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**SENATE BILL 5386**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Senators Robinson, Kuderer, Saldaña, and C. Wilson; by request of Department of Commerce

AN ACT Relating to reducing administrative complexity by increasing transparency of revenue flows for activities funded by document recording fees; reenacting and amending RCW 43.185C.060; adding a new section to chapter 36.22 RCW; and repealing RCW 36.22.176, 36.22.178, 36.22.179, 36.22.1791, and 43.185C.215.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  A new section is added to chapter 36.22 RCW to read as follows:

(1) A surcharge of $183 per instrument shall be charged by the county auditor for each document recorded, which will be in addition to any other charge authorized by law. The following are exempt from this surcharge:

(a) Assignments or substitutions of previously recorded deeds of trust;

(b) Documents recording a birth, marriage, divorce, or death;

(c) Any recorded documents otherwise exempted from a recording fee or additional surcharges under state law;

(d) Marriage licenses issued by the county auditor; and

(e) Documents recording a federal, state, county, city, or water-sewer district, or wage lien or satisfaction of lien.

(2) Funds collected pursuant to this section must be distributed and used as follows:

(a) One percent of the total funds collected shall be retained by the county auditor for its fee collection activities;

(b) 30 percent of the total funds collected shall be retained by the county and used by the county as provided in subsection (3) of this section;

(c) 54 percent of the total funds collected shall be transmitted to the state treasurer to be deposited in the home security fund account created in RCW 43.185C.060 and shall be used by the department of commerce as provided in subsection (4) of this section;

(d) 13 percent of the total funds collected shall be transmitted to the state treasurer to be deposited in the affordable housing for all account created in RCW 43.185C.190 and shall be used by the department of commerce as provided in subsection (5) of this section;

(e) Two percent of the total funds collected shall be transmitted to the state treasurer to be deposited in the landlord mitigation program account created in RCW 43.31.615 and shall be used by the department of commerce as provided in subsection (6) of this section.

(3) The county shall use their portion of the collected funds as follows:

(a) Up to 10 percent for the county's administration and local distribution of the funds collected from the surcharge in this section, and administrative costs related to the county's homeless housing plan;

(b) At least 75 percent will be retained and used by the county to accomplish the purposes of its local homeless housing plan pursuant to chapter 484, Laws of 2005. For each city in the county that elects as authorized in RCW 43.185C.080 to operate its own local homeless housing program, a percentage of the surcharge assessed under this subsection equal to the percentage of the city's local portion of the real estate excise tax collected by the county shall be transmitted at least quarterly to the city treasurer, without any deduction for county administrative costs, for use by the city for program costs which directly contribute to the goals of the city's local homeless housing plan; of the funds received by the city, it may use up to 10 percent for administrative costs for its homeless housing program;

(c) At least 15 percent will be retained and used by the county for eligible housing activities, as described in this subsection, that serve extremely low and very low-income households in the county and the cities within a county according to an interlocal agreement between the county and the cities within the county consistent with countywide and local housing needs and policies. A priority must be given to eligible housing activities that serve extremely low-income households with incomes at or below 30 percent of the area median income. Eligible housing activities to be funded are limited to:

(i) Acquisition, construction, or rehabilitation of housing projects or units within housing projects that are affordable to very low-income households with incomes at or below 50 percent of the area median income, including units for homeownership, rental units, seasonal and permanent farmworker housing units, units reserved for victims of human trafficking and their families, and single room occupancy units;

(ii) Supporting building operation and maintenance costs of housing projects or units within housing projects eligible to receive housing trust funds, that are affordable to very low-income households with incomes at or below 50 percent of the area median income, and that require a supplement to rent income to cover ongoing operating expenses;

(iii) Rental assistance vouchers for housing units that are affordable to very low-income households with incomes at or below 50 percent of the area median income, including rental housing vouchers for victims of human trafficking and their families, to be administered by a local public housing authority or other local organization that has an existing rental assistance voucher program, consistent with or similar to the United States department of housing and urban development's section 8 rental assistance voucher program standards; and

(iv) Operating costs for emergency shelters and licensed overnight youth shelters.

(4) The department of commerce shall use the funds from the document recording fee or other fund sources deposited in the home security fund account as follows, except that the department of commerce shall provide counties with the right of first refusal to receive grant funds distributed under (b) and (c) of this subsection (4). If a county refuses the funds or does not respond within a time frame established by the department, the department shall make good faith efforts to identify one or more suitable alternative grantees operating within that county. The alternative grantee shall distribute the funds in a manner that is in compliance with this chapter. Funding provided through the office of homeless youth prevention and protection programs created in RCW 43.330.705 is exempt from the county first refusal requirement.

(a) Up to 10 percent for administration of the programs established in chapter 43.185C RCW and in conformance with this subsection (4), including the costs of creating and implementing strategic plans, collecting and evaluating data, measuring and reporting performance, providing technical assistance to local governments, providing training to entities delivering services, and developing and maintaining stakeholder relationships;

(b) At least 60 percent for homelessness assistance grant programs administered by the department, including but not limited to: Temporary rental assistance; eviction prevention rental assistance per RCW 43.185C.185; emergency shelter and transitional housing operations and maintenance; outreach; diversion; HOPE and crisis residential centers; young adult housing; and homeless services and case management for adult, family, youth, and young adult homeless populations and those at risk of homelessness;

(c) At least 30 percent for permanent supportive housing programs administered by the office of apple health and homes created in RCW 43.330.181 and as provided in RCW 43.330.181 and 43.330.184, including but not limited to: Project-based vouchers for nonprofit housing providers or public housing authorities; tenant-based rent assistance; and other housing assistance for permanent supportive housing as defined in RCW 36.70A.030 for individuals with disabilities. Priority for use must be given to purposes intended to house persons who are chronically homeless or to maintain housing for individuals with disabilities and prior experiences of homelessness, including families with children.

