
Capital Budget Committee

HB 2849

Brief Description: Concerning housing programs administered by the department of commerce.

Sponsors: Representatives Tharinger, DeBolt, Macri, Robinson, Chopp, Harris, Leavitt, Ramel and Lekanoff.

Brief Summary of Bill

- Combines the Housing Assistance Program and the Affordable Housing Program into the Housing Trust Fund Program.
- Requires loan deferrals for Housing Trust Fund projects with at least 50 percent of the units serving extremely low-income households or with at least 50 percent of the units dedicated to permanent supportive housing and 25 percent are for extremely low-income households.
- Requires the Department of Commerce to issue annual net cash flow loans for all other Housing Trust Fund loans.
- Changes the funding sources for administrative costs associated with the Housing Trust Fund Program.

Hearing Date: 2/6/20

Staff: Kelci Karl-Robinson (786-7116).

Background:

Housing Trust Fund.

Established in 1986, the Washington Housing Trust Fund (HTF) program provides grants or loans to help 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 over 50,000 units of affordable housing statewide.

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.

The HTF is governed by two statutory programs: the Housing Assistance Program established in 1986 and the Affordable Housing Program established in 1991. The 1991-93 Capital Budget provided \$8 million for the Affordable Housing Program and \$34 million for the Housing Assistance Program. Since that time, the capital budget appropriations do not distinguish between the two programs. The Department of Commerce (Department) refers to both of these statutes in the administration of the HTF.

Housing Trust Fund Appropriation.

The 2019-21 Capital Budget includes \$175 million for the HTF program. The definition of "first-time home buyer" is an individual who has not owned a home during the prior three-year period. The budget includes an expanded definition for "first-time home buyer" to include an individual who meets any of the following:

- 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 property that is discerned to be uninhabitable by a licensed building inspector.

The Department must annually report on its website the following:

- the number of homeownership and multifamily projects funded by the HTF;
- the percentage of the HTF investments made to homeownership and multifamily projects;
- 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.

\$10 million has been appropriated for the HTF Housing Preservation Program (HPP) in each of the last two capital budgets. The HPP competitively awards grants or loans to fund major building improvements, preservation, and system replacements necessary for the existing HTF portfolio to maintain long-term viability. The HPP applications are evaluated based on the following criteria:

- the age of the property, with priority given to buildings older than 15 years old;
- the population served, with priority given to projects serving the lowest income populations;
- the degree of demonstrated reduction in operating or utility costs;
- the potential for additional years added to the affordability commitment period; and
- other criteria determined by the Department.

Administrative Costs.

The cap on administrative costs associated with application, distribution, and project development activities is set at 3 percent of annual funds available for the Housing Assistance Program and the Affordable Housing Program. Reappropriations are not included in the calculation of the annual funds available for determining the administrative costs. The cap on administrative costs for compliance and monitoring activities is set at 0.25 percent of the contracted amount of state investment in the Housing Assistance Program and the Affordable Housing Program.

The 2019-21 Operating Budget includes an appropriation of \$12.6 million from the HTF account to support administration and other costs. The HTF account includes revenues from appropriations by the Legislature, private contributions, repayment of loans, interest on real estate broker's pooled interest bearing escrow accounts, and other sources.

Summary of Bill:

The Housing Assistance Program and the Affordable Housing Program are combined into the Housing Trust Fund (HTF) Program.

Housing Trust Fund Appropriation.

The definition of "first-time home buyer", the Housing Preservation Program, and the reporting requirements from the 2019-21 Capital Budget are added to the HTF statute.

Administrative Costs.

The Housing Portfolio Monitoring Account is created in the state treasury. The Department of Commerce (Department) is directed to certify the administrative costs needed for compliance and monitoring activities. The Treasurer is directed to transfer the certified amount from the HTF account on July 1st of each year. Compliance and monitoring activities are subject to amounts appropriated.

The Department may spend up to 3 percent of the HTF appropriation for administrative costs associated with application, distribution and project development activities.

The Department may not charge fees for HTF administrative costs.

Loan Terms.

"Extremely low-income household" (ELI) is defined as a household whose adjusted income is either:

- Up to 30 percent of the area median income; or
- Up to 50 percent of the area median income in a rural area, as defined by the Department.

The Department is required to defer loan payments for:

- Projects with at least 50 percent of the units dedicated to serving ELI households; or
- Projects with at least 50 percent of the units dedicated to permanent supportive housing and 25 percent for ELI households.

For all other loans, the Department must issue net cash flow loans in which the annual loan payments are not more than 50 percent of the net cash flow, prorated based on other funding sources and social impact investments to the project. Net cash flow is defined as gross receipts such as rents and tenant payments, less operating expenses such as insurance, utilities, salaries, management fees, maintenance, debt service, and services for permanent supportive housing. Permanent supportive housing is defined as subsidized, leased housing with no limit on length of stay, paired with on-site or off-site voluntary services designed to support a person living with a disability to be a successful tenant in a housing arrangement, improve the resident's health status, and connect residents of the housing with community-based health care, treatment, and

employment services. For projects that receive a Low-Income Housing Tax Credit (LIHTC), the loan payment may not start until the LIHTC investor exits or the project refinances.

Other Provisions.

The Department must implement policies that requires projects to remain as affordable housing for a minimum of:

- 40 years for multifamily rental projects; and
- 25 years for homeownership projects.

Eligible activities of the Housing Trust Fund Program are amended to include those funded out of the HTF capital budget appropriation. The acquisition of land for the purpose of developing low-income housing is added as an eligible activity.

Priority is given to projects that increase the total number of affordable housing units, instead of to existing privately owned housing stock and then to publicly owned housing stock.

Projects that encourage ownership, management and other project related responsibility opportunities is no longer a criterion used in evaluating applications. Nonstate funding sources and project readiness are added as application evaluation criteria.

The requirement that the advice from the Affordable Housing Advisory Board be consistent with the plans and policies developed by the Behavioral Health Administrative Services Organizations and the Developmental Disabilities Planning Council is removed.

Appropriation: None.

Fiscal Note: Requested on January 27, 2020.

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