

HOUSE BILL REPORT

SSB 6663

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

Title: An act relating to preserving federally assisted housing and minimizing the involuntary displacement of tenants residing in such housing.

Brief Description: Preserving federally assisted housing and minimizing the involuntary displacement of tenants residing in such housing.

Sponsors: Senate Committee on Commerce, Trade, Housing & Financial Institutions
(originally sponsored by Senators Wojahn, Prentice, Winsley and Kohl-Welles).

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 2/22/00 [DPA].

Brief Summary of Substitute Bill
(As Amended by House Committee)

- Provides an exemption from the 12-month advance notice requirements for owners of federally assisted housing who enter into an agreement to continue the low-income use restrictions.
- Requires additional information in the 12-month advance notice that is sent to tenants, public housing agencies, local governments, and the Department of Community, Trade, and Economic Development.
- Makes owners of federally assisted housing subject to statutory damages of \$50 for failure to provide adequate notice to tenants.
- Authorizes the Department of Community, Trade, and Economic Development to adopt policies that specify the percentage of family income spent on monthly housing costs for residential home-ownership housing under the state's Affordable Housing Program.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: Do pass as amended. Signed by 8 members: Representatives Van Luven, Republican Co-Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Gombosky; Miloscia; Skinner; D. Sommers and Wolfe.

Minority Report: Without recommendation. Signed by 1 member: Representative Dunn, Republican Vice Chair.

Staff: Kenny Pittman (786-7392).

Background:

The state's Residential Landlord-Tenant Act requires owners of federally assisted multifamily rental housing developments to give tenants a written 12-month advance notice prior to the expiration of a rental assistance contract, or prepayment of an obligation that would allow early termination of specific low-income occupancy requirements. The federal assistance is provided either through the U.S. Department of Housing and Urban Development or the U.S. Department of Agriculture--Rural Development, and can be in the form of direct loans, loan guarantees, mortgage insurance, or project-based rental subsidies. The owner of the federally assisted housing is not prohibited from terminating a rental assistance contract or prepaying the federally assisted mortgage or loan.

The 12-month advance notice must be given to each tenant, local government officials, and the Department of Community, Trade, and Economic Development (DCTED). The notice to the tenants must include the date of expiration or prepayment and the effects, if any, that the expiration or prepayment will have on the tenant's rent and other terms of their rental agreement. The notice to the DCTED and local governments must contain a variety of information designed to help them assess the impact of the expiration or prepayment.

During the 12 months following the notice, tenants may not be evicted (except for good cause), rents may not be raised, and the terms of the rental agreements cannot be modified except as permitted under the existing agreement. The owner of the federally assisted multifamily rental housing development is liable for damages suffered by tenants, plus reasonable attorney fees, as a result of not providing proper notification to tenants and governmental bodies. The 12-month advance notice requirements do not apply to owners participating in the Section 8 rental assistance certificate or voucher programs.

The Affordable Housing Program was created in 1991 to provide financial assistance to local governments, public housing authorities, and nonprofit organizations to assist in the preservation, construction, or rehabilitation of housing for low-income households. A low-income household may not have income that exceeds 80 percent of median income, adjusted for household size, for the county where the housing

project is located. Affordable housing is defined as residential housing for rental or private individual ownership where the required monthly housing costs, including utilities other than telephone, does not exceed 30 percent of the family's income.

Summary of Amended Bill:

An owner of federally assisted housing is not required to give the 12-month notice on either the prepayment of a mortgage or loan or termination of a rental assistance contract if: (1) for prepayment of a subsidized mortgage or loan, the owner has entered into an agreement with a governmental agency to either continue existing or impose new low-income use restriction for a period of at least 20 years; or (2) for expiration of a rental assistance contract, the owner has entered into an agreement to renew the rental assistance contract for a minimum of five years, subject to available funds.

The 12-month notice given to the DCTED and local governments must also be given to public housing agencies that would be impacted by the termination of the rental assistance contract or prepayment of the mortgage. A copy of the agreement must be posted in a conspicuous place at the housing development.

