

SENATE BILL REPORT

SHB 1892

As Reported by Senate Committee On:
Housing, February 16, 2024
Ways & Means, February 26, 2024

Title: An act relating to the workforce housing accelerator program.

Brief Description: Concerning the workforce housing accelerator program.

Sponsors: House Committee on Housing (originally sponsored by Representatives Leavitt, Alvarado, Bateman, Peterson, Shavers, Reed, Fosse, Hackney, Barkis, Low, Eslick, Callan, Abbarno, Taylor, Klicker, Connors, Walen, Reeves, Ryu, Berry, Cortes, Stearns, Slatter, Duerr, Bronoske, Ramos, Ormsby, Barnard, Fey, Timmons, Kloba, Macri, Street, Chopp, Paul, Gregerson, Sandlin, Orwall, Bergquist, Goodman, Ortiz-Self, Nance, Santos and Pollet).

Brief History: Passed House: 2/8/24, 97-0.

Committee Activity: Housing: 2/14/24, 2/16/24 [DP-WM].

Ways & Means: 2/22/24, 2/26/24 [DP, w/oRec].

Brief Summary of Bill

- Creates the Workforce Housing Accelerator Revolving Loan Fund Program within the Department of Commerce and in contract with the Washington State Housing Finance Commission to administer loans to eligible organizations to assist with the development of housing for low-income households.

SENATE COMMITTEE ON HOUSING

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fortunato, Ranking Member; Braun, Cleveland, Gildon, Saldaña, Shewmake, Trudeau and Wilson, J..

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.

Staff: Samantha Doyle (786-7335)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Mullet, Vice Chair, Capital; Nguyen, Vice Chair, Operating; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Rivers, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hunt, Keiser, Muzzall, Randall, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Minority Report: That it be referred without recommendation.

Signed by Senators Schoesler, Ranking Member, Capital; Hasegawa and Pedersen.

Staff: Wendy Brown (786-7359)

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

Low-Income Housing Tax Credit Program. The WHFC administers the Low-Income House Tax Credit (LIHTC) program, which provides federal tax credits for construction of low-income housing. Housing constructed by utilizing the LIHTC program must be affordable to households with incomes at 60 percent or less than the area median income and must remain affordable to low-income tenants for at least 30 years.

The Evergreen Sustainable Development Standard. The Evergreen Sustainable Development Standard (ESDS) is a building performance standard that affordable housing projects which receive capital funds through the state Housing Trust Fund program must comply with. The ESDS covers areas including health and safety, durability, sustainability, environmental preservation, and energy and water efficiency.

Summary of Bill: The Workforce Housing Accelerator Revolving Loan Fund Program (Program) is created within the Department of Commerce (Commerce) where loans may be issued to eligible organizations to assist with the development of housing for low-income households. Commerce is directed to contract the Washington State Housing Finance Commission (Commission) to administer the funds.

Low-income households are defined as households whose adjusted income is at or above 50 percent, but not exceeding 80 percent, of the median family income adjusted for family size, for the county where the affordable housing is located, as reported by the United States Department of Housing and Urban Development. Eligible organizations are nonprofit developers, for profit developers, public housing authorities, public development authorities, or other any others established as eligible under rules by the Commission.

In awarding loans, the Commission must establish criteria that includes and prioritizes the following considerations:

- readiness to proceed with construction, including possession of necessary permits and completed land use entitlements;
- amount and commitment of private capital being leveraged as part of the financing for the project;
- proposed cost efficiency;
- development location, with the goal of awarding funding to projects in as many areas of the state as financially feasible and viable; and
- the applicant's qualifications and demonstrated capability to develop and manage the proposed project.

Housing financed under the Program must serve low-income households for at least 99 years. Unless the Commission finds cause, loans may not exceed the lesser of \$20 million or 20 percent of the entire project costs. Loans may be used in combination with other funding sources. Loans must be issued at an interest rate between 1 and 2.5 percent for the first 20 years and not require annual loan repayments in excess of 15 percent the annual cash flow. Repayment plans may not exceed 30 years except as established by Commission rules.

Loan recipients must:

- begin construction within 180 days of award;
- adhere to the evergreen sustainable development standard;
- file an annual compliance report; and
- restrict use of awarded loan costs of housing as defined by the Commission.

The Commission must:

- provide as much geographic distribution as feasible and viable;
- award no more than \$20 million per funding round to projects in a county unless there are no qualifying applicants in other counties;
- establish criteria and procedures for long-term monitoring of project compliance; establish annual reporting requirements; and
- adopt policies to administer the Program.

Commission general funds are not to be expended to implement the Program.

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 (Housing): PRO: We are in a housing crisis and know that over 1 million homes are needed in the next twenty years. The current housing trust fund has assisted in the creation on over 60 thousand homes since the 1980s. We also specifically need more workforce housing. This is not an assistance program or a grant program. These loans must be repaid to Washington State and the housing must be affordable for low-income households for 99 years. This program has the support of many groups including the Realtor's Association, Futurewise, and many more. There are also geographic recommendations to ensure that housing supply is built all across the state. There are annual reporting requirements provided for as well. The loan amounts are designed to be additional funding, as opposed to funding an entire project.

The two main programs currently run by the Washington Housing Finance Commission provide funding for housing for projects supporting households under 60 percent AMI. This program will help fill the gap up to 80 percent AMI. Additionally, the fund will be revolving and focus on efficiency and keep project costs down. This will allow leveraging of private capital. Depending on the amount of funds granted, these loans should be available fairly quickly.

This will allow more high quality housing providers to create low-income housing. The Washington Housing Finance Commission is in support of this program. Cities and counties are currently planning on the need to build 125,000 units in the 50-80 percent AMI range in the coming years. This is a good compliment to the current programs and we need funding on all fronts.

Persons Testifying (Housing): PRO: Representative Mari Leavitt, Prime Sponsor; Carl Schroeder, Association of Washington Cities; Jason Gauthier, South Sound Housing Affordability Partners; Brian Bonlender, Coalition for Affordable Housing Development; Bryce Yadon, Futurewise.

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

Staff Summary of Public Testimony (Ways & Means): PRO: This program helps meet the 50-80 percent AMI housing construction that is needed. The Washington State Housing Finance Commission (WSHFC) currently oversees the 9 percent Low-Income Housing Tax Credit Program providing federal tax credits, which primarily serves construction for projects serving households under 60 percent AMI. This fund would serve an income level gap.

Regarding the point at which the loans will be repaid, when a project is refinanced, the public debt is required to be paid back at comparable levels. The current complicated regulatory landscape makes it harder to build low-income housing and requires additional creativity to finance necessary workforce housing. Housing is a social determinant for health and is related to equity in this state. This bill would help those people like those I know who are unable to find housing and make it to their work because of difficult housing requirements. We appreciate that the WSHFC is being tasked with this program and the long-term affordability requirement. This would provide higher quality housing for low-income citizens.

Persons Testifying (Ways & Means): PRO: Nicholas Carr, Tacoma Housing Authority; Breck Lebegue; Bryce Yadon, Futurewise ; Brian Bonlender, Coalition for Affordable Housing Development; Mary Connolly, South Sound Housing Affordability Partners.

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