

SENATE BILL REPORT

SHB 1250

As Reported by Senate Committee On:
Housing, March 22, 2023
Ways & Means, April 4, 2023

Title: An act relating to modifying the low-income home rehabilitation program.

Brief Description: Modifying the low-income home rehabilitation program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Steele and Eslick).

Brief History: Passed House: 2/28/23, 97-0.

Committee Activity: Housing: 3/10/23, 3/22/23 [DPA-WM].
Ways & Means: 3/28/23, 4/04/23 [DPA (HSG), DNP, w/oRec].

Brief Summary of Amended Bill

- Converts the Low-Income Home Rehabilitation Revolving Loan Program into a grant program and forgives the outstanding balance of existing loans.

SENATE COMMITTEE ON HOUSING

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Kuderer, Chair; Frame, Vice Chair; Fortunato, Ranking Member;
Braun, Cleveland, Gildon, Rivers, Saldaña, Shewmake, Trudeau and Wilson, J..

Staff: Melissa Van Gorkom (786-7491)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Housing.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Nguyen, Pedersen, Saldaña, Van De Wege, Wagoner and Wellman.

Minority Report: Do not pass.

Signed by Senators Schoesler, Ranking Member, Capital; Boehnke.

Minority Report: That it be referred without recommendation.

Signed by Senators Gildon, Assistant Ranking Member, Operating; Torres.

Staff: Wendy Brown (786-7359)

Background: The Department of Commerce (Commerce) administers the Low-Income Home Rehabilitation Revolving Loan Program (Loan Program), subject to amounts appropriated. Under the Loan Program, rural homeowners who earn less than 200 percent of the federal poverty level are eligible to receive a loan for residential repairs and improvements that address health, safety, and durability issues in existing homes. Senior citizens, persons with disabilities, families with children under the age of five, and veterans must receive priority for the loans.

The loan cannot exceed 80 percent of the assessed value after rehabilitation or \$40,000, whichever is less. Any amounts due under the loan become due and payable when the home is sold or upon change of ownership of the home.

Commerce contracts with rehabilitation agencies to provide home rehabilitation to participating homeowners and administer the loans with preference provided to local agencies delivering programs and services with similar eligibility criteria. A rehabilitation agency may charge a homeowner an administrative fee of no more 7 percent of the rehabilitation loan amount. Any rehabilitation agency receiving funding through the Loan Program must report the project costs and the number of homes repaired or rehabilitated to Commerce at least quarterly, or in alignment with federal reporting, whichever is the greater frequency.

The Low-Income Home Rehabilitation Revolving Loan Program Account (Account) is a non-appropriated account that may receive repayments from the Loan Program and other sources of funding. Expenditures from the Account may only be used for purposes of the Loan Program.

Summary of Amended Bill: The Loan Program is terminated on July 1, 2023. Commerce must forgive in full any remaining amounts owed on previously issued loans. Loan forgiveness is not retroactive and does not apply to any loans previously paid in full.

The Low-Income Home Rehabilitation Grant Program (Grant Program) is established,

subject to appropriations, and administered by Commerce. Under the Grant Program homeowners who live in rural areas and have incomes at or below 200 percent of the federal poverty level, 80 percent of the area median income for the county in which the home receiving rehabilitation is located, or 60 percent of the state median income, whichever is greater would be eligible to receive a grant for residential repairs and improvements that address health, safety, and durability issues in existing homes. Senior citizens, persons with disabilities, families with children under the age of five, and veterans must receive priority for the grants.

The cost of the home rehabilitation must be the lesser of 80 percent of the assessed or appraised value of the property post rehabilitation, whichever is greater; or \$50,000.

Commerce must contract with rehabilitation agencies to provide home rehabilitation to participating homeowners and administer the grants with preference provided to local agencies delivering programs and services with similar eligibility criteria. Any rehabilitation agency receiving funding through the Grant Program must report the project costs and the number of homes repaired or rehabilitated to Commerce at least quarterly or in alignment with federal reporting, whichever is the greater frequency.

The Account is renamed as the Low-Income Home Rehabilitation Account. Expenditures may be used for the Grant Program and wind-down costs of the Loan Program.

EFFECT OF HOUSING COMMITTEE AMENDMENT(S):

- Updates the account name under the investment income account distribution statute.

Appropriation: The bill contains a section or sections to limit implementation to the availability of amounts appropriated for that specific purpose.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Substitute House Bill (Housing): *The committee recommended a different version of the bill than what was heard.* PRO: This is a very comprehensive bill that addresses everything we need to wind down the struggling loan program and replace it with a grant program. Without this change this program will be inaccessible for the families that need it most. When a critical home repair need comes up it often results in a significant financial burden. For a number of families loans under this program were not just a path to receive weatherization services but their only hope of keeping their investment entirely. Homeownership is how we build personal and family wealth in America and so this grant program will support generational wealth transfer in

ways that will actually break the cycle of poverty. It is safer and cheaper to for the state to help people stay in their homes rather than displace them and make them start the homeownership process over again.

Persons Testifying (Housing): PRO: Ryan Donohue, Habitat for Humanity Seattle-King & Kittitas Counties; Jeff DeLuca, Washington State Community Action Partnership.

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

Staff Summary of Public Testimony on Bill as Amended by Housing (Ways & Means): PRO: This comprehensive bill addresses everything we need to wind down the struggling Rural Rehabilitation Loan Program and replace it with a much more viable new grant program aligned with our shared values. For a number of families, loans under the Rural Rehabilitation Loan Program were not just a path to receiving weatherization services, they were the only hope of not losing their investment entirely. This improved program will promote generational wealth transfer through home ownership in ways that actually break the cycle of poverty. The path to stability starts with a healthy, safe, and affordable home, and this bill will help families in the hardest-to-reach communities achieve that stability.

We support this bill because it is safer and cheaper for the state to help people stay in their own homes than it is to kick people out of homeownership and back to the beginning of the housing continuum. Without this bill, this program would be facing serious questions about its future. Rising interest rates and income-limit barriers have risked making this program completely inaccessible to the families that need it the most. This bill represents an opportunity to save this vital program by turning it into a grant program, opening the program up to more families who have critical repair needs, and allowing them to stay in the place they call home.

Persons Testifying (Ways & Means): PRO: Jeff DeLuca, Washington State Community Action Partnership; Ryan Donohue, Habitat for Humanity Seattle-King & Kittitas Counties.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.