

# SENATE BILL REPORT

## SB 6371

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As Passed Senate, February 9, 2018

**Title:** An act relating to facilities financing by the housing finance commission.

**Brief Description:** Concerning facilities financing by the housing finance commission.

**Sponsors:** Senator Mullet; by request of Housing Finance Commission.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/23/18, 1/25/18 [DP, w/oRec].

**Floor Activity:**

Passed Senate: 2/09/18, 44-2.

**Brief Summary of Bill**

- Increases the Housing Finance Commission's (HFC) debt limit from \$6 billion to \$8 billion.
- Expands the organizations eligible for lower-cost financing through the HFC's Nonprofit Facilities Program.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Angel, Ranking Member; Fortunato, Hobbs and Kuderer.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Baumgartner.

**Staff:** Jeff Olsen (786-7428)

**Background:** The HFC issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. In addition, the HFC issues tax-exempt bonds to provide below market-rate financing for non-housing, nonprofit facilities and for beginning farmers and ranchers. The HFC acts as a conduit of federal

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financing for housing, nonprofit facilities, energy efficiency and renewable energy projects, and beginning farmers and ranchers.

The HFC's statutory debt limit is \$6 billion. The debt limit is the total amount of debt the HFC is authorized to have outstanding at any one time. The HFC's debt limit was last raised in 2009 from \$5 billion to \$6 billion. As of December 31, 2017, the HFC's outstanding debt is approximately \$5.4 billion.

The HFC is not a state agency, it does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state.

The Nonprofit Facilities Program is managed by the HFC and provides nonprofit corporations with lower-cost financing for:

- purchase of land, equipment, and buildings;
- construction and rehabilitation of buildings;
- lease or purchase of equipment;
- refinancing of existing capital debt; or
- development and feasibility study costs directly related to a nonprofit's project and its development.

For the purpose of the program, a nonprofit corporation is a 501(c)(3) nonprofit organization.

The Affordable Housing Program (AHP) is administered by the Department of Commerce (Commerce) and develops and coordinates public and private resources targeted to meet the affordable housing needs of households below 80 percent of a county's median family income. The AHP funds projects, including new construction, rehabilitation, or acquisition of housing for low-income households.

Organizations eligible to receive assistance include:

- local governments;
- local housing authorities;
- nonprofit community or neighborhood-based organizations;
- federally recognized Indian tribes in the state; and
- regional or statewide nonprofit housing assistance organizations.

These eligible organizations may receive loans to purchase land for affordable housing development and supportive services. These loans are funded through a program administered by the HFC in coordination with Commerce.

**Summary of Bill:** The HFC's debt limit is increased from \$6 billion to \$8 billion. Organizations eligible to receive lower-cost financing through the HFC's Nonprofit Facilities Program are expanded to include public development authorities and organizations eligible to receive assistance through Commerce's AHP, such as local governments, local housing authorities, and federally recognized Indian tribes in the state.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: The HFC has seen a significant increase in issuances of bonds since 2012, and has less than \$700,000 in debt capacity remaining. Since the recovery from the last recession, there has been a steep increase in the multi-family housing market. The last two years there have been nearly \$1 billion in bonds issued each year. The other change in the bill allows entities that have access to the affordable housing program to qualify under the HFC program. The private activity bonds do not impact the state debt limit or the state budget, and the bonds are not backed by Washington State.

**Persons Testifying:** PRO: Kim Herman, Washington State Housing Finance Commission.

**Persons Signed In To Testify But Not Testifying:** No one.