

SENATE BILL REPORT

SB 5655

As Reported by Senate Committee On:
Human Services, Mental Health & Housing, February 5, 2015

Title: An act relating to the provision of homeownership opportunities.

Brief Description: Concerning the provision of homeownership opportunities.

Sponsors: Senators Benton, Chase, Roach, Hasegawa, Keiser, Kohl-Welles, Rolfes and Honeyford.

Brief History:

Committee Activity: Human Services, Mental Health & Housing: 2/02/15, 2/05/15 [DPS-WM].

SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

Majority Report: That Substitute Senate Bill No. 5655 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators O'Ban, Chair; Miloscia, Vice Chair; Darneille, Ranking Minority Member; Hargrove.

Staff: Alison Mendiola (786-7444)

Background: Washington State Housing Trust Fund (Housing Trust Fund). Established at the Department of Commerce (Commerce) in 1987 and funded beginning in 1989, the Housing Trust Fund helps communities meet the housing needs of low-income and special needs populations. A majority of households served are below 50 percent and 30 percent of area median income.

Capital Budget Appropriations for Housing 2003-05 through 2013-15 Biennium.

Biennium	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Appropriations (millions)	\$81	\$121	\$200	\$130	\$117	\$51.5

Housing Assistance Program. The Housing Assistance Program, administered by Commerce, uses the Housing Trust Fund and other appropriations to finance loans and grant projects that provide housing for households with special housing needs and with incomes at or below 50

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percent of the project area's median family income. At least 30 percent of funds in any cycle must benefit projects located in rural parts of the state.

Organizations eligible to receive funding include the following: local governments; local housing authorities; regional support networks; nonprofit community or neighborhood-based organizations; federally recognized Indian tribes; and regional or statewide nonprofit housing assistance organizations.

Commerce must grant as many applications as available funding allows. In awarding funds, Commerce must provide for geographic distribution statewide. Commerce must give first priority to projects that use privately owned housing purchased by a public housing authority or nonprofit public development authority. A second priority must be given to projects that use publicly owned housing. Within these priorities, Commerce must give preference to projects based on statutory criteria.

Summary of Bill (Recommended Substitute): A target of 15 percent of the money used by the Housing Trust Fund in any given cycle is established for the purpose of promoting homeownership for households at or below 80 percent of median family income. If the Housing Trust Fund has not received an adequate number of suitable applications for homeownership projects during any given funding cycle, Commerce may allocate unused monies for other suitable projects.

EFFECT OF CHANGES MADE BY HUMAN SERVICES, MENTAL HEALTH & HOUSING COMMITTEE (Recommended Substitute): The homeownership target was changed from 25 percent to 15 percent.

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.

Staff Summary of Public Testimony on Original Bill: PRO: For the last three years, the Legislature has appropriated money to the Housing Trust Fund (HTF) with a list of pre-determined projects, none of which have been projects for homeownership. Historically, an average of 10 to 12 percent of HTF dollars have been used for homeownership projects. HTF dollars leverage other funding at a ratio of 8:1. Homeownership programs funded with HTF dollars have very low foreclosure rates and the programs provide permanent housing for low-income families which is very important in this climate of tightened credit. Homeownership assistance can be sweat-equity, funds to buy land, subsidies on construction or down payment assistance. We need every tool available to help support homeownership. This helps low-income families avoid long commutes, helps establish and rebuild communities, and provides retirement for low-wage workers who have no 401K or other retirement programs through their employer.

OTHER: Commerce is neutral but has issues with the 25 percent target, as this is much higher than average funding of homeownership projects. In times of scarce resources, we try to meet the greatest needs. Each funding round Commerce works with the policy advisory team to establish funding goals and makes sure it meets federal and state priorities. Commerce will continue to work with stakeholders to meet local needs equitably. The HTF funds projects with the greatest needs. The competitive process is necessary so the best projects are funded. Set-asides or targets impede the process and take away the flexibility of communities.

Persons Testifying: PRO: Kim Herman, WA State Housing Finance Commission; Chuck Reppas, Upper Valley Meeting Each Need with Dignity, Executive Director; Kevin Hunter, Habitat for Humanity, Seattle King County; Tony To, Executive Director, Homesight; David Murnen, Neighborworks Grays Harbor County; Maureen Fife, Habitat for Humanity Tacoma/Pierce County; Jeanettette McKague, WA REALTORS; Polly Sutton, citizen.

OTHER: Michele Thomas, WA Low Income Housing Alliance; Janet Masella, Commerce.