

# HOUSE BILL REPORT

## HB 1892

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**As Reported by House Committee On:**

Housing  
Capital Budget

**Title:** An act relating to the workforce housing accelerator program.

**Brief Description:** Concerning the workforce housing accelerator program.

**Sponsors:** Representatives Leavitt, Alvarado, Bateman, Peterson, Shavers, Reed, Fosse, Hackney, Barkis, Low, Eslick, Callan, Abbarno, Taylor, Klicker, Connors, Walen, Reeves, Ryu, Berry, Cortes, Stearns, Slatter, Duerr, Bronoske, Ramos, Ormsby, Barnard, Fey, Timmons, Kloba, Macri, Street, Chopp, Paul, Gregerson, Sandlin, Orwall, Bergquist, Goodman, Ortiz-Self, Nance, Santos and Pollet.

**Brief History:**

**Committee Activity:**

Housing: 1/9/24, 1/15/24 [DPS];

Capital Budget: 1/25/24, 2/2/24 [DPS(HOUS)].

**Brief Summary of Substitute Bill**

- Creates the Workforce Housing Accelerator Revolving Loan Fund Program within the Department of Commerce to administer loans to eligible organizations to assist with the development of housing for low-income households.

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### HOUSE COMMITTEE ON HOUSING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Barkis, Bateman, Chopp, Entenman, Hutchins, Low, Reed and Taylor.

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*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.*

**Staff:** Austin Borcharding (786-7094).

**Background:**

Housing Finance Commission.

The Washington State Housing Finance Commission (WHFC) is a finance authority established to act as a conduit to make additional funds available at affordable rates to help provide housing throughout the state. The WHFC is financially self-supported and does not receive funding from the state. To provide financing, the WHFC may:

- issue bonds;
- make loans to or deposits with mortgage lenders for making mortgage loans;
- make loans for down payment assistance to home buyers; and
- participate in federal and other government programs to carry out its purpose.

Low-Income Housing Tax Credit Program.

The WHFC administers the Low-Income House Tax Credit (LIHTC) program, which finances construction of low-income housing through federal tax incentives. Housing financed through the LIHTC program must be affordable to households with incomes at 60 percent or less than the area median income and must remain affordable to low-income tenants for at least 30 years.

The Evergreen Sustainable Development Standard.

The Evergreen Sustainable Development Standard (ESDS) is a building performance standard that affordable housing projects which receive capital funds through the state Housing Trust Fund program must comply with. The ESDS covers areas including health and safety, durability, sustainability, environmental preservation, and energy and water efficiency.

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**Summary of Substitute Bill:**

A program is created within the the Department of Commerce (Commerce) under which loans may be issued to eligible organizations to assist with the development of housing for "low-income households." The program is titled the Workforce Housing Accelerator Revolving Loan Fund Program (HLFP) and will be administered by the Washington State Housing Finance Commission (WHFC).

"Low-income household" is specifically defined as "a single person, family, or unrelated persons living together whose adjusted income is at or above 50 percent, but not exceeding 80 percent, of the median family income."

The WHFC is directed to establish criteria to prioritize and award loans under the program.

A nonexhaustive list of considerations which must be included in the criteria is provided,

several of which are listed here, truncated for brevity:

- readiness to proceed with construction;
- amount and commitment of private capital;
- proposed cost efficiency; and
- applicant's qualifications.

Housing financed utilizing program loan funds must serve low-income households for a minimum of 99 years, and loan amounts are not to exceed \$20 million or 20 percent of total project cost, whichever is less.

The WHFC must:

- strive to provide as much geographic distribution in areas where this type of financing tool is feasible and viable, with no more than \$20 million per round of funding going to projects in each individual county;
- establish criteria and procedures for long-term monitoring of affordability of housing and compliance; and
- establish annual reporting requirements for loan recipients.

Loan recipients must:

- commit to beginning construction within 180 days of award;
- adhere to the ESDS adopted by the Commerce;
- file an annual compliance report containing information as specified by the WHFC; and
- restrict use of awarded loan funding to eligible costs of housing as defined under RCW 43.180.020.

