

# SENATE BILL REPORT

## SSB 6663

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As Passed Senate, February 12, 2000

**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:** Commerce, Trade, Housing & Financial Institutions: 2/1/2000, 2/3/2000 [DPS].

Passed Senate, 2/12/2000, 33-8.

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### SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

**Majority Report:** That Substitute Senate Bill No. 6663 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Deccio, Gardner, Hale, Heavey, Rasmussen, T. Sheldon and Winsley.

**Staff:** Dave Cheal (786-7576)

**Background:** Many rental housing assistance programs provide an economic incentive to developer-owners in return for their agreement to keep rents at a certain level for a certain period of time. The agreement might involve only a percentage of units in a particular building or development. Some economic benefits, such as below-market loans, can be paid off prior to their maturity date and relieve the owner of the low-income use restrictions.

Current law requires a 12-month notice to be given to tenants prior to expiration of a rental assistance contract, or prepayment of an obligation that would allow early termination of the rental assistance contract. The notice must be given to local government officials, the state, and to the tenants. The notice to tenants must include the effect the expiration or prepayment will have on tenants' rent or other terms of their rental agreement. The notice to state and local officials 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 rental agreements may not be modified except as permitted under the existing agreement.

The notice requirements do not apply to owners participating in the section 8 certificate or voucher program.

**Summary of Bill:** The owner is not required to give notice of a prepayment if the owner has entered into an agreement with a government agency that continues existing, or imposes new low-income use restrictions for a period of at least 20 years that will ensure against involuntary displacement of current low-income tenants.

An owner is not required to give notice of an expiration of a rental assistance contract if the owner has entered into an agreement with a government agency to renew the contract for a period of at least five years.

The 12-month notices that owners of federally assisted housing must now serve on state and local officials must also be given to public housing agencies that would be impacted, and on tenants that move into the property during the 12-month notice period. The contents of the notice to tenants is expanded to include a number of elements that could assist tenants in predicting whether they are able to remain in their home. These include whether the owner plans to seek an end to low-income use restrictions, plans for renewing the rental assistance contract, anticipated date of loan prepayment or contract expiration and its effect it will have on rents or other terms.

The required notice to state and local officials is expanded to include the availability of any other rental assistance after the expiration of the agreement or prepayment of the mortgage, and certain data on applicants on the project's waiting list without disclosing their identities.

The allowable recovery in a civil action to recover damages caused by non-compliance is increased, and penalties for delinquent compliance, following notice, are provided. Penalty funds collected are deposited in the state housing trust fund.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The current notification period is not being enforced by the U.S. Department of Housing and Urban Development. Adding state enforcement will enhance enforcement. In addition to tenants, housing authorities and other affected state and local agencies need as much notice as possible if federally assisted housing units are going to be lost.

**Testimony Against:** The added reporting requirements and stiffer penalties will discourage rental housing owners from participating in federal assistance programs.

**Testimony Against:** PRO: Siobhan Ring, Tenants Union; Vern Zuehlsdorff, Oxford Residents Council Tenants Union; Bill Hallerman, Archdiocesan Housing Authority; James Cloburn, City of Tacoma, Tacoma Economic Dev. Dept.; CON: Karen L. Tynes, Washington Assn. of Housing and Services for the Aging; Ken Opp, Washington Apartment Assn.

**House Amendment(s):** The striking amendment reduces the amount of the tenant's statutory damages to \$50 and removes the civil penalties for the owner's failure to comply with the notice requirements after receiving a written notice to comply. The amendment removes the provision making it an unfair practice to refuse to rent to an existing tenant by an owner who has prepaid the mortgage (or where the rental assistance contract has expired) due to the reason that the tenant must rely on rental assistance to pay a portion of the rent. It 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.