

SENATE BILL REPORT

E2SHB 3180

As Reported By Senate Committee On:
Consumer Protection & Housing, February 28, 2008
Ways & Means, March 03, 2008

Title: An act relating to housing reform policies to achieve greater efficiencies in housing investments.

Brief Description: Addressing housing reform policies to achieve greater efficiencies in housing investments.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Ormsby, Green, Morrell, Liias, Dunn and Wood).

Brief History: Passed House: 2/15/08, 66-28.

Committee Activity: Consumer Protection & Housing: 2/26/08, 2/28/08 [DPA-WM, DNP].
Ways & Means: 3/3/08 [DPA, w/oRec].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Haugen, Jacobsen, Kilmer and Tom.

Minority Report: Do not pass.

Signed by Senator Honeyford, Ranking Minority Member.

Staff: Alison Mendiola (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Rockefeller and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senators Parlette, Roach and Schoesler.

Staff: Richard Ramsey (786-7412)

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.

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

Housing Development Liability Insurance. Under the Washington Condominium Act, there is an implied and express warranty of quality provided to condominium purchasers.

Lenders require additional construction liability insurance for condominium projects, including coverage for construction defects discovered after construction is complete. Condominium liability insurance has been more expensive than general construction liability insurance.

Housing Finance Commission (HFC). The Washington State HFC was created by the Legislature in 1983, however it is not a state agency. The HFC does not receive state funds, it does not lend state funds, and the state is not liable for any of the HFC's debt. The HFC acts as a financial conduit of federal funds and has the authority to issue bonds for the development of affordable housing and nonprofit facilities. It issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit developers who set aside a certain percentage of their units for low-income individuals and families.

Relocation Assistance - Real Property Acquisition Policy. The DCTED received an Attorney General opinion in 1991 that asserts that any agency, which includes government agencies, persons, and nonprofit organizations, that displaces people (which include businesses) with projects funded with state revenues (such as the HTF) is subject to the relocation assistance requirements in Chapter 8.26 RCW. Local public agencies may elect not to comply with the relocation assistance requirements if the displacing project is not receiving federal financial assistance.

Required relocation assistance includes:

- paying for a person's moving and related expenses;
- payment for a property owner's replacement housing up to \$22,500;
- payment for replacement housing for tenants and others up to \$5,250; and
- relocation assistance advisory services.

All projects funded by the HTF (except those of local public agencies which are not also receiving federal monies) have been directed to comply with the relocation assistance requirements of Chapter 8.26 RCW.

Property Tax Exemption for Non-Profits. Nonprofit organizations may receive a property tax exemption for rental housing developments or mobile home spaces when at least 75 percent of the units are occupied by households with incomes at or below 50 percent of the adjusted median county income.

Summary of Bill (Recommended Amendments): Strategies to Reduce Costs for HTF Projects. The DCTED must work with housing advocates to:

- identify affordable housing development costs;
- propose strategies to reduce these costs for HTF projects;
- recommend potential performance measures; and

- analyze the fiscal impact of public policies on affordable housing development.

The DCTED will report its findings and recommendations to the Legislature by September 30, 2009.

The Office of the Insurance Commissioner (OIC) must recommend strategies to reduce construction liability and earthquake insurance costs for projects funded by the HTF. The OIC will report on recommendations to the Legislature by December 1, 2008.

HTF Float Loan Program and Account. The HTF Float Loan Program provides zero or low interest loans to organizations that apply to the HTF (and are ready to proceed with development) but for which there are not adequate monies within the HTF to fund their project during the current funding round. The DCTED must develop program policies and procedures by December 1, 2008, and implement the program by February 1, 2009. The float loan program is limited to specific amounts appropriated in the capital budget.

Washington State HFC Policy Objectives and Reporting Requirements. One major objective of the HFC is to increase the supply of affordable and decent housing throughout the state. Within its plan the HFC must consider and set objectives for the use of funds to promote increased housing density. The HFC will update its plan every two years and report annually to the Legislature on plan implementation.

HFC - Priority to NonProfit Organization Applications. The HFC must adopt program guidelines to ensure that qualified applications submitted by nonprofit entities are given priority for the use of tax exempt bonds for multifamily affordable housing developments.

Exemption of Affordable Housing Developments from Chapter 8.26 Relocation Assistance. Projects funded by the HTF are exempt from relocation assistance and property acquisition requirements (and rules) of Chapter 8.26 RCW. The DCTED must create standards and requirements for relocation assistance and property acquisition to which HTF projects must comply.

