Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Local Government Committee

HB 1814

Brief Description: Studying low-income rent vouchers.

Sponsors: Representatives Fromhold, Mielke, Boldt and Moeller.

Brief Summary of Bill

- Authorizes the Joint Legislative Audit and Review Committee (JLARC) to study funding options for low-income rent voucher programs in the state.

Hearing Date: 2/24/03

Staff: Amy Wood (786-7127).

Background:

Federal Section 8 Rental Voucher Program

The Federal Section 8 Housing Program was established by the 1974 Housing and Community Development Act. It is the principal U.S. Department of Housing and Urban Development program for assisting low-income families, the elderly, and people with disabilities to secure decent, safe, and sanitary housing. The Section 8 Program includes both the Certificate and the Voucher Programs. Assistance is provided to eligible households to be used towards renting privately owned housing. Program participants pay approximately 30 percent of their income towards rent and the local Public Housing Agency pays the remainder.

For many years, there were two types of Section 8 tenant-based rental assistance: certificates and vouchers. Federal housing law passed in 1998 merged these two programs into one program known as the Section 8 Housing Choice Voucher Program. As part of the transition to this new program all new Section 8 subsidies issued after October 1, 1999 are Housing Choice Vouchers.

The Section 8 Housing Choice Voucher program (Section 8 HCV) is the federal program funded by the U.S. Department of Housing and Urban Development (HUD). Vouchers are commonly referred to as tenant-based rental subsidies because they are provided to eligible applicants to use in private market rental housing of their choice that meets the Section 8

HCV program requirements.

The majority of Section 8 Housing Choice rental vouchers are administered locally by Public Housing Agencies (PHAs). The PHAs receive federal funding from HUD to administer the Section 8 HCV program. A PHA is a unique governmental body that may administer both public housing and the Section 8 HCV program for the federal government at the local level. PHAs have an elected or appointed board of commissioners, an executive director, and staff who run specific programs.

Previously, for tenants with certificates, the PHA calculated the amount a tenant could pay based on 30 percent of their income, then paid the difference. Under the Section 8 HCV program, units may only costs up to a maximum rent, called the "fair market rent." Rent for a unit may not exceed this maximum rent determined by the PHA and based on HUD standards established for the region. These maximum rents are adjusted periodically to keep pace with increasing rent and utility costs.

A household participating in the Section 8 HCV program is issued a voucher and is responsible for finding and selecting a suitable rental unit of its choice, which may include the unit in which the participant is currently living. Once suitable housing has been located and a Section 8 HCV lease signed, the tenant is responsible for paying the rent based on their income (not to exceed 30 percent). The difference between the rent charged and the participant’s share is the amount of the rental subsidy that is paid directly to the landlord on behalf of the participant.

The PHA is responsible for determining whether a household is eligible for the Section 8 HCV program. Eligibility for the Section 8 HCV program is based on the income of the household in relation to its size and other factors. To be eligible for the Section 8 HCV program, a household must: (1) be very low-income, meaning income at or below 50 percent of area-wide median income as determined by HUD; (2) be a citizen or a non-citizen with "eligible immigration status;" and (3) meet HUD’s definition of "household."

State Rental Voucher Programs

A new state rental voucher program was passed by the Legislature in 2002. Under this program, county auditors are required to charge a $10 surcharge for recording such documents, except for assignments or substitutions of previously recorded deeds of trust. County auditors may retain up to five percent of the collected funds for administration.

Forty percent of the remaining funds are deposited monthly with the State Treasurer into the Washington Housing Trust Account. The Housing Trust Fund includes revenue established under statute, legislative appropriations, private contributions, repayment of loans, and other sources. The fund was established to assist low and very low-income citizens in meeting their basic housing needs.

The Office of Community Development (OCD) within the Department of Community, Trade & Economic Development administers the state housing programs, including the Housing Trust Fund. The OCD is required to develop guidelines for use of these funds for building operation and maintenance costs of housing projects or units within housing projects that are available to low-income persons with incomes at or below 30 percent of the area median income.

The remaining 60 percent of the funds are retained by the county and must be used by the county and its cities and towns for housing projects or units within housing projects that are available to low-income persons with incomes at or below 50 percent of the area median income. Local governments are prohibited from using the funds for construction of new housing if the vacancy rate for available low-income housing within the county rises above 10 percent.

Permissible uses for the funds by local governments are limited to:

(1) Acquisition, construction, or rehabilitation of housing projects or units within a housing project that is affordable to persons with incomes at or below 50 percent of the area median income;

(2) Supporting building operation and maintenance costs of housing projects or units within housing projects built with housing trust funds that are affordable to persons with incomes at or below 50 percent of the area median income, and that require a supplement to rent income to cover ongoing operation expenses; and

(3) Rental assistance vouchers for housing projects or units within housing projects that are affordable to persons with incomes at or below 50 percent of the median income.

<u>The Joint Legislative Audit and Review Committee</u>

The Joint Legislative Audit and Review Committee (JLARC) is a statutorily created committee of eight senators and eight representatives, equally divided between the two major political parties. The JLARC staff conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies.

Summary of Bill:

The JLARC is required to study the uses, options, funding, and potential funding of low-income rent voucher programs in the state. The final report must include information on federal regulations regarding both for-profit and non-profit private and public entities. The final report must also include a national survey of other states' low-income voucher programs. A final report is due by January 15, 2004.

Appropriation: None.

Fiscal Note: Requested on February 11, 2003.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.