The WHFC general funds are not to be expended to implement the HLFP.

### **Substitute Bill Compared to Original Bill:**

As compared to the original bill, the substitute bill:

- makes the administration of the loan program subject to the appropriation of funds for that purpose;
- amends the language of the original bill to provide greater discretion to the WHFC in their administration of the loan program;
- changes the criteria for loan prioritization and award from requirements binding the WHFC to recommendations;
- provides that the WHFC will seek to accomplish the bill's goals in regard to equitable geographic distribution to the best of their ability, rather than placing explicit binding requirements on the structure of that distribution;
- adds the amount of committed, instead of just the presence of, private capital to the list of considerations for distributing loan funds;
- changes an internal goal statement from "equitable distribution" of loan funds to funding projects in as many areas of the state as are financially feasible. This

- language is also amended in the section which lays out the explicit requirements for the WHFC in their administration of the program; and
- adds the prohibition that no WHFC general funds will be expended to implement the loan program.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill will increase housing supply by addressing a funding gap for housing in the 50-80 percent range of the average median income (AMI)—a piece we're currently missing in our response to the affordable housing issue. This bill will add new tools to the affordable housing developer's tool kit by leveraging private capital for affordable housing projects.

(Opposed) None.

**Persons Testifying:** Representative Mari Leavitt, prime sponsor; Ryan Donohue, Habitat for Humanity Seattle-King and Kittitas Counties; Jason Gauthier, South Sound Housing Affordability Partners; Beau Baker, Southport Financial Services; Bryce Yadon, Futurewise; Morgan Irwin, Association of Washington Business; Steve Walker, Washington State Housing Finance Commission; and Brian Bonlender, Coalition for Affordable Housing Development.

**Persons Signed In To Testify But Not Testifying:** None.

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**HOUSE COMMITTEE ON CAPITAL BUDGET**

**Majority Report:** The substitute bill by Committee on Housing be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Abbarno, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Steele, Assistant Ranking Minority Member; Alvarado, Bateman, Cheney, Christian, Dye, Eslick, Farivar, Fosse, Kloba, Kretz, Maycumber, Morgan, Mosbrucker, Orwall, Peterson, Reed, Rule, Sandlin, Shavers, Stearns and Waters.

**Staff:** Kelci Karl-Robinson (786-7116).

## **Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Housing:**

No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

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

### **Staff Summary of Public Testimony:**

(In support) Washington has a housing crisis. Investments have been made to build more units across the state in urban and rural areas. It is estimated that one million homes are needed by 2040. Since its inception, the Housing Trust Fund program has resulted in 65,000 homes and more work is needed. The program will assist local jurisdictions in achieving the estimated 125,000 of additional units needed to serve households between 50 and 80 percent of the area median income (AMI). This workforce housing is difficult to construct due to increased costs of materials and financing and lack of access to state and federal subsidies provided to housing projects serving residents below 50 percent AMI. The legislature has passed policies to expand access to accessory dwelling units, create more condos and multifamily units, and this bill is another tool to build homes. Every resident deserves the opportunity to have a home. The affordability terms are for 99 years. Loans must be paid back and will be used for future affordable housing programs. The program will complement the Housing Finance Commission's bond, tax credit, and loan programs in assisting housing developers in securing the financing necessary to build critically needed housing. The Housing Trust Fund program focuses on building housing units serving individuals with incomes less than 50 percent AMI, which should continue, and this program would be in addition to that important work.

(Opposed) None.

**Persons Testifying:** Hunter George, South Sound Housing Affordability Partnership; Morgan Irwin, Association of Washington Business; Nicholas Carr, Tacoma Housing Authority; Bryce Yadon, Futurewise; Brian Bonlender, Coalition for Affordable Housing Development; and Carl Schroeder, Association of Washington Cities.

**Persons Signed In To Testify But Not Testifying:** None.