

SENATE BILL REPORT

SB 6334

As Passed Senate, February 9, 2006

Title: An act relating to increasing the debt limit of the housing finance commission.

Brief Description: Increasing the debt limit of the housing finance commission.

Sponsors: Senators Fairley, Benton, Franklin, Kline, Rasmussen and Shin; by request of Housing Finance Commission.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 1/18/06, 1/19/06[DP].

Passed Senate: 2/9/06, 45-2.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Finkbeiner, Franklin, Keiser and Spanel.

Staff: Jennifer Arnold (786-7471)

Background: The Washington State Housing Finance Commission (Commission) was created in 1983 to act as a financial conduit that can (without lending the credit of the state) provide a range of loan programs utilizing tax-exempt bonds and participate in federal, state, or local housing programs, among other things. The tax savings allow the lenders to provide loans at reduced interest rates to qualified borrowers. The amount of tax-exempt bonds that may be issued by a state is limited by federal law.

Currently, the Commission has \$2.78 billion of outstanding tax-exempt revenue bonds and the existing statutory limit on such bonds is set at \$3 billion. The Commission's debt is not a debt of the state of Washington.

The Commission anticipates reaching the statutory limit in 2006. Therefore, it is believed that the limit must be increased in order to allow the Commission to continue to issue debt to finance affordable housing and nonprofit facilities. Further, there are concerns that the sharp increase in real estate values and construction materials is increasing the cost of housing financed by the Commission and that, therefore, to continue to finance the same number of projects as in the past, larger bonds must be issued. The Commission believes that these factors, combined with a growing state population, necessitate additional debt capacity.

Summary of Bill: The Washington State Housing Finance Commission's statutory limit on outstanding tax-exempt revenue bonds is increased from \$3 billion to \$5 billion.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: The Commission's debt is not Washington State debt. The Commission does not make loans directly, but works through a Washington lender. Since the Commission's creation in 1983, it has issued about \$6.8 billion in total debt and has paid off \$4.8 billion of that debt. The Commission has been very successful and, as a result, is near to reaching its cap. Currently, three very large projects for senior housing are scheduled and if they all come on line this year, the Commission will hit their cap and be forced to stop issuing debt to finance affordable housing and nonprofit facilities, unless the cap is raised.

Testimony Against: None.

Who Testified: PRO: Kim Herman, Washington State Housing Finance Commission.