

# HOUSE BILL REPORT

## ESHB 1624

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*As Passed Legislature*

**Title:** An act relating to the housing trust fund.

**Brief Description:** Changing provisions relating to the housing trust fund.

**Sponsor(s):** By House Committee on Housing (originally sponsored by Representatives Nelson, Mitchell, H. Sommers, Jacobsen, Winsley, R. Johnson and Phillips).

**Brief History:**

Reported by House Committee on:  
Housing, February 15, 1991, DPS;  
Capital Fac. & Financing, March 6, 1991, DPS(HO)-A;  
Passed House, March 15, 1991, 94-0;  
Amended by Senate;  
House concurred;  
Passed Legislature, 94-0.

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**HOUSE COMMITTEE ON  
HOUSING**

**Majority Report:** *That Substitute House Bill No. 1624 be substituted therefor, and the substitute bill do pass.*  
Signed by 8 members: Representatives Nelson, Chair;  
Franklin, Vice Chair; Mitchell, Ranking Minority Member;  
Winsley, Assistant Ranking Minority Member; Ballard;  
Leonard; Ogden; and Wineberry.

**Staff:** Kenny Pittman (786-7392).

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**HOUSE COMMITTEE ON  
CAPITAL FACILITIES & FINANCING**

**Majority Report:** *The substitute bill by Committee on Housing be substituted therefor and the substitute bill as amended by Committee on Capital Facilities & Financing do pass.* Signed by 15 members: Representatives H. Sommers, Chair; Rasmussen, Vice Chair; Schmidt, Ranking Minority Member; Neher, Assistant Ranking Minority Member; Beck; Braddock; Brough; Casada; Fraser; Heavey; Jacobsen; Ogden; Peery; Silver; and Wang.

**Staff:** Susan Kavanaugh (786-7130).

**Background:** The Housing Trust Fund Program, established in 1986, provides either loans or grants or both to local governments, nonprofit organizations, and public housing authorities to increase the availability and affordability of housing for very low-income households or households with special housing needs. The household's income cannot exceed 50 percent of the median income, adjusted for household size, for the county where the project is located.

Activities eligible for assistance through the Housing Trust Fund Program include, but are not limited to: (a) new construction, rehabilitation, or acquisition of housing for low-income households or homeless shelters; (b) rent or mortgage guarantees and subsidies for new construction or rehabilitated housing units; (c) matching funds for social services directly related to housing for populations with special housing needs; and (d) technical assistance, including pre-construction technical assistance, needed to develop housing for very low-income households or households with special housing needs.

#### Program Provisions

The Department of Community Development (department) is directed to have at least two funding rounds a year to award funds to eligible organizations. Thirty percent of the funds awarded in any round must go to the state's rural areas.

In awarding funds through the Housing Trust Fund program, first priority must be given to applicants that request assistance that will use privately owned housing stock, including privately owned housing stock purchased by nonprofit public development authorities. Second priority for funding is given to applicants which use existing publicly owned housing stock, including housing owned or purchased by a public housing authority.

All applications for housing trust fund assistance are evaluated based on: (a) the amount of other funds committed to the project; (b) the applicants contribution to the project; (c) the local government's contribution to the project; (d) projects that encourage ownership, management, and other project-related opportunities; (e) housing that will be available to very low-income persons for at least 15 years; (f) the applicant's ability, stability, and resources to implement the project; (g) projects that serve the greatest need; and (h) projects that provide housing for persons and families with the lowest incomes.

**Summary of Bill:** Reference to the Housing Trust Fund Program is removed and the Housing Assistance Program is

created as the funding program in the housing trust fund. The Affordable Housing Program is created, in the Department of Community Development (department), to provide assistance in the development of affordable housing for low-income households.

#### Housing Assistance Program

The Housing Trust Fund Program is renamed the Housing Assistance Program. The Housing Assistance Program is funded from revenue through the housing trust fund and other legislative appropriations.

The activities that are eligible for assistance under the Housing Assistance Program are expanded to include: (a) temporary rental and mortgage payment subsidies to prevent homelessness; (b) down payment or closing costs for first-time home buyers; and (c) projects that make housing more accessible to families with members who have disabilities.

