HOUSE BILL REPORT
EHB 2694

As Passed House:
February 14, 2004

Title: An act relating to revising distribution of funds for operating and maintenance of very low-income housing projects.

Brief Description: Revising distribution of funds for operating and maintenance of very low-income housing projects.

Sponsors: By Representatives Santos, Jarrett, Morrell, McDonald, McIntire, Kenney, Chase, Edwards and Darneille.

Brief History:

Committee Activity:

Local Government: 1/28/04, 2/5/04 [DPA].

Floor Activity:

Passed House: 2/14/04, 59-37.

Brief Summary of Engrossed Bill

- Allows using funds, generated by an existing surcharge on recorded instruments, on construction of new housing for very low-income persons in cases in which there is an identifiable population that is not being served by the private housing market.

- Allows vouchers, payable to landlord, to be used for payment of first and last months' rent and security and other deposits.

- Specifies which of the U.S. Department of Housing and Urban Development's standards apply to administration of the rental assistance voucher programs.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 7 members: Representatives Romero, Chair; D. Simpson, Vice Chair; Jarrett, Assistant Ranking Minority Member; Clibborn, Edwards, Moeller and Upthegrove.

Minority Report: Do not pass. Signed by 4 members: Representatives Schindler, Ranking Minority Member; Ahern, Ericksen and Mielke.

Staff: Kiki Keizer (786-7109).

Background:

County auditors must charge a surcharge of $10 per instrument to be recorded. The auditor may retain up to 5 percent of these funds to administer collection of the funds. The remaining funds are divided between (1) the State Treasurer, who is directed to deposit the funds that he receives into the Washington Housing Trust Account, and (2) the county and its cities and towns, which are to use the funds that they receive for housing projects or units within housing projects that are affordable to very low-income persons.

Permissible uses of the local funds include:

- Acquisition, construction, or rehabilitation of housing projects or units within housing projects;
- Supporting building operation and maintenance costs of housing projects built with Housing Trust funds;
- Rental assistance vouchers for housing projects or units within housing projects administered by a local public housing authority or other local organization that has an existing rental assistance voucher program consistent with the U.S. Department of Housing and Urban Development's (HUD) Section 8 rental assistance voucher programs; and
- Operating costs for emergency shelters and licensed overnight youth shelters.

Funds generated by the surcharge must not be used for construction of new housing if at any time the vacancy rate for available low-income housing within the county rises above 10 percent. The Real Estate Research Center at Washington State University is directed to develop a vacancy rate standard for low-income housing in the state.

Summary of Engrossed Bill:

Funds generated with the surcharge may be used for the construction of new housing if the vacancy rate for available low-income housing within the county falls below 10 percent or if there are identifiable populations with special housing needs who are not being adequately served by local private housing markets.

Rental assistance or vouchers, payable to a landlord, for payment of first and last months' rent and security and other deposits required of new tenants are a permissible use of local funds.

Specifies which of the U.S. Department of Housing and Urban Development's standards apply to administration of the rental assistance voucher programs.

The funds generated by the surcharge may be used for building operation and maintenance costs of housing projects that are eligible to receive Housing Trust funds.

An error in the section that causes the allocations of funds to add up to more than 100 percent is corrected.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Local governments are in the best position to evaluate new projects and need flexibility in planning for housing for very low-income populations. Some years vouchers might be the most cost-effective alternative. Other years, other solutions, such as construction of new housing or acquisition and rehabilitation of facilities, might make better sense financially. The HUD Section 8 housing is the largest provider of affordable housing, at close to 80 percent of the market. Private landlords provide some housing for the very low-income market, so voucher programs should be expanded, in addition to other alternatives.

Vacancy rates in the state currently do not provide detailed vacancy rates for particular low-income populations. For example, it may be that housing is urgently needed for elderly low-income people in a particular community because there is such a low vacancy rate for that particular demographic, but the overall vacancy rate in the community may be much higher. In that case, current law might prevent new construction of housing for the elderly group that needs very low-income housing.

Seasonality is also a factor in determining vacancy rates. For example, migrant worker populations in the same community might vary markedly at different times of year, creating a flux in vacancy rates.

In a cyclical market, there may be times when the market rate for housing outstrips the ability of very low-income people to pay rents. There may also be special needs populations that no one wants to house.

Testimony Against: In communities with high vacancy rates, it does not make sense to build more housing stock. It is less costly to the state to use vouchers to pay for rent in existing housing than to build new housing. Vouchers might also encourage integrated communities rather than isolating low-income housing in one area.

Private parties have built housing without any government subsidies and would have difficulty competing with government-subsidized buildings that might be able to charge lower rents. Discouraging private construction might also cause a net decline in property taxes on privately owned buildings.

With respect to Section 1 of the bill, auditors collect the fee, which is higher than the cost of recording. It is hard for them to explain to angry customers why they have to pay the extra charge.

Another consideration is that large counties generate higher revenue than small counties. As a practical matter, large counties may have more staff to do the work of collecting and distributing the funds. The work of collecting and distributing the funds is the same, regardless of the size of the county.

Persons Testifying: (In support) Nick Federici, Washington Low-Income Housing Alliance; Jean Wessman, Washington state Association of Counties; and Kim Horman, Washington State Housing Finance Commission.

(Opposed) Kim Wyman, Washington State Association of County Auditors; Mark Paulsen, Washington Apartment Association; and Terry Kohl, Washington Apartments Association.

Persons Signed In To Testify But Not Testifying: None.