

SENATE BILL REPORT

HB 1441

As Reported by Senate Committee On:
Housing Stability & Affordability, April 1, 2019

Title: An act relating to financing local infrastructure.

Brief Description: Concerning the financing of local infrastructure.

Sponsors: Representatives Tharinger, Doglio and Ormsby; by request of Housing Finance Commission.

Brief History: Passed House: 3/13/19, 64-31.

Committee Activity: Housing Stability & Affordability: 3/27/19, 4/01/19 [DP].

Brief Summary of Bill

- Creates a new program within the Housing Finance Commission to provide financing for local infrastructure projects through the issuance of bonds or loans.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Fortunato, Saldaña and Warnick.

Staff: Brandon Popovac (786-7465)

Background: The Housing Finance Commission (commission) is a finance authority established to act as a financial conduit to make additional funds available at affordable rates to help provide housing throughout the state. The commission is financially self-supported and does not receive funding from the state.

To provide financing, the commission may:

- issue bonds;
- make loans to or deposits with mortgage lenders for making mortgage loans;
- make loans for down payment assistance to home buyers; and
- participate in federal and other government programs to carry out its purpose.

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 commission can also issue nonrecourse bonds for capital projects, which are bonds that are not obligations of the state. Repayment of these bonds is payable solely from the funds received as repayment of loans for which the bonds were issued.

Summary of Bill: The commission may develop and implement a new program to provide financing to local governments for infrastructure projects. Infrastructure projects may include projects of a local government for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of streets, roads, bridges, water systems, storm and sanitary systems, solid waste and recycling facilities, and other municipal projects, facilities, and utilities. Local governments include cities, towns, counties, special purpose districts, port districts, school districts, and any other municipal corporation or quasi-municipal corporation.

In developing the program, the commission must establish eligibility criteria for financing to enable the commission to choose applicants who are likely to repay the loans. Under the program, the commission may:

- issue revenue bonds and make or purchase loans to local governments for financing all or part of the costs of infrastructure projects;
- enter into financing agreements regarding the repayment of the loans;
- exempt interest on its bonds from federal income tax on bonds that are tax-exempt; and
- participate fully in government programs for the purpose of securing financing for infrastructure projects.

The proceeds from the sale of bonds by the commission must be deposited in a segregated special fund established for the purpose the bond was issued. Any revenues that the commission receives, including contributions, grants, or payment on the principal or interest on bonds, must be deposited in a segregated special trust fund. Bond proceeds and revenues from bonds are not considered state funds.

Any local government may enter into a financing agreement with the commission containing the terms and conditions of a loan from the commission. The agreement may state the local government will repay the loan solely from revenues set aside into a special fund for loan repayment. For local governments authorized to levy taxes and borrow money payable from taxes, the agreement may state repayment of the loan is a general obligation of the local government, or both a general obligation and an obligation payable from revenues set aside into a special fund.

The commission has rights of recovery for any breach of the agreement or default in payment. Bonds issued by the commission under this program are excluded from the commission's statutory indebtedness limit of \$8 billion.

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.

Staff Summary of Public Testimony: PRO: This bill is exactly the same as the Senate bill passed out by this committee and off the Senate floor. It gives the commission the authority to offer infrastructure financing to local government entities in Washington State. The commission comes with 35 years of bonding experience and works with the public works board and other financing sources. The bill would mostly benefit small and medium governmental entities in the state. There is a need for this based on the recent study done by the University of Washington that indicated that 26 percent of governments that responded said they would need assistance or welcome assistance with financing for infrastructure.

Persons Testifying: PRO: Kim Herman, Washington State Housing Finance Commission.

Persons Signed In To Testify But Not Testifying: No one.