

SENATE BILL REPORT

E2SHB 1277

As Passed Senate - Amended, April 24, 2021

Title: An act relating to an additional revenue source for eviction prevention and housing stability services.

Brief Description: Providing for an additional revenue source for eviction prevention and housing stability services.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Ormsby, Macri, Ramel, Bateman, Fitzgibbon, Ryu, Senn, Chopp, Berry, Peterson, Davis, Santos, Valdez, Hackney, Thai, Kloba, Sells, Frame, Gregerson, Johnson, J., Pollet, Harris-Talley, Stonier, Taylor and Wicks).

Brief History: Passed House: 4/24/21, 57-39.

Committee Activity: Ways & Means: 4/05/21, 4/12/21 [DPA, DNP].

Floor Activity: Passed Senate - Amended: 4/24/21, 26-23.

Brief Summary of Bill (As Amended by Senate)

- Establishes a \$100 surcharge on recorded documents to fund various housing services.
- Creates the Eviction Prevention Rental Assistance Program in the Department of Commerce.
- Directs the Department of Commerce to contract with the William D. Ruckelshaus center to examine trends affecting, and policies guiding, the housing and services provided to individuals and families who are or at risk of homelessness in Washington and develop a report on a strategy to improve services and outcomes for persons at risk or experiencing homelessness and develop pathways to permanent housing solutions.

SENATE COMMITTEE ON WAYS & MEANS

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

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Lias, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.

Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking Member, Capital; Braun, Gildon, Mullet, Muzzall, Rivers, Wagoner and Warnick.

Staff: Trevor Press (786-7446)

Background: Homeless Housing and Assistance Surcharges. The state and local homeless housing programs receive funding from the homeless housing and assistance surcharges collected by each county auditor when a document is recorded. The following surcharges related to affordable housing and homeless services are collected by the county, with shares of the funds distributed to the county and to the state:

- \$13 Affordable Housing for All surcharge;
- \$62 Local Homeless Housing and Assistance surcharge; and
- \$8 additional Local Homeless Housing and Assistance surcharge.

Affordable Housing for All Surcharge. Of the \$13 surcharge, approximately 60 percent is retained by the county for local affordable housing and assistance and approximately 40 percent is distributed to the state. The state's share of \$10 of the fee is deposited into the Affordable Housing for All Account, to be used by the Department of Commerce (Commerce) for housing and shelter for extremely low-income households. The state's share of \$3 of the fee is deposited into the Landlord Mitigation Program Account to provide financial support to landlords of tenants who receive rental assistance.

Local Homeless Housing and Assistance Surcharge. Of the \$62 surcharge, approximately 66 percent is retained by the county for local homeless housing and assistance. The remainder is distributed to the state for deposit in the Home Security Fund and is used by Commerce to manage the State Homeless Housing Program, issue private rental housing payments, and provide housing and shelter support.

Additional Local Homeless Housing and Assistance Surcharge. Of the \$8 surcharge, approximately 90 percent is retained by the county for local homeless housing and assistance and 10 percent is distributed to the state for deposit in the Home Security Fund. The funds distributed to the state may be used by Commerce for managing the state's homeless housing programs.

State Rental Assistance. Commerce administers various rental assistance programs, including the Eviction Rental Assistance Program (ERAP). ERAP was established by Commerce in 2020, using federal funding from the federal CARES Act.

Landlord Mitigation Program. The Landlord Mitigation Program (LMP) is administered by Commerce. The LMP can provide landlords of tenants who receive a housing subsidy with up to \$1,000 in reimbursement for move-in upgrades, up to 14 days of lost rent, and up to \$5,000 for damage caused by a tenant. The maximum a landlord can receive from all combined claims under the LMP is \$5,000.

Permanent Supportive Housing. Permanent Supportive Housing (PSH) is defined as subsidized, leased housing with no limit on the length of stay that prioritizes people who need comprehensive support services to retain tenancy. PSH uses admissions practices designed to lower barriers to entry that would be typical for other rental housing, especially related to rental history, criminal history, and personal behaviors. PSH is paired with voluntary on or off-site supportive services.

Summary of Amended Bill: Housing Surcharge. An additional \$100 surcharge must be collected by a county auditor for each document recorded, with some exceptions. The funds collected must be fully remitted to the state to be distributed as follows:

- 20 percent of funds must be deposited into the Affordable Housing for All Account for the operations, maintenance, and service costs for PSH;
- from July 1, 2021, through June 30, 2023, 4 percent of funds must be deposited into the Landlord Mitigation Program Account (LMPA) for the LMP;
- after June 30, 2023, 2 percent of funds must be deposited into the LMPA; and
- the remainder of funds must be distributed to the Home Security Fund Account, with at least 60 percent funds to be used for project-based vouchers for nonprofit housing providers or public housing authorities, emergency housing, rapid rehousing, and acquisition. At least 50 percent of persons receiving these services must be living unsheltered at the time of initial engagement.

In addition, funds may be used for foreclosure prevention services, rental assistance for people experiencing homelessness, and tenant education and legal assistance.

Eviction Prevention Rental Assistance Program. The Eviction Prevention Rental Assistance Program (EPRAP) is created and is to be administered by Commerce to prevent evictions by providing resources to households most likely to become homeless or to suffer severe health consequences, or both, after an eviction, while prioritizing households disproportionately impacted by public health emergencies, homelessness, and housing instability.

