

HOUSE BILL REPORT

EHB 3142

As Passed House:
February 18, 2008

Title: An act relating to affordable housing loan programs.

Brief Description: Creating the affordable housing and community facilities rapid response loan program.

Sponsors: By Representatives Liias, Chase, Walsh, Ericks, Loomis, Miloscia, Rolfes, Linville, Dickerson, Green, Morrell, Kelley, Wood, Nelson, Santos and Ormsby.

Brief History:

Committee Activity:

Housing: 1/30/08, 1/31/08 [DP];
Capital Budget: 2/6/08, 2/12/08 [DP].

Floor Activity:

Passed House: 2/18/08, 94-1.

Brief Summary of Engrossed Bill

- Creates the Rapid Response Loan Program to make low interest loans and grants for the purpose of purchasing land or real property for affordable housing and community facility development.

HOUSE COMMITTEE ON HOUSING

Majority Report: Do pass. Signed by 4 members: Representatives Miloscia, Chair; Springer, Vice Chair; Liias and Ormsby.

Minority Report: Do not pass. Signed by 3 members: Representatives Armstrong, Ranking Minority Member; McCune and Schindler.

Staff: Robyn Dupuis (786-7166).

HOUSE COMMITTEE ON CAPITAL BUDGET

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass. Signed by 20 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Appleton, Blake, Chase, Dunshee, Eickmeyer, Flannigan, Hankins, Hasegawa, Kelley, Pearson, Pedersen, Sells, Skinner, Smith and Upthegrove.

Minority Report: Do not pass. Signed by 1 member: Representative McCune.

Staff: Nona Snell (786-7153).

Background:

The Housing Trust Fund

The Department of Community, Trade and Economic Development (DCTED) provides financial assistance to affordable housing projects for low-income persons through its Housing Trust Fund loan and grant program. Eligible activities for Housing Trust Fund assistance include new construction and rehabilitation, rent subsidies, housing related social services, shelters, acquisition of low-income housing units, and down payment assistance.

There exists a formal process by which eligible organizations may apply for funding. Application periods of at least 90 days duration are announced as often as the DCTED deems appropriate and applications are accepted and evaluated only during those periods of time. The review process evaluates the merits of a proposal based on need, readiness, capacity of the organization, and the proposed project impact. The review process takes approximately 12 weeks.

Affordable Housing Land Acquisition Program

The 2007 Legislature created the Affordable Housing Land Acquisition (AHLA) program within the DCTED (2SHB1401). The AHLA program is managed by the Washington State Housing Finance Commission (HFC).

The AHLA program consists of a revolving loan fund for land acquisition on which eligible organizations intend to construct affordable housing and associated facility development. Loan interest rates may not exceed 1 percent. An affordable housing development plan is required as part of the loan application process and loan recipients must place housing into service within eight years of loan receipt. If a housing development does not comply with the requirements of the AHLA program, a penalty is imposed on the loan recipient which consists of the principal of the loan plus compounded interest calculated at the current market rate at the time the loan was made.

Forty percent of loans must be made to eligible applicants operating homeownership programs for low-income households in which the households participate in the construction of their homes. Sixty percent of loans may be awarded to other eligible organizations.

Summary of Engrossed Bill:

Affordable Housing Land Acquisition Program Rental Housing Preservation

Loan recipients must preserve affordable rental housing developed on property for which AHLA loans are received for a minimum of 30 years.

Rapid Response Loan Program

The Rapid Response Loan Program is created within the DCTED. Through the Rapid Response Loan Program, the DCTED will make low-interest (0-3 percent) loans and grants to eligible organizations for the purpose of purchasing land or real property for affordable housing and community facility development. Any rental housing produced or acquired through this Rapid Response Loan Program must be preserved for at least 30 years.

The Rapid Response Loan Fund is a revolving fund.

The DCTED must report annually to the appropriate committees of the Legislature on the number of loans and grants that were made, the purpose of the loans and grants, loan and grant recipients, and when the loans are expected to be paid back.

There is a null and void clause for the Rapid Response Loan Program.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

Staff Summary of Public Testimony: (Housing)

(In support) This bill will help curb the gentrification of some areas of our state that has to date resulted in the displacement of families. The Rapid Response Loan Program provides another flexible tool to help the state meet the affordable housing needs of its residents. Nonprofit housing developers do not have access to as much capital as for-profit developers and this will help to level the playing field. Having access to quick financing is critical for nonprofit organizations to be able to compete for land and property such as mobile home parks and apartment buildings in order to preserve these properties for affordable housing. In addition to creating new affordable housing units, it is critical that we stop the loss of existing units and this Rapid Response Loan Program will go far in helping to preserve affordable housing.

(Neutral) The DCTED could also administer the Rapid Response Loan Program. If the intent is that the Rapid Response Loan Program be funded with the \$3 million in the Governor's budget then it might be more effective if it were limited to short-term assistance like earnest funds and downpayment assistance as \$3 million will not go far in purchasing entire properties.

(Opposed) None.

Staff Summary of Public Testimony: (Capital Budget)

(In support) The bill will help curb the gentrification of some areas of our state that is resulting in the displacement of families. In addition to creating new affordable housing units, it is critical that we stop the loss of existing units, and the Rapid Response Loan Program will go far in helping to preserve affordable housing. The Rapid Response Loan Program provides a flexible tool to help the state meet the affordable housing needs of its residents. Nonprofit housing developers do not have access to as much capital as for-profit developers and this will help to level the playing field. Having access to quick financing is critical for nonprofit organizations to be able to compete for land and property, such as mobile home parks and apartment buildings, in order to preserve the inventory of affordable housing.

(In support with concerns) The Department of Community, Trade and Economic Development would like to administer the Rapid Response Loan Program. If the intent is that the program be funded with the \$3 million in the Governor's Supplemental Capital Budget, then the program might be more effective if it were limited to short-term assistance, like earnest funds and down payment assistance. The \$3 million is not enough to purchase entire properties. The bill should be funded in addition to the funding for housing that is already provided in the Governor's budget.

(Opposed) None.

Persons Testifying: (Housing) (In support) Representative Liias, prime sponsor; Nick Federici, Washington Low-Income Housing Alliance; Kim Sherman, Housing Finance Commission; and Sylvia See, White Center Community Development Association and Delridge Neighborhood Development Association.

(Neutral) Will Graham, Department of Community, Trade and Economic Development.

Persons Testifying: (Capital Budget) (In support) Representative Liias, prime sponsor; Marie Sullivan, Department of Community, Trade and Economic Development; and Nick Federici, Washington Low-Income Housing Alliance.

(In support with concerns) Seth Dawson, Washington State Coalition for the Homeless.

Persons Signed In To Testify But Not Testifying: (Housing) None.

Persons Signed In To Testify But Not Testifying: (Capital Budget) None.