

HOUSE BILL REPORT

HB 2108

As Reported By House Committee On:
Economic Development, Housing & Trade
Capital Budget

Title: An act relating to preservation of moderate-income housing.

Brief Description: Preserving moderate-income housing.

Sponsors: Representatives Veloria, Van Luven, Eickmeyer, Dickerson, Dunn, D. Sommers, Clements, Kenney, Haigh, Tokuda, Conway and Edwards.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 2/23/99, 2/26/99 [DPS];
Capital Budget: 3/8/99 [DPS(EDHT)].

Brief Summary of Substitute Bill

- Revises the Affordable Housing Program, within the Department of Community, Trade, and Economic Development, to give financing and technical assistance priority for projects that develop or preserve rental housing for households with incomes between 50 percent and 80 percent of the county median income.
- Requires the Department of Community, Trade, and Economic Development to: (1) provide technical assistance to eligible organizations to encourage the development or preservation of rental housing for households with incomes between 50 percent and 80 percent of the county median income; and (2) work with the Washington Housing Finance Commission to leverage available monies with other public or private financing sources.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Skinner; D. Sommers and Wolfe.

Staff: Kenny Pittman (786-7392).

Background:

The Affordable Housing Program was created in Department of Community, Trade, and Economic Development in 1991. The purpose of the program is to provide either loans or grants or both to local governments, public housing authorities, and nonprofit organizations to increase the availability and affordability of housing for households with incomes below 80 percent of county median income.

The activities that are eligible for assistance through the Affordable Housing Program include, but are not limited to: (1) new construction, rehabilitation, or acquisition of housing; (2) rent subsidies in new construction or rehabilitated multifamily units; (3) down payment or closing costs assistance for first-time home buyers; (4) mortgage subsidies for new construction or rehabilitation of eligible multifamily units; and (5) mortgage insurance guarantee or payments for eligible projects.

Summary of Substitute Bill:

The Affordable Housing Program, within the Department of Community, Trade, and Economic Development, is amended to give financing and technical assistance priority to multifamily rental projects that provide for new construction, rehabilitation, or acquisition of housing for households with incomes between 50 percent and 80 percent of county median income, adjusted for household size.

The activities eligible for assistance through the Affordable Housing Program are expanded to include technical assistance, design and financial services and consultation, and administrative costs for eligible nonprofit community or neighborhood-based organizations.

In awarding funds through the Affordable Housing Program, the Department of Community, Trade, and Economic Development must give priority to: (1) nonprofit community or neighborhood-based organizations that agree to operate the housing for at least 50 years and keep rents affordable; (2) multifamily rental projects in metropolitan areas that are experiencing sharp rent increases; and (3) multifamily rental housing projects that encourage an economically integrated mix of incomes.

The affordable housing equity trust fund is created in the state treasury. The fund may accept legislative appropriations, private contributions, loan repayments, and all other sources. Moneys in the fund must be used for eligible activities through the Affordable Housing Program.

The Department of Community, Trade, and Economic Development: (1) may provide technical assistance to encourage the development or preservation of multifamily housing; (2) give priority for technical assistance to projects that encourage an economic mix of incomes in the multifamily housing; and (3) must work with the Washington Housing Finance Commission to leverage moneys from the fund with financing available through the commission and other public and private financing sources.

Substitute Bill Compared to Original Bill:

The substitute bill removes the creation of the Rental Housing Preservation Program from the Washington State Housing Finance Commission and makes revisions to existing Affordable Housing Program, within the Department of Community, Trade, and Economic Development.

The Department of Community, Trade, and Economic Development: (1) may provide technical assistance to encourage the development or preservation of multifamily housing; (2) give priority for technical assistance to projects that encourage an economic mix of incomes in the multifamily housing; and (3) must work with the Washington Housing Finance Commission to leverage moneys from the fund with financing available through the commission and other public and private financing sources.

Removes the \$5 million appropriation from the capital budget to be used for activities of the rental housing preservation program.

Appropriation: (Substitute Bill) None.

Fiscal Note: (Substitute Bill) Not requested

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

Testimony For: (Original Bill) There is a severe shortage of affordable housing. In metropolitan areas of the state the rents are rising faster than incomes, placing moderate-income households at risk of losing their housing. We need to address this problem by encouraging nonprofit or tenant ownership, where feasible, and targeting

available assistance to those eligible multifamily projects that will remain affordable for long periods. This program will help tenants remain in their housing, which is a cheaper societal cost than having them lose their housing.

Testimony Against: (Original Bill) There is an affordable housing crisis, however nonprofits are not always the most effective way to provide housing. The for-profit sector can provide the housing at a lower cost. The 50-year requirement that the housing remain affordable is a form of rent control.

Testified: (Pro) Representative Veloria, prime sponsor; Kathy Roseth, Lutheran Alliance to Create Housing; and Ken Katahira, Interim Community Development Association.

(Con) Trent Matson, Building Industry Association of Washington.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill by Committee on Economic Development, Housing & Trade be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Murray, Democratic Co-Chair; Edmonds, Democratic Vice Chair; Esser, Republican Vice Chair; Anderson; Constantine; Dunshee; Lantz; Miloscia; O'Brien and Ogden.

Minority Report: Do not pass. Signed by 8 members: Representatives Mitchell, Republican Co-Chair; Alexander; Barlean; Bush; Hankins; Koster; Mastin and Schoesler.

Staff: Kenny Pittman (786-7392).

Summary of Recommendation of Committee on Capital Budget Compared to Recommendation of Committee on Economic Development, Housing & Trade: No new changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: (Substitute Bill) The working poor are being forced out of their housing due to rising rents. This would provide nonprofits and tenant organizations access to financing necessary to acquire existing multifamily housing or develop

needed multifamily housing. What is important is that these funds will leverage other public and private funds.

Testimony Against: None.

Testified: Representative Veloria, prime sponsor.