Commerce must provide grants to eligible organizations to provide assistance to program participants. Eligible organizations are defined as local governments, local housing authorities, behavioral health administrative services organizations, nonprofit community or neighborhood-based organizations, federally recognized tribes, and regional or statewide nonprofit housing assistance organizations.

Commerce must award grant funds in a manner proportional to the amount of revenue collected from the \$100 surcharge in the county being served by the grantee and must give counties the right of first refusal to receive funds. If a county refuses the funds or does not respond within a timeframe established by Commerce, it must identify an alternative grantee.

Eligible organization grantees must work with organizations rooted in communities of color to assist and serve marginalized populations within their communities. At least 10 percent of the grant total must be subgranted to organizations that serve and are substantially governed by marginalized populations. A grantee may request an exemption from the subgrant requirement if they are unable to subgrant with an organization that serves and is substantially governed by marginalized populations, or if the grantee provides Commerce with a plan to spend 10 percent of the grant total in a manner that Commerce determines will improve racial equity for historically underserved communities more effectively than a subgrant.

Grant funds must be used for rent assistance, utility assistance, and administrative costs of the eligible organization. The following households are eligible to receive assistance:

- those with incomes at or below 80 percent of the county area median income;
- families with children, living in doubled up situations, young adults, senior citizens, and others at risk of homelessness or significant physical or behavioral health complications from homelessness; and
- those that meet any other eligibility requirements established by Commerce in consultation with stakeholder groups.

A landlord may assist an eligible household with applying for assistance, or may apply on the eligible household's behalf.

Commerce must ensure equity in the program by developing performance measures and benchmarks that promote equitable program access and equitable program outcomes. Performance measures and benchmarks must be developed by Commerce in consultation with stakeholder groups. The measures and benchmarks must ensure the race and ethnicity of households served under the program are proportional to the numbers of people at risk of homelessness in each county for various racial groups.

Performance-Based Funding. Starting on July 1, 2023, 15 percent of funds for project-based vouchers for nonprofit housing providers or public housing authorities and related services, emergency housing, rapid rehousing, and housing acquisition are tied to performance-based metrics which are created and enforced by Commerce. Counties who fail to meet or exceed the majority of targets specified by Commerce for two consecutive years must enter into a corrective action plan and may be subject to fund reductions. Commerce is allowed to reallocate unspent funds from counties that fail to meet targets.

Reporting on and Examination of Programs. Commerce must report on the expenditures,

performance, and outcomes of the EPRAP, rapid rehousing, project based vouchers, and housing acquisition funded in the bill in its annual update on the state's homeless housing strategic plan. The report must include the number of households served in the following categories: adults without children; households with children; unaccompanied youth; and young adults. The report must include county-level data of the programs described in the bill.

Commerce is directed to contract with the William D. Ruckelshaus center to conduct an examination of trends affecting, and policies guiding, the housing and services provided to individuals and families who are or at risk of homelessness in Washington. The center must also facilitate meetings and discussions with legislators, members of the executive branch, and stakeholders to develop and implement a long-term strategy to improve services and outcomes for persons at risk or experiencing homelessness and develop pathways to permanent housing solutions. Fact-finding reports are due December 1, 2021, and December 1, 2022, with a final report on a strategy including an examination of the manner and amount which the state funds homelessness housing and services and performance measures that must be achieved to receive state funding.

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 on Engrossed Second Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: We know how to end chronic homelessness. I see firsthand that the need is truly first hand. It is critical to keep people housed and landlords in the rental business. Had there been a bill like this, it would have prevented me from experiencing homelessness twice. It is hard to hear the pain people experience in trying to keep themselves housed. All of the people I have sold houses to support this bill, the challenges faced by people trying to stay housed is high and is even higher during the pandemic. New homeowners would be happy to pay an additional \$100 to help their fellow Washingtonians stay housed. In Washington, 212,000 people are behind on rent and this is disproportionately impacting people of color. We believe that many people with subsidized housing would be unable to stay in housing without the assistance they have received. We need a long-term solution to housing for people to come out of this pandemic. Rent increases and evictions were already one of the biggest challenges before the pandemic, it has gotten worse. This disproportionately impacts black and brown individuals and this impacts Eastern Washington just as, if not more than, it does Western Washington. Funding to keep families in their homes is very important. Prevention help is much more economically viable than helping people who have already lost their homes. All of these programs have been extremely successful.

Buyers in local markets are paying tens of thousands over the asking price. It only makes sense to increase fees as fees are already being paid and it is great to be able to say that a fee is going toward your own community. Another 14,000 have already sought housing assistance and not received it. This is not a one-time crisis. Without this assistance we will see a spike in evictions.

Persons Testifying: PRO: Noah Fay, DESC; Carl Schroeder, Association of Washington Cities; Mindy Woods, Resident Action Project; Sol Villarreal; Michele Thomas, Washington Low Income Housing Alliance; Jill Stanton, Bremerton Housing Authority; Terri Anderson, Tenants Union of Washington State; Marty Hartman, Mary's Place; Brett Waller, Washington Multifamily Housing Association; Tonya Hennen; Kelly Rider, King County Dept of Community and Human Services; Patience Malaba, Housing Development Consortium of Seattle-King County.

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