The requirement that the department have at least two funding rounds a year is deleted. The administrative costs paid to the department, from the housing trust fund, is reduced from 5 percent of annual revenue to 4 percent of annual revenue. Annual revenue is monies made available to the department for distribution to housing trust fund projects. The department is required to award 30 percent of funds to rural areas, as defined by the department, each funding cycle, unless not enough suitable applications are received. The department is required to provide for a geographic distribution of housing trust funds on a state-wide basis. The department is directed to adopt policies to protect the state's interest in housing projects financed through the Housing Assistance Program.

Appropriations from the capital budget for the Housing Assistance Program can only be used for: a) new construction, rehabilitation, or acquisition of low and very-low income housing units; and b) acquisition of housing units to preserve their use as low-income housing. Repayments cannot be used for the administrative costs of the department or pre-construction technical assistance.

The funding priority for projects that use existing privately owned housing stock is expanded to include privately owned housing stock purchased by a public housing authority. The definition of privately owned housing stock is expanded to include housing acquired by a federal agency through default on a mortgage by the private owner. The low-income occupancy requirement for housing financed with funds from the housing trust fund or legislative appropriations is increased from 15 years to 25 years.

The criteria used by the department to evaluate applications for assistance is expanded to include: a) the project's location and access to available public transportation services; and b) the project's location and access to employment centers in the region or area. The evaluation criteria and process is revised to allow the department the flexibility to use appropriate evaluation criteria for a specific type of housing project. When evaluating applications, similar criteria must be used for similar categories of projects.

#### Affordable Housing Program

The Affordable Housing Program is created in the Department of Community Development (department). The purpose of the program is to provide either loans or grants or both to local governments, public housing authorities, and nonprofit organizations to increase the availability and affordability of housing for low-income households using a variety of public/private partnerships. Households that receive assistance through the program can not have incomes that exceed 80 percent of median income, adjusted for household size, for the county where the project is located.

Affordable housing is defined as residential housing for rental or private individual ownership which requires payment of monthly housing costs of no more than 30 percent of the household's income.

First-time home buyer is defined as an individual or his or her spouse who have not owned a home during the three-year period prior to purchase of a home.

Low-income household is defined as a single person, family or unrelated persons living together whose adjusted income is at or below 80 percent of median family income, adjusted for household size, for the county where the project is located.

The activities that are eligible for assistance through the Affordable Housing Program include, but are not limited to: a) new construction, rehabilitation, or acquisition of housing for low-income households; b) rent subsidies in new construction or rehabilitated multifamily units; c) down payment or closing costs assistance for first-time home buyers; d) mortgage subsidies for new construction or rehabilitation of eligible multifamily units; and e) mortgage insurance guarantee or payments for eligible projects.

The department is directed to develop criteria to evaluate applications for assistance through the Affordable Housing

Program. In developing the criteria for the program, the department is to request input from the existing low-income assistance advisory committee. The department is directed to adopt policies to protect the state's interest in housing projects financed through the Affordable Housing Program.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which the bill is passed.

**Testimony For:** (Housing) The housing trust fund is a necessary component to financing affordable housing projects in the state. The housing trust fund is used to encourage public/private partnerships in the development of housing for low-income households. The changes proposed in the original bill are housekeeping and are necessary to make the program flexible to meet local housing needs.

(Appropriations) Same as in Housing Committee.

**Testimony Against:** (Housing) None.

(Appropriations) None.

**Witnesses:** (Housing) Jeff Robinson, Department of Community Development (responded to questions); Judy Chaney, Federal Home Loan Bank Seattle (in favor of bill); Mike Ryherd, Low-Income Housing Congress (in favor of bill); William Longbrake, Washington Mutual Savings (in favor of bill); and Bruce Walton, Washington Association of Realtors (in favor of bill).

(Appropriations) Jeff Robinson, Department of Community Development; Bill Longbrake, Washington Mutual Bank; Mike Ryherd, Low Income Housing Congress; and Keturah Brown, Homes First!.