every three years.
- **Self-Sufficiency Standard:** The Employment Security Department is directed to determine a "self-sufficiency standard" for the state and for each county.
- **Joint Legislative Audit and Review Committee (JLARC) GMA Performance Evaluation:** The JLARC is to conduct a performance evaluation of the Growth Management Act (GMA) by January 1, 2009, using specific performance measures.
- **Housing Trust Fund (HTF) Funding Preferences:** The Housing Finance Commission (HFC) is directed to give preference to applications of organizations who are committed to quality improvement and who have submitted an application to the WSQA program within the previous three years.

Substitute Bill Compared to Original Bill:

Specific data point and performance measure requirements for the state and local AHFA plans are removed and instead the DCTED is directed to make recommendations of performance measures and data points to be included. The JLARC evaluation of the AHFA program is removed. The DCTED is required to work with the HFC and other stakeholders to streamline application and reporting procedures and requirements and to include that information in the annually updated AHFA plan instead of in a separate report to the Legislature. The requirement that DCTED evaluate other state agency housing programs is removed. The requirement that the HFC apply to the Washington State Quality Award Program is removed.

Appropriation: The sum of \$20,000.

Fiscal Note: Available. Preliminary fiscal note available on Substitute bill.

Effective Date of 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 sections 1 through 12 are funded in the budget.

Staff Summary of Public Testimony:

(In support) The state has made great strides in addressing homelessness thanks to the state and local Homeless Housing and Assistance Plans. The problem of affordable housing, however, goes beyond homelessness and it is now time to direct some attention at identifying challenges and recommending solutions. The creation of state and local Affordable Housing for All plans will move the state forward in addressing the rising costs of affordable housing that impact all of our families.

(In support with suggestions) This bill will help unify and tie together state and local housing needs, programs, and ideas. It will help identify specific benchmarks and goals of the state and local governments and will, therefore, enable the state and local governments to define success in the housing arena. The Affordable Housing for All plans will meld well with the Homeless Housing and Assistance plans at the state and county levels. The housing problem in the state is gaining attention from county commissioners as counties discover how integrated housing is with economic development. There is, furthermore, a strong connection between the Growth Management Act (GMA) and the health of a communities' housing stock. The GMA performance evaluation requirement in the bill will provide valuable information about whether or not the correct tools and methods are in place to help local governments achieve GMA housing goals. Completing such an evaluation before counties update their comprehensive plans will provide counties with information to better plan for the future and may provide the state and local governments with an opportunity to improve GMA related housing policies. There is interest amongst some stakeholders to increase language related to GMA in the bill and include some legislative policy changes therein. One area the bill does not address is the inadequate administrative capacity of the DCTED. Their allowed administrative capacity cannot keep track with their growing portfolio.

Persons Testifying: (In support) Representative Miloscia, prime sponsor.

(In support with suggestions) Kim Herman, The Washington State Housing Finance Commission; Nick Federici, The Washington Low-Income Housing Alliance and United Way of King County; Jeanette McKague, Washington Realtors; and Eric Johnson, The Washington State Association of Counties.

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 21 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille,

Ericks, Fromhold, Green, Haigh, Hunt, Hunter, Kagi, Kessler, Linville, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist and Sullivan.

Minority Report: Do not pass. Signed by 9 members: Representatives Alexander, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Hinkle, Kretz, Ross, Schmick and Walsh.

Staff: Owen Rowe (786-7391).

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

The requirement that the Joint Legislative Audit and Review Committee conduct a performance audit of the Growth Management Act was removed. The \$20,000 appropriation to the Department of Community, Trade and Economic Development for statewide housing organizations to develop individual Affordable Housing for All plans was removed. The sectional null and void was removed, and a general null and void clause was added, making the bill 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) Supporters were appreciative of the permissive language that allows counties to opt out. If counties choose to use county Affordable Housing for All plans they can be incorporated into the Growth Management Act housing elements. Performance measures have been reduced, and the remaining measures are more focused. This allows for use of an existing revenue stream from a \$10 surcharge on certain document recording fees. The performance audit on the Growth Management Act was supported.

(With concerns) The performance audit of the Growth Management Act is too large of a task to give the Joint Legislative Audit and Review Committee in such a short period of time.

(Opposed) None.

Persons Testifying: (In support) Nick Federici, Washington Low-Income Housing Alliance; Eric Johnson, Washington Association of Counties; and Jeanette McKague, Washington Realtors.

(With concerns) Dave Williams, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.