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## Housing Committee

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# HB 1401

**Brief Description:** Regarding the acquisition of land for affordable housing.

**Sponsors:** Representatives Pettigrew, Springer, Dunn, McCune, Miloscia, Chase and Santos.

### Brief Summary of Bill

- Creates the Affordable Housing Land Acquisition Program in the Department of Community, Trade and Economic Development (DCTED). Low interest loans will be provided to eligible organizations to purchase land on which to develop affordable housing.

**Hearing Date:** 1/22/07

**Staff:** Robyn Dupuis (786-7166).

### Background:

The Department of Community, Trade and Economic Development (DCTED) provides financial assistance to 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 (currently twice a year) 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.

Some low-income housing developers have found it difficult to purchase and hold land for future affordable housing development given the fast paced real-estate market and the short-time periods they are allowed to gather financing and close the deal. Many traditional sources of funding and financing for low-income housing developments, including the Housing Trust Fund, have strict

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application and review periods which are not always conducive to purchasing land in a timely manner within the private market. Furthermore, although short-term "bridge loans" are available, recipient organizations find themselves with tight deadlines to secure permanent financing for fear of losing the property in question.

### **Summary of Bill:**

The Affordable Housing Land Acquisition Program is created within the DCTED for the purpose of implementing and managing a revolving loan fund for land acquisition for affordable housing and associated facility development. Loan interest rates may not exceed one percent. Housing must be maintained as affordable for 30 years.

In addition to a proposed affordable housing development plan required as part of the loan application process, loan recipients must present a more detailed development plan within 5 years of loan receipt and must place housing into service within 8 years of loan receipt.

The DCTED will contract with the Washington State Housing Finance Commission (HFC) to implement and manage the program.

### **Penalty for Non Compliance**

If a housing development does not comply with the requirements of the program, a penalty is imposed which consists of the principal of the loan plus compounded interest calculated at the current market rate at the time the loan was made. The market rate will be determined by the HFC and shall be noted in the loan documents.

### **Program Reporting**

The HFC will report annually on the results of the program to the DCTED and the legislature using performance measure data.

### **Accounts Created and Funding**

A non-appropriated Affordable Housing Land Acquisition Account is created and five million dollars is appropriated to that account from the general fund for the fiscal year ending June 30, 2008.

### **Applicable Terms:**

**Affordable Housing** is housing for rental or homeownership housing for low-income families (80% of the median family income). For rental housing, payment of monthly housing costs cannot exceed over 30% of the household's income (RCW 43.185A.010).

**Eligible Organizations** include local governments, housing authorities, non-profit community or neighborhood-based organizations, federally recognized Indian tribes and regional or statewide nonprofit housing assistance organizations.

**Appropriation:** None.

**Fiscal Note:** Requested on January 18, 2007.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.