
Capital Budget Committee

HB 1149

Brief Description: Reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity.

Sponsors: Representatives Tharinger, Reed, Berry, Bateman, Ramel, Taylor, Macri, Reeves, Thai, Wylie, Pollet and Ormsby; by request of Office of Financial Management.

Brief Summary of Bill

- Authorizes the State Finance Committee to issue up to \$4 billion in general obligation bonds to finance programs and projects that address housing insecurity.
- Requires the \$4 billion bond authorization to be submitted to the voters at the next general election.
- Creates a Workforce Housing Accelerator Revolving Loan program to be administered by the Washington State Housing Finance Commission.

Hearing Date: 1/12/23

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

Background:

Housing Programs.

The capital budget appropriates funding to the Department of Commerce for various housing programs. The largest housing program is the Housing Trust Fund program, which provides grants or loans to develop and preserve affordable housing to meet the needs of low-income and special needs populations.

The Housing Finance Commission (Commission) is a public body created in 1983 to act as a

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financial conduit that, without using public funds or lending the credit of the state or local government, may issue nonrecourse revenue bonds and participate in federal, state, and local housing programs. The Commission issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. In addition, the Commission issues tax exempt bonds to provide below market-rate financing for sustainable energy projects, nonprofit facilities, and beginning farmers and ranchers.

Bond Authorizations and the Constitutional Debt Limit.

The State Finance Committee (SFC), composed of the Governor, the Lieutenant Governor, and the State Treasurer, authorizes the issuance of all bonds and other state obligations, including financing leases, that finance capital projects authorized in the capital and transportation budgets. The SFC also acts to refinance state debt when appropriate to reduce interest costs. No bonds may be authorized for sale without prior legislative appropriation of the net proceeds.

General obligation bonds pledge the full faith, credit, and taxing power of the state toward payment of debt service. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments and deposits them into bond retirement accounts.

The State Constitution establishes a state debt limit. The State Treasurer may not issue bonds that would cause debt service to exceed 8.25 percent of general state revenue. The State Constitution also authorizes the issuance of debt outside of the debt limit subject to a vote of the people via referendum. Recent bond authorizations via referenda include:

- Motor Vehicle Fuel Tax (1998)—\$1.9 billion;
- Stadium and Exhibition Center Authorization (1997)—\$300 million;
- Waste Disposal Facilities (1986)—\$450 million;
- Public Water Supply Facilities (1980)—\$125 million; and
- Handicapped Facilities (1979)—\$25 million.

Summary of Bill:

Bond Authorization and Referendum.

The SFC is authorized to issue up to \$4 billion in state general obligation bonds to finance capital projects and programs that address housing insecurity. The authorization does not expire until the full amount has been issued.

Proceeds from the sale of bonds must be deposited into the newly created Washington Housing Crisis Response Account or the newly created Washington Housing Crisis Response Taxable Account. The State Treasurer is required to withdraw from general state revenues the amounts necessary to make the principal and interest payments on the bonds and must deposit these amounts into the Nondebt-Limit General Fund Bond Retirement Account.

The Secretary of State must submit the bond authorization to the people, for their adoption or rejection, at the next general election to be held in the state. The ballot title must read: "The

Legislature has passed House Bill No. 1149, concerning reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity. This bill would reduce homelessness by providing capital funding for selected programs and projects that address housing insecurity." If the majority of the voters approve the referendum, SFC will have the authority to issue the bonds outside of the debt limit in the State Constitution.

Workforce Housing Accelerator Program.

The Workforce Housing Accelerator Program is created to provide loans to nonprofit or for-profit developers, public housing authorities, public development authorities or other eligible applicants to finance affordable housing for low-income households. Low-income household is defined as a single person, family, or unrelated persons living together whose adjusted income is between 50 and 80 percent of the area median income.

The Commission shall not allocate more than \$20 million per county per round of funding and is required to prioritize and award loans based on at least the following:

- readiness to proceed with construction;
- commitment of private capital;
- cost efficiency;
- equitable distribution across the state; and
- the applicant's qualifications.

The housing financed by the program must serve low-income households for a minimum of 60 years. Except for cause, loans may not exceed \$20 million or 20 percent of the total project costs of the housing development.

The loans must be structured with interest rates between one and 2.5 percent and for terms no longer than 30 years. The loan repayments may not exceed 40 percent of the project's cash flow in the 12-month period preceding the repayment. Loan repayments may be reloaned by the Commission or deposited into the newly created housing accounts for other housing purposes. The Commission may charge monitoring fees.

Loan recipients must:

- commit to begin construction within 180 days of award;
- adhere to the Evergreen Sustainable Development Standard;
- file an annual compliance report; and
- use the award for the development, design, acquisition, construction, reconstruction, leasing, rehabilitation, or other improvements of housing.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains multiple effective dates. Please see the bill.