

HOUSE BILL REPORT

HJR 4228

*As Reported By House Committee on:
Housing*

Brief Description: Amending the Constitution to allow financial assistance for first-time homebuyers.

Sponsor(s): Representatives Nelson, Wineberry and Holland.

Brief History:

Reported by House Committee on:
Housing, February 26, 1991, DPS.

**HOUSE COMMITTEE ON
HOUSING**

Majority Report: *That Substitute House Joint Resolution No. 4228 be substituted therefor, and the substitute resolution do pass.* Signed by 7 members: Representatives Nelson, Chair; Franklin, Vice Chair; Mitchell, Ranking Minority Member; Ballard; Leonard; Ogden; and Wineberry.

Minority Report: *Do not pass.* Signed by 1 member: Representative Winsley, Assistant Ranking Minority Member.

Staff: Kenny Pittman (786-7392).

Background: The Washington Constitution, prohibits any county, city, town or other municipal corporation from giving any money, or property, or loaning its money, or credit to or in aid of any individual. The only exception is for the necessary support of the poor and infirm (Article 7, Section 7 of the Washington Constitution).

Studies have found that many potential home buyers are finding it increasingly difficult to buy their first home. It has been stated that high down payment and closing costs and high interest rates have kept many potential first-time home buyers out of home ownership. Methods cited to assist first-time home buyers include: (a) providing reduced rate, longer-term second mortgages; and (b) providing some or all of the required down payment, including closing costs and other costs payable at the time of closing, to the first-time home buyer.

Summary of Substitute Bill: A constitutional amendment is submitted to the people at the next general election. The

amendment allows any county, city, or town to use public moneys or credit to assist first-time home buyers in acquiring their home. Any financial assistance provided by the local government must be secured by a lien against the property. To qualify for the financial assistance, the purchaser must meet specific income and residential requirements. The Legislature may place additional restrictions on the program.

Substitute Bill Compared to Original Bill: The substitute bill removes quasi-municipal corporations, municipal corporations, and political subdivisions of the state as groups that can use public moneys or credit to assist first-time home buyers in acquiring their home.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: After approval by the voters at the November 1991 general election.

Testimony For: The amendment to the Washington Constitution will permit counties, cities, and towns to assist first-time home buyers by providing loans for down payment and closing costs assistance. Local governments will be able to bring another tool to work with employers and public/private housing partnerships in providing housing for first-time home buyers. Since the program is limited to local funds, there is no impact on the state.

Testimony Against: This is another program that will add to the cost of government for everyone.

Witnesses: Ron Main, King County Council (in favor of bill); and Paul W. Locke (against the bill).