

SENATE BILL REPORT

SB 5202

As Reported by Senate Committee On:
Housing, February 1, 2023

Title: An act relating to reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity.

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

Sponsors: Senators Trudeau, Robinson, Conway, Hunt, Kuderer, Lovelett, Nguyen, Valdez, Wellman and Wilson, C.; by request of Office of Financial Management.

Brief History:

Committee Activity: Housing: 1/18/23, 2/01/23 [DPS-WM, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Authorizes the State Finance Committee to issue up to \$4 billion in general obligation bonds, which are issued outside of the constitutional debt limit, 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.

SENATE COMMITTEE ON HOUSING

Majority Report: That Substitute Senate Bill No. 5202 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Frame, Vice Chair; Cleveland, Saldaña, Shewmake and Trudeau.

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.

Minority Report: Do not pass.

Signed by Senator Fortunato, Ranking Member.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Gildon, Rivers and Wilson, J..

Staff: Melissa Van Gorkom (786-7491)

Background: Department of Commerce. The capital budget appropriates funding to the Department of Commerce (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.

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

State Finance Committee. The State Finance Committee (Committee), composed of the Governor, Lieutenant Governor, and the State Treasurer (Treasurer), authorizes the issuance and establishes the terms, conditions, and manner of the sale of all bonds, notes, and other debt for the state to finance capital projects in the state's capital and transportation budgets. The Commission 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. General obligation bonds pledge the full faith, credit, and taxing power of the state toward payment of debt service. Funding to pay for principal and interest on those bonds is appropriated from the state general fund in the operating budget. When debt service payments are due, the Treasurer withdraws the amounts necessary to make the payments and deposits them into bond retirement funds.

Constitutional Debt Limit. The State Constitution establishes a state debt limit. The Treasurer may not issue bonds that would cause debt service to exceed 8.25 percent of general state revenue. The issuance of debt outside of the debt limit must be subject to a vote of the people via referendum.

Public Investment Impact Disclosure. A public investment impact disclosure is drafted by the attorney general for certain ballot measures. The disclosure must include a description of up to ten words of the investments that will be affected if the measure is adopted. If the fiscal impact is primarily to the general fund, the description must list the top three

categories of state services funded by the general fund in the current state budget, and it may be up to 15 words in length.

Summary of Bill (First Substitute): Bond Authorization and Referendum. The Committee is authorized to issue up to \$4 billion in general obligation bonds to finance capital projects and programs that address housing insecurity. 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 attorney general must prepare a public investment impact disclosure to provide a description of the investments that will be affected if the measure is adopted and submit it to the Secretary of State by July 31st for inclusion on the ballot. If the majority of voters approve the referendum, these bonds would be issued outside of the constitutional debt limit. 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 Washington Housing Crisis Response Taxable Account. The 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.

Workforce Housing Accelerator Revolving Loan Fund Program. The Workforce Housing Accelerator Revolving Loan Fund Program (Program) is created in Commerce 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.

Commerce must contract with the Commission to administer the Program. Any housing financed under the Program must serve low-income households for at least 60 years. Except for cause, loans may not exceed \$20 million or 20 percent of total project costs, whichever is less.

The Commission must:

- ensure equitable geographic distribution and shall not allocate more than \$20 million per county per round of funding unless there are no other qualifying applications in other counties;
- establish criteria and procedures for long-term monitoring of affordability of housing and compliance;
- establish annual reporting requirements for loan recipients; and
- adopt rules necessary to administer the program.

The loans must be structured with an interest rate between 1 and 2.5 percent for the first 20 years and for terms no longer than 30 years. The loan repayments may not exceed 40

percent of the project's cash flow for the 12-month period preceding a repayment. Loan repayments may be reloaned by the Commission or expended for any other purpose consistent with reducing homelessness by providing capital funding for selected programs and projects that address housing insecurity. The commission may charge monitoring fees.

Loans must be prioritized and awarded to eligible organizations based on criteria established by the Commission, which must include:

- readiness to proceed with construction;
- commitment of private capital;
- proposed cost efficiency;
- development location; and
- the applicant's qualifications and demonstrated capability to develop and manage the proposed project.