The parties required to receive the 12-month notice of possible prepayment of the mortgage or loan or expiration of the rental assistance contract is expanded to include public housing agencies that would be responsible for administering tenant-based rental assistance to tenants that would be displaced by the prepayment of the mortgage or loan or expiration of the rental assistance contract.

The owner of the federally assisted housing must provide a copy of the 12-month notice of possible prepayment of the mortgage or loan or expiration of the rental assistance contract to new tenants that move in after the notice has been given, but before the prepayment or expiration dates. The notice must be given before the execution of the rental agreement or payment of any deposits.

The required contents in the 12-month notice is expanded to include: (1) whether the owner (i) intends to prepay the mortgage or loan or renew the rental assistance contract subject to available funding or (ii) is seeking additional financial incentives or higher rents as a condition of remaining in the federal program; (2) the owner's reason for their action; (3) the owner's plans for the housing development, including any timetables and deadlines for actions to be taken by the owner and any required governmental approvals; (4) the anticipated date of prepayment of the mortgage or loan or termination of the rental assistance contract; (5) the effect of the prepayment or termination on the tenants' rents and other terms of their rental agreement; and (6) a statement that the additional information will be provided on the local government, on the local public housing agency, and on the DCTED.

The required notice to the clerk of the local government where the housing development is located is revised to require information: (1) on the current rents and projected rent increases for each affected tenant, without disclosing the identities of individual tenants; and (2) the age, race, family size, and estimated incomes of applicants on the waiting list of the housing development, without disclosing the identities of individuals on the waiting list.

All owners of federally assisted housing must: (1) post a copy of any notices they send to the clerk of the local government where the housing development is located, the local public housing agency, and the DCTED; and (2) provide copies, to a state or local government agency, of any feasibility or market analysis, or property inspection reports required by a federal agency.

A tenant of federally assisted housing may recover statutory damages of \$50 if the owner fails to provide the 12-month notice.

The DCTED must: (1) consult with interested stakeholders and develop information on the legal rights, responsibilities, and options of owners and tenants when the owner of federally assisted housing prepays the mortgage or loan or terminates the rental assistance contract; and (2) provide written information to owners of federally assisted housing to assist them in meeting the state's 12-month notice requirements.

An owner of federally assisted housing who prepays the mortgage or loan or whose rental assistance contract expires, but continues to operate the property as residential housing may not evict a tenant residing in the housing unit, except as authorized by the applicable federal assistance program.

The DCTED may adopt policies that establish the percentage of family income that may be spent on monthly housing costs, including utilities other than telephone, for residential home-ownership housing developed through the Affordable Housing Program.

Amended Bill Compared to Substitute Bill: The striking amendment: (1) reduces the amount of the tenant's statutory damages to \$50; (2) removes the civil penalties for the owner's failure to comply with the notice requirements after receiving a written notice to comply; (3) removes as an unfair practice against an owner, who has prepaid the mortgage or where the rental assistance contract has expired, and who refuses to rent to an existing tenant if the reason is that the tenant must rely on rental assistance to pay a portion of the rent; and (4) allows DCTED to adopt policies establishing the percentage of family income that may be spent on monthly housing costs, including utilities other than telephone, for residential home-ownership housing developed through the Affordable Housing Program.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: This bill clarifies and strengthens existing state law that requires owners of federally assisted housing to provide tenants with a 12-month notice before they terminate their federal mortgage or rental assistance. Over 18,000 families and individuals live in federally assisted housing. This will give them the information necessary to make life decisions. The information will also go to agencies that can help tenants, in particular low-income seniors, in their search for housing if the owner does terminate their federal mortgage or rental assistance.

Testimony Against: We don't want to see elderly residents displaced or moved into a setting that is inappropriate. This bill, while it has good intentions, will only increase the paperwork and reporting burdens on existing federally assisted housing providers. We should study this issue with the various interest groups over the summer and then come back with appropriate recommendations to address this problem.

Testified: (In support) Representative Debbie Regala, prime sponsor of House companion bill; and Siobhan Ring, Tenants Union.

(Opposed) Karen Tynes, Washington Association of Housing and Services for the Aging; and Mark Mullen, Council House.