

HOUSE BILL REPORT

HB 2270

As Reported by House Committee On:

Housing
Appropriations

Title: An act relating to creating a Washington state department of housing.

Brief Description: Creating a Washington state department of housing.

Sponsors: Representatives Morgan, Macri, Peterson, Gregerson, Ryu, Reeves, Callan, Bateman, Ormsby, Street, Cortes, Ramel, Kloba, Wylie, Fey, Leavitt, Donaghy, Thai, Goodman, Mena, Taylor, Duerr, Riccelli, Berry, Reed, Santos, Entenman, Ortiz-Self, Simmons, Bergquist, Stonier, Fosse, Timmons, Chapman, Stearns, Nance, Chopp, Shavers, Slatter, Doglio, Pollet, Tharinger, Walen, Bronoske, Orwall, Fitzgibbon, Davis, Alvarado and Paul.

Brief History:

Committee Activity:

Housing: 1/23/24, 1/30/24 [DPS];

Appropriations: 2/3/24, 2/5/24 [DP2S(w/o sub HOUS)].

Brief Summary of Second Substitute Bill

- Directs the Office of Financial Management to contract with an external consultant to study the transition of state housing programs to a new state agency and identify gaps in current housing programs.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Peterson, Chair; Alvarado, Vice Chair; Leavitt, Vice Chair; Bateman, Chopp, Entenman, Reed and Taylor.

Minority Report: Do not pass. Signed by 5 members: Representatives Klicker, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Barkis, Hutchins and

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.

Low.

Staff: Serena Dolly (786-7150).

Background:

The Department of Commerce (Commerce) administers many of the state's housing and homelessness programs. These programs include funding for rental subsidies and the construction, operations, and maintenance of housing. Programs administered by Commerce include the Housing Trust Fund, the Landlord Mitigation Program, the Consolidated Homeless Grant, the Manufactured/Mobile Home Relocation Assistance Program, and tenant rental assistance programs. Commerce does not generally provide direct assistance to the public nor does it build and operate housing. Instead, Commerce provides state and federal funding to local governments and nonprofit organizations who in turn provide the housing, services, and subsidies in local communities.

Other state entities also administer housing programs. For example, the Washington State Housing Finance Commission administers low-income housing tax credits and offers affordable home loans and down-payment assistance programs, and the Office of Civil Legal Aid is responsible for overseeing and administering eviction defense programs.

Summary of Substitute Bill:

The Office of Financial Management (OFM) must contract with an external consultant to study the transition of state housing programs to a new state agency and identify gaps in current state housing programs. The study must include a review and recommendations on the following issues:

- a clear mission and vision for the new department;
- the organizational structure for the new department, including which agencies, administrations, commissions, or other functions of state government should be included, and identification of the reasons why a specific housing function or program is not recommended for inclusion, if any;
- any gaps in existing rental, transitional housing, senior housing, homelessness, homeownership, and manufactured housing programs provided by the state;
- estimated costs for the reorganization and creation of a new housing agency, including indirect costs, change management, training, and community outreach;
- existing state and federal funding for state housing programs and any statutory revisions necessary to ensure sufficient funding for the new agency;
- a clear process for managing the reorganization; and
- measurable benchmarks by which the effectiveness of the new department would be assessed.

As part of the review, the external consultant must engage with and seek recommendations

from the following:

- the Office of the Governor;
- the Department of Commerce;
- the Department of Social and Health Services;
- the Health Care Authority;
- the Office of Equity;
- the Office of the State Treasurer;
- the Office of the Attorney General;
- the Housing Finance Commission;
- the Office of Civil Legal Aid;
- the Administrative Office of the Courts;
- the nonprofit rental housing development industry;
- the nonprofit homeownership housing development industry;
- a labor organization representing frontline staff within permanent supportive housing providers;
- an organization that represents tenants;
- homeless shelter operators;
- representatives of low-income persons;
- representatives of special needs populations;
- public housing authorities;
- the for-profit housing development industry;
- for-profit rental housing owners;
- the Washington State Association of Counties; and
- the Association of Washington Cities.

The contract must require the external consultant to submit a report with its findings and recommendations to the Governor and the Legislature by July 1, 2025.

Substitute Bill Compared to Original Bill:

The substitute bill removes a requirement that the external consultant help facilitate the transition of state housing programs to a new state agency.

The substitute bill clarifies that the review of estimated costs for the reorganization includes the creation of the new state agency, including indirect costs, change management, training, and community outreach.

The substitute bill adds to the study requirements an analysis of existing state and federal funding for state housing programs and any statutory revisions necessary to ensure sufficient funding to the new agency.

The substitute bill clarifies that the consultant must engage with and seek recommendations from both the nonprofit rental housing development industry and the nonprofit homeownership housing development industry.

The substitute bill adds a labor organization representing frontline staff within permanent supportive housing providers to the entities that the consultant must engage.

The substitute bill prohibits the OFM from awarding the contract to an external consultant or entity that has lobbied or publicly testified on matters related to the scope of the study, including affordable housing, homelessness, tenant protections, and social services for people at risk of homelessness, and exempts the contract from competitive procurement requirements.

The substitute bill extends the due date for the consultant's findings and recommendations from December 1, 2024, to July 1, 2025.

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) The Legislature has been passing laws, funding, and programs to address the housing crisis, but the situation continues to get worse. Homelessness and evictions continue to increase. Section 8 vouchers do not meet rising rents. People are not able to participate in the American dream of homeownership. The goal of this bill is to provide a holistic approach to housing and direct resources efficiently. The state needs a one-stop housing shop to specialize and take time to deliver solutions. Nonprofit homeownership developers and health care workers have perspectives and recommendations for the new agency and should be consulted.

(Opposed) None.

(Other) It is critical to restructure the way homelessness is addressed. Too many agencies are involved, and the state needs just one to address the root cause of homelessness. The state needs to build housing and should look at how other countries handle public housing. With the connection between land use and housing, a land-use organization should be consulted. The external consultant needs to be transparent, and the bill should require an open process, including public meetings.

Persons Testifying: (In support) Representative Melanie Morgan, prime sponsor; Morgan Irwin, Association of Washington Business; Dane Austreng, Service Employees International Union Healthcare 1199NW; Ryan Donohue, Habitat for Humanity Seattle-

King and Kittitas Counties; and Michele Thomas, Washington Low Income Housing Alliance.

(Other) Bryce Yadon, Futurewise; and Arthur West.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Callan, Chopp, Davis, Fitzgibbon, Lekanoff, Pollet, Riccelli, Ryu, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

Minority Report: Do not pass. Signed by 9 members: Representatives Corry, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Connors, Assistant Ranking Minority Member; Couture, Assistant Ranking Minority Member; Dye, Rude, Sandlin, Schmick and Stokesbary.

Minority Report: Without recommendation. Signed by 2 members: Representatives Harris and Wilcox.

Staff: Jessica Van Horne (786-7288).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Housing:

The Appropriations Committee added a null and void clause, making the bill null and void unless funded in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) The study required under this bill represents an important inquiry into not only the benefits of creating a new department of housing, but also identifying existing gaps in housing and homelessness services funded by the state, and where improvements can be

made in the current system. The study will identify the costs to create a new agency as well. It will be very thorough and is necessary for ensuring the state is effective and efficient as it addresses the housing and homelessness crisis.

(Opposed) None.

Persons Testifying: Michele Thomas, Washington Low Income Housing Alliance.

Persons Signed In To Testify But Not Testifying: None.