

HOUSE BILL REPORT

HB 1995

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs
Capital Budget

Title: An act relating to the rehabilitation of historic buildings.

Brief Description: Concerning the rehabilitation of historic buildings.

Sponsors: Representatives Pettigrew, Macri and Santos.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/14/17, 2/15/17 [DPS];
Capital Budget: 2/22/17, 2/23/17 [DP2S(w/o sub CDHT)].

Brief Summary of Second Substitute Bill

- Creates a two-year pilot program to provide loans and grants for rehabilitating historic buildings within a selected municipality.
- Creates an account to receive loan repayments to be used for other rehabilitation projects.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Ryu, Chair; Macri, Vice Chair; McCabe, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Jenkin, Reeves and Sawyer.

Staff: Sean Flynn (786-7124).

Background:

Department of Commerce. The Department of Commerce (Department) serves the state's interests regarding community and economic development as well as trade and business expansion. The Department administers various federal, state, and local capital project

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funding programs related to affordable housing development, economic development, and local infrastructure.

Historic Buildings. The Department of Archeology and Historic Preservation (DAHP) maintains the Washington Heritage Register (Register), which includes a list of buildings, structures, sites, and objects of historical, architectural, archeological, or cultural state significance. The DAHP also administers the National Register of Historic Places for the state.

Summary of Substitute Bill:

The Historic Building Rehabilitation Financing Pilot Program (Program) is created to preserve the viability of historical buildings in the state and to protect public safety around historical buildings during and after a natural disaster. The Department must choose a municipality in which to implement this Program, and select a certified nonprofit community development financial institution to implement the Program within the selected jurisdiction.

The rehabilitation projects include infrastructure for safety and security purposes, such as fire protection and reinforcement, as well as for habitability and code compliance. To be eligible for Program funding, a historic building must be at least 50 years old and must retain historical characteristics, contribute to the economic vitality of the area, and meet eligibility requirements for listing on the National Register of Historic Places or be designated as a landmark by a local preservation board or other similar entity.

The Department and the selected community development financial institution must evaluate potential projects based on whether they preserve historical heritage, protect public safety and health around historic buildings, and contribute to economic stability. Other evaluation criteria include how much funding has been leveraged from other lenders and available tax credits, the extent of the owner's financial investment, and how much the project will address seismic retrofitting or other protections from natural disasters. The evaluation also must include an assessment by the DAHP of which proposed projects involve historically significant buildings and whether the rehabilitation plans are consistent with federal standards.

The Program is authorized to provide gap financing for rehabilitation projects on eligible historic properties through low-interest loans, forgivable loans, and grants. The building owner must provide at least 5 percent of the total project cost in cash in order to qualify for financing. Also, a project must receive a two-to-one nonstate matching funding from any federal, local, or nonprofit source in order to receive a Program loan.

Loan repayment is deposited into the Historic Building Rehabilitation Revolving Loan Fund. The revenue from the account must be used to fund other projects in the Program.

The Department must report to the Legislature, evaluating the Program and providing recommendations on the opportunity and potential for expanding the Program to other

jurisdictions, or statewide. An appropriation of \$10 million is made from the State Taxable Building Construction Account.

Substitute Bill Compared to Original Bill:

A project may only use Program loans if it receives two-to-one nonstate matching funding from any federal, local, or nonprofit source.

Appropriation: The sum of \$10 million.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The state needs to continue to prepare for a major earthquake. Other states are starting to prepare for emergencies to address seismic safety. Unreinforced masonry buildings are the most vulnerable buildings and cannot withstand a major earthquake. Many historic buildings are not reinforced and could be destroyed in an earthquake. Such a risk not only includes losing the building, but jeopardizing the safety of the people who occupy those buildings or are in proximity to them. It is too expensive to directly fund the rehabilitation of such buildings one at a time. Providing revolving loan financing for rehabilitation of these historic buildings could potentially provide a sustainable source of funding to help make entire communities more secure and safe, while preserving heritage as well. This will protect the people who use these buildings.

(Opposed) None.

Persons Testifying: Representative Pettigrew, prime sponsor; Barb Graft, City of Seattle Office of Emergency Management; and Eric Holdeman, Center for Regional Disaster Resilience.

Persons Signed In To Testify But Not Testifying: None.

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 Community Development, Housing & Tribal Affairs. Signed by 11 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; Johnson, Macri, Morris, Reeves, Riccelli, Ryu, Sells and Stonier.

Minority Report: Do not pass. Signed by 5 members: Representatives Dye, Koster, MacEwen, Steele and J. Walsh.

Minority Report: Without recommendation. Signed by 3 members: Representatives DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Kraft.

Staff: Melissa Palmer (786-7388).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

The Capital Budget Committee recommended removing the \$10 million State Taxable Building Construction Account appropriation.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) As part of a Community Development, Housing, and Tribal Affairs Committee work session there was a focus on the risk in Washington related to earthquakes. The bill does not come anywhere close to addressing all of the risks; there are billions of dollars of renovation work needed in many older downtown areas in the state. This is an attempt to acknowledge the work the state needs to do and to begin taking steps. This would enable the state to start working on retrofits.

(Opposed) None.

Persons Testifying: Representative Macri.

Persons Signed In To Testify But Not Testifying: None.