

# SENATE BILL REPORT

## 2SHB 1980

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As Reported by Senate Committee On:  
Human Services, Mental Health & Housing, March 14, 2017

**Title:** An act relating to creating a low-income home rehabilitation revolving loan program.

**Brief Description:** Creating a low-income home rehabilitation revolving loan program.

**Sponsors:** House Committee on Capital Budget (originally sponsored by Representatives Blake, Chapman, Macri, Robinson, Van Werven, Morris, Smith, Haler, J. Walsh, Ryu, Johnson, Stanford, Sells, Ormsby, Frame, Kretz, Dye, Santos, Doglio, Pollet, Tarleton and Jinkins).

**Brief History:** Passed House: 3/07/17, 95-2.

**Committee Activity:** Human Services, Mental Health & Housing: 3/14/17 [DPA-WM, w/oRec].

### Brief Summary of Amended Bill

- Creates the Low-Income Home Rehabilitation Revolving Loan Program.

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### SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators O'Ban, Chair; Miloscia, Vice Chair; Darneille, Ranking Minority Member; Padden and Walsh.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Carlyle and Hunt.

**Staff:** Alison Mendiola (786-7444)

**Background:** Housing Trust Fund. The state Housing Trust Fund (HTF), managed by the Department of Commerce (Commerce), is a source of funding to help meet the basic housing needs of low-income households. Through a competitive grant process, the HTF distributes funding to eligible organizations for projects that serve individuals and families with special needs, and can serve people with incomes up to 80 percent of area median income (AMI). Although, a majority of projects funded serve households with special needs or incomes below 30 percent of the AMI. At least 30 percent of the HTF dollars must be used for

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projects in rural areas. Organizations eligible to receive funding include local governments; local housing authorities; regional support networks; nonprofit community or neighborhood-based organizations; federally recognized Indian tribes; and regional or statewide nonprofit housing assistance organizations. Funding from the HTF may be used for various related purposes, including low-income housing construction and rehabilitation; rent subsidies, matching funding for housing-related social services; administrative and technical costs for housing assistance groups; homeless shelters; mortgage and down payment assistance; and accessibility in housing for persons with disabilities.

Federal Department of Health and Human Services. The Department of Health and Human Services (HHS) provides nationwide health and human services and oversees programs that provide advancement in medicine, public health, and social services. Each year the HHS issues poverty guidelines, also referred to as the federal poverty level (FPL), which are used as eligibility criteria for a number of federal assistance programs. The 2017 HHS poverty guidelines are as follows for Washington:

Persons in Family/Household	Poverty Guideline
1	\$12,060
2	\$16,240
3	\$20,240
4	\$24,600

United States Department of Housing and Urban Development. The United States Department of Housing and Urban Development (HUD) provides affordable housing opportunities to states, local governments, and individual homebuyers. The HUD's Community Development Block Grant Program issues grants to state and local governments to provide assistance to non-entitled areas for housing and community development needs. The HUD defines non-entitlement areas as those that are not metropolitan cities or part of an urban county, cities with a population of less than 50,000, and counties with a population of less than 200,000.

**Summary of Amended Bill:** Low-Income Home Rehabilitation Revolving Loan Program (Program). Subject to appropriation, the Program is created in the Commerce. Under the Program, rural homeowners who earn less than 200 percent of the FPL would be eligible for a loan for the purpose of home rehabilitation. Senior citizens, persons with disabilities, families with children under the age of five, and veterans have priority for a loan under the Program. The cost of the home rehabilitation must be the lesser of 80 percent of the assessed value of the home or \$40,000, whichever is less. This amount is the most that can be loaned under the Program. All loans against the property, including the home rehabilitation loan, cannot exceed 80 percent of the assessed value of the property. Participating homeowners defer repayment of the loan principal, interest, and any fees related to the loan. The interest rate of the loan must be equal to the previous calendar year's annual average consumer price index compiled by the Bureau of Labor Statistics, U.S. Department of Labor. Any amounts deferred become a secondary lien on the property. Any amounts due under the loan become due and payable when the home is sold or upon the change of ownership of the home.

Commerce is to contract with rehabilitation agencies to provide home rehabilitation to participating homeowners. Preference is provided to local agencies delivering programs and services with similar eligibility criteria. A rehabilitation agency may charge a homeowner an administrative fee of no more 7 percent of the rehabilitation loan amount. Any rehabilitation agency receiving funding through this Program must report to Commerce at least quarterly or in alignment with federal reporting, whichever is the greater frequency, the project costs and the number of homes repaired or rehabilitated.

The Low-Income Home Rehabilitation Revolving Loan Program Account is created in the custody of the State Treasurer. Expenditures from the account may only be used for purposes of the Program. Only the Director or the Director's designee may authorize expenditures from the account. The account is subject to allotment procedures under statute but an appropriation is not required for expenditures.

Definitions. Home means a single-family residential structure. Home rehabilitation means residential repairs and improvements that address health, safety, and durability issues in existing housing in rural areas. Rehabilitation agency means any approved department grantee, tribal nation, or any public service company, municipality, public utility district, mutual or cooperative, or other entity that bears the responsibility for rehabilitating residences and has been approved by Commerce. Rural area means areas of Washington State defined as non-entitlement areas by HUD.

**EFFECT OF HUMAN SERVICES, MENTAL HEALTH & HOUSING COMMITTEE AMENDMENT(S):**

- Requires that all loans against the property, including the home rehabilitation loan, cannot exceed 80 percent of the assessed value of the property.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. Null and void if not funded in the budget.

**Staff Summary of Public Testimony on Second Substitute House Bill:** No public hearing was held.

**Persons Testifying:** N/A.

**Persons Signed In To Testify But Not Testifying:** N/A.