(5) The department of commerce shall use the funds from the document recording fee or other fund sources deposited in the affordable housing for all account as follows:

(a) Up to 10 percent for program administration and technical assistance necessary for the delivery programs and activities under this subsection (5);

(b) At least 90 percent for the following:

(i) Grants for building operation and maintenance costs of housing projects, or units within housing projects, that are in the state's housing trust fund portfolio, are affordable to extremely low-income households with incomes at or below 30 percent of the area median income, and require a supplement to rent income to cover ongoing operating expenses;

(ii) Grants to support the building operations, maintenance, and supportive service costs for permanent supportive housing projects, or units within housing projects, that have received or will receive funding from the housing trust fund or other public capital funding programs. The supported projects or units must be dedicated as permanent supportive housing as defined in RCW 36.70A.030, be occupied by extremely low-income households with incomes at or below 30 percent of the area median income, and require a supplement to rent income to cover ongoing property operations, maintenance, and supportive services expenses.

(6) The department of commerce shall use the funds from the document recording fee or other fund sources deposited in the landlord mitigation program account to administer the landlord mitigation program as established in RCW 43.31.605. The department of commerce may use up to 10 percent of these funds for program administration and the development and maintenance of a database necessary to administer the program.

**Sec.**  RCW 43.185C.060 and 2021 c 334 s 980 and 2021 c 214 s 4 are each reenacted and amended to read as follows:

(1) The home security fund account is created in the state treasury, subject to appropriation. ((~~The state's portion of the surcharge established in RCW 36.22.179 and 36.22.1791 and 36.22.176 must be deposited in the account.~~)) Expenditures from the account may be used only for ((~~homeless housing~~)) programs as described in this chapter((~~, including the eviction prevention rental assistance program established in RCW 43.185C.185~~)).

(2)(a) By December 15, 2021, the department, in consultation with stakeholder groups specified in RCW 43.185C.185(2)(c), must create a set of performance metrics for each county receiving funding under ((~~RCW 36.22.176~~)) section 1(3)(c) of this act. The metrics must target actions within a county's control that will prevent and reduce homelessness, such as increasing the number of permanent supportive housing units and increasing or maintaining an adequate number of noncongregate shelter beds.

(b)(i) Beginning July 1, 2023, and by July 1st every two years thereafter, the department must award funds ((~~for project-based vouchers for nonprofit housing providers and related services, rapid rehousing, and housing acquisition under RCW 36.22.176~~)) under section 1(4)(c) of this act to eligible grantees in a manner that 15 percent of funding is distributed as a performance-based allocation based on performance metrics created under (a) of this subsection, in addition to any base allocation of funding for the county.

(ii) Any county that demonstrates that it has met or exceeded the majority of the target actions to prevent and reduce homelessness over the previous two years must receive the remaining 15 percent performance-based allocation. Any county that fails to meet or exceed the majority of target actions to prevent and reduce homelessness must enter into a corrective action plan with the department. To receive its performance-based allocation, a county must agree to undertake the corrective actions outlined in the corrective action plan and any reporting and monitoring deemed necessary by the department. Any county that fails to meet or exceed the majority of targets for two consecutive years after entering into a corrective action plan may be subject to a reduction in the performance-based portion of the funds received in (b)(i) of this subsection, at the discretion of the department in consultation with stakeholder groups specified in RCW 43.185C.185(2)(c). Performance-based allocations unspent due to lack of compliance with a corrective action plan created under this subsection (2)(b) may be distributed to other counties that have met or exceeded their target actions.

(3) The department must distinguish allotments from the account made to carry out the activities in RCW 43.330.167, 43.330.700 through 43.330.715, 43.330.911, 43.185C.010, and 43.185C.250 through 43.185C.320((~~, and 36.22.179(1)(b)~~)).

(4) ((~~The office of financial management must secure an independent expenditure review of state funds received under RCW 36.22.179(1)(b) on a biennial basis. The purpose of the review is to assess the consistency in achieving policy priorities within the private market rental housing segment for housing persons experiencing homelessness. The independent reviewer must notify the department and the office of financial management of its findings. The first biennial expenditure review, for the 2017-2019 fiscal biennium, is due February 1, 2020. Independent reviews conducted thereafter are due February 1st of each even-numbered year.~~

~~(5)~~)) During the 2019-2021 and 2021-2023 fiscal biennia, expenditures from the account may also be used for shelter capacity grants.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1) RCW 36.22.176 (Recorded document surcharge—Use) and 2022 c 216 s 7 & 2021 c 214 s 1;

(2) RCW 36.22.178 (Affordable housing for all surcharge—Permissible uses) and 2021 c 214 s 7, 2019 c 136 s 1, 2018 c 66 s 5, 2011 c 110 s 1, 2007 c 427 s 1, 2005 c 484 s 18, & 2002 c 294 s 2;

(3) RCW 36.22.179 (Surcharge for local homeless housing and assistance—Use) and 2021 c 214 s 8, 2019 c 136 s 2, 2018 c 85 s 2, 2017 3rd sp.s. c 16 s 5, 2014 c 200 s 1, 2012 c 90 s 1, 2011 c 110 s 2, 2009 c 462 s 1, 2007 c 427 s 4, & 2005 c 484 s 9;

(4) RCW 36.22.1791 (Additional surcharge for local homeless housing and assistance—Use) and 2021 c 214 s 9, 2019 c 136 s 3, 2011 c 110 s 3, & 2007 c 427 s 5; and

(5) RCW 43.185C.215 (Transitional housing operating and rent account) and 2008 c 256 s 2.

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