

HOUSE BILL REPORT

HB 1624

*As Reported By House Committee on:
Housing
Capital Facilities & Financing*

Title: An act relating to the housing trust fund.

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

Sponsor(s): 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.

**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).

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 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 low-income households or households with special housing needs.

Program Provisions

The Department of Community Development (DCD) 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 Substitute 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 (DCD), 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; and (b) down payment or closing costs for first-time home buyers.

The requirement that DCD have at least two funding rounds a year and that 30 percent of the funds go to rural areas are deleted. The Department of Community Development is required to provide for a geographic distribution of housing trust funds on a state-wide basis.

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 DCD 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 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 DCD 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. 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 more than 50 percent, but less than 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 of Community Development is directed to develop criteria to evaluate applications for assistance through the Affordable Housing Program. In developing the criteria for the program, DCD is to request input from the existing low-income assistance advisory committee.

Substitute Bill Compared to Original Bill: The substitute bill: a) removes the language that would have allowed up to 10 percent of the revenue in the housing trust fund to be used for housing projects for households with incomes up to 80 percent of median family income; b) adds a requirement that projects be evaluated on their location and access to employment center in the region or area; and c) creates the Affordable Housing Program.

Fiscal Note: Not requested.

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

Testimony For: 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.

Testimony Against: None.

Witnesses: 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).

**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).

Summary of Recommendation of Committee on Capital Facilities & Financing Compared to Recommendation of Committee on

Housing: 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 purposes for which capital bond proceeds may be used in the Affordable Housing Program are defined. The department is directed to adopt policies to protect the state's interest in housing projects financed by the Housing Assistance and Affordable Housing programs. The Affordable Housing Program may serve households with incomes up to 80 percent of median income rather than just between 50 percent and 80 percent. The Affordable Housing Program may use up to 5 percent of funds for administration. The requirement that a portion of interest earned on the Housing Trust Fund remain with the program is removed.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill as Amended: Ninety days after adjournment of session in which bill is passed.

Testimony For: Same as in Housing Committee.

Testimony Against: None.

Witnesses: Jeff Robinson, Department of Community Development; Bill Longbrake, Washington Mutual Bank; Mike

Ryherd, Low Income Housing Congress; and Keturah Brown,
Homes First!.