NonProfit Equity Fund Program and Account. The Nonprofit Equity Fund Account Program is created within the DCTED to facilitate the use of the HFC multifamily tax-exempt bonds by nonprofit organizations. The DCTED will contract with the HFC to administer the Nonprofit Equity Fund Program. The Nonprofit Equity Fund Account (appropriated) is created. The nonprofit equity fund program is limited to specific appropriations in the capital budget.

Housing Communities Program. The Housing Communities Program is created within the DCTED to provide technical assistance and capacity-building programs to help nonprofit organizations serving communities of color or multilingual communities develop or expand housing programs. The DCTED will contract with experienced housing nonprofits to operate the program throughout the state.

Increasing Income Threshold for NonProfit Property Tax Exemption Program. Nonprofit organizations that receive funds from the Nonprofit Equity Account Program may receive a property tax exemption for rental housing developments or mobile home spaces when at least 75 percent of the units are occupied by households with incomes at or below 60 percent of the adjusted median county income.

The Housing Infrastructure Program. The Housing Infrastructure Program is created within the DCTED to provide loans for public infrastructure that supports affordable rental or owner-occupied housing. Loans, with interest rates up to 0.5 percent, will be competitive. They can be made for public works projects that support such housing for activities including the planning, construction, repair, reconstruction, replacement, rehabilitation, or improvements of sidewalks, streets and roads, bridges, power utilities, water systems, storm and sanitary sewage systems, and solid waste facilities.

Loans are also available for the acquisition of real property when the acquisition is directly related to the development of public works projects for affordable housing.

In addition to supporting affordable housing, projects must demonstrate evidence that:

- additional residential or mixed-use development will occur in an urban growth area;
- the development is within one-half mile of a public transit stop; or
- either moderate or high-density housing, or both, will be constructed.

Income limits for rental housing are 80 percent of the median income (or the median income for high-cost areas). Income limits for owner-occupied housing are 115 percent of the median income (150 percent in high-cost areas).

High-cost areas are defined as counties where the third quarter median house price for the previous year, as reported by the Washington Center for Real Estate Research at Washington State University, is equal to or greater than 130 percent of the statewide median house price published during the same period.

An Affordable Housing Infrastructure Account is created and is subject to appropriation.

Sections 1 and 10 are null and void if not funded in the budget.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): Deletes the establishment of the legislative task force on condominium construction liability, directs a report by the Insurance Commissioner on reducing insurance costs on Housing Trust Fund Projects and specifies that the Housing Trust Fund Float Loan Program and the Non-Profit Equity Program are limited to specific amounts appropriated in the capital budget.

EFFECT OF CHANGES MADE BY CONSUMER PROTECTION & HOUSING COMMITTEE (Recommended Amendments): Having the OIC study the issue of condominium liability insurance, with a focus on reducing costs of Housing Trust Fund applicants is removed and replaced with a legislative task force convened by the OIC to study condominium liability insurance. The null and void clause is removed from the Housing Infrastructure Program and Account.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony on Engrossed Second Substitute Bill (Consumer Protection & Housing): PRO: This bill has brought together a wide coalition of people with the goal of decreasing barriers developers experience in developing affordable housing. Regarding the relocation assistance provision, developers are not trying to get out of paying relocation assistance- expectation is that CTED will create reasonable relocation assistance requirements. Regarding infrastructure: Non-profits have to pay a lot for infrastructure which really adds to the cost of construction. Regarding studying condominium liability insurance: Condo liability insurance can be up to \$25,000 per unit, same for infrastructure \$5,000 to \$7,000 per unit. This technical assistance provided for under this bill (Section 10): We need a strategy to help communities of color.

Persons Testifying (Consumer Protection & Housing): PRO: Representative Ormsby, prime sponsor; Eric Schinfeld, Puget Sound Regional Council; Kim Herman, Washington State Housing Finance Commission; Nick Federici, Washington Low-Income Housing Alliance; Kathy Rosette, Plymouth Housing Group; Velma Veloria, Homesight; Michael Rykerd, Catholic Charities; Megan Lynch, Cascade Land Conservatory; Terry Jeffries, Washington Realtors.

Staff Summary of Public Testimony on CPH Recommended Amendments (Ways & Means): PRO: The Housing Finance Commission supports the provisions affecting the Commission. The housing infrastructure programs in Sections 11 and 12 meet the goals of the Growth Management Act.

Persons Testifying (Ways & Means): PRO: Kim Herman, WA State Housing Finance Commission; Terri Jeffreys, Washington Realtors; Velma Veloria, HomeSight.