

HOUSE BILL REPORT

HB 2649

As Reported by House Committee On:
Housing

Title: An act relating to providing affordable housing for all.

Brief Description: Creating an affordable housing for all program.

Sponsors: Representatives Miloscia, Hasegawa, Upthegrove and Ormsby.

Brief History:

Committee Activity:

Housing: 1/19/06, 1/26/06 [DPS].

Brief Summary of Substitute Bill

- Creates the Affordable Housing For All Program.
- Establishes a state and local government goal of ensuring a decent, appropriate, and affordable home in a healthy, safe environment for every low-income household by 2020.
- Requires state and local Affordable Housing For All Plans.
- Provides for additional funding through a \$2 million General Fund appropriation.
- Adds performance measures and additional reporting and evaluation requirements to affordable housing-related RCWs.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Miloscia, Chair; Springer, Vice Chair; Ormsby, Pettigrew and Sells.

Minority Report: Do not pass. Signed by 4 members: Representatives Holmquist, Ranking Minority Member; Dunn, Assistant Ranking Minority Member; McCune and Schindler.

Staff: Robyn Dupuis (786-7166).

Background:

Existing Low Income Housing Surcharge

County auditors are required by statute to record deeds and other instruments that are filed and recorded. Recording fees are set in statute. A \$10 surcharge is charged for recording certain documents to support low-income housing projects.

The county is allowed to keep up to 5 percent of the \$10 surcharge for the collection, administration, and local distribution of the funds. Of the remaining funds, 40 percent is transmitted into the Housing Trust Fund administered by the Department of Community, Trade, and Economic Development (DCTED). The remainder of the revenue generated is transmitted to the counties for low-income housing programs and projects; which serve households making at or below 50 percent of the area median income.

Affordable Housing Advisory Board (AHAB)

The AHAB is the principal advisory body on housing and housing-related issues. The AHAB consists of 22 members representing a variety of industries, state agencies, populations and geographic locations.

State Agency Responsibility for Affordable Housing

The DCTED is the principal agency responsible for the majority of the state's affordable housing initiatives. The Department of Health is designated as the single state agency responsible for encouraging and coordinating the development of temporary worker housing (RCW 70.114A.040).

Growth Management Act Planning

Enacted in 1990 and 1991, the Growth Management Act (GMA) establishes a comprehensive land use planning framework for county and city governments in Washington. Among other requirements, planning jurisdictions must adopt internally consistent comprehensive land use plans, which must satisfy requirements for specified "elements," including a housing element. Comprehensive plans and development regulations must be reviewed and, if needed, revised according to a recurring seven-year statutory schedule. Planning jurisdictions are required to establish an evaluation program. Data collected through the review and evaluation program shall be evaluated every five years. Copies of comprehensive plans are transmitted to the DCTED. The DCTED is not required in statute to evaluate planning jurisdiction comprehensive plans or performance. The DCTED will submit to the Legislature, by December 31, 2007, a report on county activities related to planning and evaluation reviews.

Affordable Housing Statutes

There exist in statute numerous chapters under several titles which address affordable housing.

Summary of Substitute Bill:

Creates Affordable Housing For All Program

Program Goals and Target Population:

(1) a decent, appropriate, and affordable home in a healthy, safe environment for every low-income household by 2020; and

(2) an increased percentage of low-income households who do not rely on public support for housing.

For the purpose of the Affordable Housing For All Program, low-income households are defined as those earning 80 percent or less than the area median income, however, there is an emphasis on serving households earning 50 percent or below the area median income. Affordable housing is defined as housing for which the cost does not exceed 30 percent of the occupying household's gross annual income.

Participation of Local Governments

Counties may decline to participate in the Affordable Housing for All program. In such an instance, all funds due to a county will be remitted to the DCTED which will subcontract with an entity to create and execute an Affordable Housing for All Plan for that county. Any city may participate in the program and shall receive the portion of the funds attributable to document recordings involving transactions within the city.

Program Funding

Document Recording Surcharge

The program is funded through an existing \$10 surcharge on document recording fees.

- The county may retain up to 5 percent for collection and distribution costs.
- Of the remaining funds generated, 40 percent will be transmitted to the DCTED to provide technical assistance to local governments, to fund extremely low-income housing projects, and to provide planning grants to local governments receiving less than \$20,000 annually in surcharge funds.
- The remainder of the funds is retained by the county and participating cities for Affordable Housing for All programs, including housing construction, vouchers, and housing-related services.
- Counties may use funds for housing programs and projects serving households earning 80 percent or below the area median income except for rental voucher programs and operation and maintenance support programs which must serve households earning 50 percent or below the area median income.

Appropriation of General Funds

From the General Fund for Fiscal Year 2007, \$2 million is appropriated for planning, data collection and program implementation activities. Local governments receive \$1 million of this funding.

Affordable Housing Database

The DCTED will implement an Affordable Housing Database which will include information on all affordable housing units which have received or are currently receiving state, federal or local funds, funds from a non-profit organization, or financing through the Washington Housing Finance Commission. This database will be searchable for housing referral purposes. The DCTED will also encourage private landlords to list their units. The database will be implemented by December 31, 2009.

