

HOUSE BILL REPORT

ESSB 5746

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: Senate Committee on Housing Stability & Affordability (originally sponsored by Senators Saldaña, Nguyen and Zeiger).

Brief History:

Committee Activity:

Housing, Community Development & Veterans: 3/26/19, 3/27/19 [DPA].

**Brief Summary of Engrossed Substitute Bill
(As Amended by Committee)**

- Requires the Department of Commerce (Department) to use moneys from the Housing Trust Fund (HTF), under the Housing Assistance Program, to finance loans or projects that provide affordable housing to households with incomes at or below 80 percent, rather than 50 percent, of the area median family income.
- Authorizes the Department to provide down payment or closing cost assistance to a wider range of first-time home buyers.
- Requires the Department to annually report specific data on its website regarding the number and percentage of households served under HTF programs for both homeownership and multifamily projects.

HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

Majority Report: Do pass as amended. Signed by 9 members: Representatives Ryu, Chair; Morgan, Vice Chair; Jenkin, Ranking Minority Member; Gildon, Assistant Ranking Minority Member; Barkis, 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 Amended Bill:

Under the Housing Assistance Program, the Department must finance loans and projects that provide affordable housing for households with incomes at or below 80 percent of the area median family income.

The Department must use a separate form for applications under the Affordable Housing Program to provide homeownership opportunities and evaluate homeownership project applications.

The Department may provide down payment or closing costs assistance under the affordable housing program to the following types of first-time home buyers:

- 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, as defined by federal United States Housing and Urban Development standards, 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; or
- an individual who has only owned a property that is discerned by a licensed building inspector as being uninhabitable.

Beginning December 1, 2021, 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.

Amended Bill Compared to Engrossed Substitute Bill:

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

- removes the target of 13 percent of HTF grants and loans in any funding cycle under the Housing Assistance and Affordable Housing Program to be used to benefit

- homeownership projects for households at or below 80 percent of areas median family income;
 - includes in the expanded definition of "first-time home buyer" an individual who has only owned a property that is discerned by a licensed building inspector as being uninhabitable;
 - removes the effective date of January 1, 2020, so that the bill would go into effect 90 days after adjournment of the session in which the bill is passed;
 - removes the requirement that the Department report certain information to the Legislature and instead requires the Department to report the same information on its website; and
 - makes technical corrections.
-

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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) Homeownership is important to families as it addresses intergenerational poverty. There is currently a homelessness crisis and increasing access to rentals is important to address that crisis. But homeownership should also be a priority. The definition of "first time homebuyer" also needs to be updated in order to bring more people into homeownership through the HTF.

Community land trusts provide a unique way for low and moderate-income first-time homebuyers to buy homes. Down payment assistance is provided by the land trust and the buyer agrees to a shared equity model. These partnerships benefit multiple families over generations because the home remains permanently affordable. Home prices are increasing around Washington and this makes it difficult for first-time homebuyers. Home ownership changes lives by allowing families to put down roots in a community. This bill changes the definition of "first-time home buyer" and allows more individuals to qualify for HTF assistance. The definition needs to be changed in order to align with federal law.

(Opposed) None.

(Other) The technical amendments to the bill are appreciated. There are concerns regarding the 10 or 13 percent targets that are in this bill because, in order to avoid certain administrative burdens, those targets belong in the capital budget.

Persons Testifying: (In support) Senator Saldana, prime sponsor; Debora Munguia, Washington Affordable Homeownership Coalition; Dean Fearing, Kulshan Community Land Trust; and Dan Dunne, CAZ Energy Services.

(Other) Leslie Wolff, Department of Commerce.

Persons Signed In To Testify But Not Testifying: None.