Loan recipients must:

- commit to beginning construction within 180 days of award;
- adhere to the Evergreen Sustainable Development Standard;
- file an annual compliance report; and
- restrict use of awarded loan funding to eligible costs of housing.

EFFECT OF CHANGES MADE BY HOUSING COMMITTEE (First Substitute):

Requires a public investment impact disclosure to appear on the ballot as part of the referendum.

Appropriation: None.

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 Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: There are a lot of pieces in this bill that will be supported by the people because the proposal matches the need across the state. To address the unhoused we need low barrier housing, support services and low income housing options. There are a lot of low income folks with vouchers but in order to qualify they need to find a unit within a certain price point which cannot be found. This bill is a comprehensive approach to support all of these needs. This referendum provides a 5 year capital spending plan. The Governor decided to go outside of the debt limit to go big enough, bold enough and soon enough with the resources we have to get to the scale to address the problem. The bill is not the final decision of what gets spent where, the Legislature will have the ability to adjust the spending until the funds are spent. This influx

of resources can help us address the needs for affordable housing. The Housing Trust Fund received over 850 million in request for just 250 million in available authority. This would be the catalyst we need to move these projects forward.

The state has made great investments in this area but we're still not keeping up with the growth in the affordability crisis and homelessness. The existing resources are not sufficient to meet the need of workforce housing across the state. Washington needs 1 million additional homes by 2044 and over 72 percent of the homes needed are housing that the for profit market will not build. There are over 60,000 people on a waiting list for public housing in Washington and the last time we opened waiting list for vouchers over 80,000 people applied. This bill, plus a solid capital budget prioritizing affordable housing, will start to see homelessness and housing instability decrease. This a great jobs package that will help build houses. There are many permanently affordable homes in the pipeline and we need to have these partnerships to bring these homes online. Many projects are only possible with investment from the state for development and wrap around services for our residents.

There needs to be a package to address this issue from multiple perspectives. Maximizing this to ensure we are driving down the cost of housing using state resources is important. This recognizes that lack of supply is at the heart of the reason for homelessness. The bill needs amendments to speak better to the voters and a requirement that a majority of the funds go to the greatest need which is for housing to go to people with 50 percent or less of the area median income.

OTHER: Over the last 30 years Washington had a 60 percent increase in population yet our housing has only gone up 33 percent during the same time period. We need about 45,000 houses per year to catch up to what we need. Permits take too long and increase cost. The expenses on the private sector side will be paid by the public housing too and so not all of this money will go towards building housing. There is a need to look at other legislation along with this to reduce the expenses and timeline to build houses. There are more and more people becoming homeless but thanks to affordable housing people are able to stay in the areas where they live which is why this bill is needed.

CON: This bill will not help the target population, individuals who are homeless. This is a blank check and almost equivalent to half of the state's debt limit, putting the state at greater financial risk. There is no long term funding source and the bill allows the legislature to come back later and add new taxes to pay off the bonds. The Commission has never done a project of this magnitude and complexities.

Persons Testifying: PRO: Senator Yasmin Trudeau, Prime Sponsor; David Schumacher, Office of Financial Management; Michele Thomas, Washington Low Income Housing Alliance; Ryan Donohue, Habitat for Humanity Seattle-King & Kittitas Counties; Lisa Vatske, WSHFC; Nick Federici, United Way of King County and United Ways of the Pacific Northwest; Jon Grant, Low Income Housing Institute; Andrew Calkins, King

County Housing Authority & AWA; Greg Dunfield, Coalition for Affordable Housing Development; John Traynor, Washington State Labor Council, AFL-CIO; Mary Hull-Drury, Washington Realtors; Dennis Sills, Plymouth Housing; Carl Schroeder, Association of Washington Cities; Amanda DeShazo, Tacoma-Pierce County Affordable Housing Consortium.

CON: Michael McKinley.

OTHER: Dave Mastin, Association of Washington Business; Tracy Williams, Low Income Housing Institute.

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