Low-Income Housing Waiting List

The DCTED must produce a study regarding the potential effectiveness of a statewide housing waiting list. Results will be reported to legislative committees by December 31, 2007.

State and Local Plans

The DCTED and participating local governments are required to produce annual Affordable Housing For All Plans. Plans will document the need for affordable housing and will include an activity plan to reach the goals of the program. The state plan is due to the Legislature by December 31, 2007. Local plans are due by April 30, 2008. The DCTED will annually evaluate local government plans as well as local program performance. The Affordable Housing Advisory Board (AHAB) will evaluate the state plan. The Joint Legislative Audit and Review Committee will audit the Affordable Housing for All Program every four years beginning on or before December 31, 2009.

Quality Management

All local governments receiving more than \$200,000 annually from the Affordable Housing for All Program and the surcharge in RCW 36.22.179 (for homeless programs) must implement a quality management program and apply to the Washington State Quality Award Program every three years.

All Housing Authorities receiving more than \$200,000 from the State or Housing Finance Commission must implement a quality management program and apply to the Washington State Quality Award Program every three years.

Other Affordable Housing Statutory Changes

Performance measure language is added to many affordable-housing related statutes. Information regarding all affordable housing activities are required to be included in the state's annually updated Affordable Housing for All Plan. In addition:

- (a) RCW 70.114A.040 places the DCTED in charge of encouraging and coordinating the development of temporary worker housing in collaboration with the Department of Health;
- (b) the AHAB is the principal advisory body to the state regarding affordable housing issues and membership is limited to seventeen voting members from specific industries; and
- (c) for cities and counties planning under RCW 36.70A.040, the DCTED will evaluate city and county performance as it relates to city and county comprehensive plans, activities, and goals and leveraging funds to create and preserve affordable housing.

Substitute Bill Compared to Original Bill:

The substitute bill places an emphasis on serving households making at or below 50 percent of the area median income, although the State and local governments may serve households making up to 80 percent of the area median income. The substitute bill changes the allocation of funding from the document recording surcharge back to the way it exists in current statute (the DCTED is allocated 40 percent) and all documents previously exempted under the

current surcharge maintain their exemption (the original bill removed the exemption). The DCTED may use some of its allocation of funds to award planning grants to counties receiving less than \$20,000 annually, as opposed to the \$10,000 threshold in the original bill. The Department of Labor and Industry, instead of the DCTED, is charged with defining the living wage statewide and within each county. Local governments need no longer evaluate their subcontractors. The substitute bill strikes almost all of the recodifications called for in the original bill except for a few sections dealing with the AHAB, and removes several sections including surplus property statutes and amending Growth Management Act comprehensive plan elements. The threshold for local governments to implement a quality management program and apply to the Washington State Quality Award Program is lowered from \$400,000 to \$200,000. Housing Authorities have a similar requirement. The primary objective of housing authorities is included in statute and local governments must annually evaluate their housing authority. The DCTED is required to evaluate all state agencies in relation to their housing efforts and forward copies of the evaluations to the appropriate committees of the Legislature.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Testimony For: (With concerns on original bill) The underlying principals and goals of this bill are admirable however, there is widespread concern amongst housing providers that the annual reporting, planning, evaluation and data collection requirements may become onerous. Furthermore, fulfilling these requirements will cost money and there are already limited financial resources for housing. All available funding should be reserved for actual housing production. There is a need to make sure all the data to be collected through this bill serves a purpose. The emphasis on funding programs and projects serving very-low income households earning incomes at or below 50 percent of the area median income should be maintained, not increased to households earning 80 percent. There are concerns that the recodification of Housing Authority statutes, as well as other statutes throughout the code, may have unintended consequences. Housing Authorities are already subject to scrutinization through their other funders, an annual evaluation by the DCTED would not be an efficient use of state resources and would be a drain on Housing Authority resources. The bill should be split up into more manageable pieces, it's hard to understand the implications. The AHAB should remain as the DCTED's principal advisory body. Rental vouchers should play a more prevalent role in affordable housing strategies and should be included in this bill. County governments are already stretched thin, it's questionable whether or not they have the capability to undertake such a program. The elimination of the exemption for certain documents from the recording fee surcharge may have a negative impact on private financiers.

(Neutral to original bill) The goals of this bill are admirable, affordable housing is critical to community stability and growth. In particular, key public servants need to be able to afford to live where they work. There is a concern about the additional responsibilities to be placed on counties through this bill, however, the counties are already overwhelmed and this would add to an already overcrowded agenda of activities.

Testimony Against: (Opposed to original bill) The bill should include a short term voucher program. Also, Housing Authorities are local governments and should be treated equally.

Persons Testifying: (With concerns on original bill) Carla Okigwe, Housing Development Consortium; Chris Pegg, Association of Washington Housing Authorities; Lavon Holden, Vancouver Housing Authority; Paul Purcell, Beacon Development Group; Kim Herman, Washington State Housing Finance Commission; Dave Williams, Association of Washington Cities; Judy Reed, Washington Community Reinvestment; and Jerry Van Fossen and Terry Kohl, Washington Apartment Association.

(Opposed to original bill) Tom Drake, Bremerton Housing Authority.

(Neutral to original bill) Jean Wessman, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.