

HOUSE BILL REPORT

HB 1834

As Reported by House Committee On:
Housing, Community Development & Veterans

Title: An act relating to adequate provisions for low-income homeownership opportunities.

Brief Description: Providing for adequate provisions for low-income homeownership opportunities.

Sponsors: Representatives Ryu and Doglio.

Brief History:

Committee Activity:

Housing, Community Development & Veterans: 2/8/19, 2/12/19 [DPS].

Brief Summary of Substitute Bill

- Requires at least 13 percent of Housing Trust Fund grants and loans in any funding cycle under the Housing Assistance Program to be used for the benefit of homeownership projects for households at or below 80 percent of the area median family income.
- Authorizes the Department of Commerce (Department) to provide down payment or closing cost assistance to a wider range of first-time home buyers.
- Requires 13 percent of affordable housing program funds in any funding cycle be used for homeownership projects under the Affordable Housing Program.
- Requires the Department to annually report information regarding the number and percentage of households served under the Housing Trust Fund program and other programs for both homeownership and multifamily projects.

HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 8 members: Representatives Ryu, Chair; Gildon, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Corry, Entenman, Frame, Leavitt and Reeves.

Staff: Cassie Jones (786-7303).

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:

Housing Trust Fund.

Established in 1986, the Washington Housing Trust Fund (HTF) helps communities develop and preserve affordable housing to meet the needs of low-income and special needs populations. Since 1986, the HTF has awarded over \$1 billion in funding and helped build or preserve nearly 47,000 units of affordable housing statewide.

Housing Assistance Program.

The Housing Assistance Program, administered by the Department of Commerce (Department), uses the HTF and other appropriations to finance loans and grant projects providing housing for households with special housing needs and with incomes at or below 50 percent of the project areas median family income. At least 30 percent of funds in any cycle must benefit projects located in rural parts of the state. 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. Eligible activities include:

- new construction, rehabilitation, or acquisition of low- and very low-income housing units;
- rent subsidies;
- matching funds for social services directly related to providing housing for special-need tenants in assisted projects;
- technical assistance, design and finance services and consultation, and administrative costs for eligible nonprofit community or neighborhood-based organizations;
- administrative costs for housing assistance groups or organizations when such grants or loans will substantially increase the recipients' access to other housing funds;
- shelters and related services for the homeless, including emergency shelters and overnight youth shelters;
- mortgage subsidies, including temporary rental and mortgage payment subsidies to prevent homelessness;
- mortgage insurance guarantees or payments for eligible projects;
- down payment or closing cost assistance for eligible first-time home buyers;
- acquisition of housing units for the purpose of preservation as low- or very low-income housing; and
- projects making housing more accessible to families with members who have disabilities.

Affordable Housing Program.

The Affordable Housing Program, administered by the Department, uses the HTF and other appropriations to develop and coordinate public and private resources targeted to meet the affordable housing needs of households whose income is below 80 percent of the project areas median family income. Eligible activities include, but are not limited to:

- new construction, rehabilitation, or acquisition of housing for low-income households;
- rent subsidies in new construction or rehabilitated multifamily units;
- down payment or closing costs assistance for first-time home buyers;

- mortgage subsidies for new construction or rehabilitation of eligible multifamily units; and
- mortgage insurance guarantees or payments for eligible projects.

For purposes of the Affordable Housing Program, "first-time home buyer" means an individual or his or her spouse or domestic partner who have not owned a home during the three-year period prior to purchase of a home.

Summary of Substitute Bill:

Housing Assistance Program.

The Department must use moneys from the HTF and other appropriations to finance loans and grant projects providing housing for households with special housing needs and with incomes at or below 80 percent, rather than 50 percent, of the project areas median family income. At least 13 percent of the moneys used in any given funding cycle must be used to benefit homeownership projects. If the Department imposes a funding limit on homeownership projects, the limit must be no less than 30 percent of the limit placed on multifamily projects. The Department must use a separate application form for applications to provide homeownership opportunities and evaluate homeownership project applications as allowed under the Affordable Housing Program.

Affordable Housing Program.

The definition of "first-time home buyer" is expanded to include any individual who meets any of the following criteria:

- an individual or the individual's spouse who has not owned a principal residence within three years before the date of purchase of the property;
- a single parent who has only owned a home with a former spouse while married;
- an individual who is a displaced homemaker and has only owned a home with a spouse;
- an individual who has only owned a principal residence not permanently affixed to a permanent foundation; and
- an individual who has only owned a principal residence not in compliance with existing building codes and cannot be brought into compliance for less than the cost of constructing a permanent structure.

Thirteen percent of the moneys used in any given funding cycle is established to promote homeownership projects. The Department may allocate unused program funds for non-homeownership projects if it determines it has not received an adequate number of suitable applications for homeownership projects in any given funding cycle.

Report—Department of Commerce.

Beginning December 1, 2021, the Department must annually report to the appropriate committees of the Legislature on the following:

- the number of homeownership and multifamily projects funded by the HTF;
- any other funds directed by the Department for affordable housing including federal HTF dollars, home and community development block grant funds;

- the percentage of the HTF investments made to homeownership and multifamily projects delineated by direct appropriation and competitive grants; and
- the total number of households being served at up to 80 percent of the area median income, up to 50 percent of the area median income, and up to 30 percent of the area median income, for both homeownership and multifamily projects.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill:

- requires at least 13 percent, rather than 15 percent, of the HTF grants and loans in any funding cycle under the Housing Assistance Program to be used for the benefit of homeownership projects for households at or below 80 percent of the area median family income;
- requires that if the Department imposes a funding limit on homeownership projects, that limit must be no less than 30 percent of the limit placed on multifamily projects rather than at least 30 percent higher than the limit placed on rental projects;
- defines "displaced homemaker" for purposes of the first-time home buyer definition;
- requires that 13 percent of affordable housing program funds in any funding cycle for homeownership projects under the Affordable Housing Program instead of establishing a target of 15 percent;
- requires the Department to annually report information regarding the number and percentage of households served under the HTF program and other programs for both homeownership and multifamily projects;
- removes the emergency clause and provides that the bill takes effective January 1, 2020; and
- makes technical corrections and clarifications.

Appropriation: None.

Fiscal Note: Requested on February 12, 2019.

Effective Date of Substitute Bill: The bill takes effect on January 1, 2020.

Staff Summary of Public Testimony:

(In support) Homeownership is a way to realize the American dream. It also leads to stability in the family because a mortgage stays the same, while rents rise over time. Homeownership providers work to make communities strong and equitable by providing opportunities for home ownership. Providers rely on many funding sources, including the HTF. In the last few years, the HTF only allocated 4 percent for homeownership projects. A small portion of the HTF money should be steadily provided for homeownership projects. This additional resource will help create thriving communities. This bill will allow more people to be able to move out of rentals and into homeownership. Owning a home allows a person to create wealth and put down roots in a community. The bill also aligns the state definition of "first-time home buyer" with the federal definition. This bill will help create more housing across the state.

(Opposed) None.

Persons Testifying: Representative Ryu, prime sponsor; Tom Jacobi, Homesight; and Josh Townsley, Habitat for Humanity of Washington.

Persons Signed In To Testify But Not Testifying: None.