

FINAL BILL REPORT

2SHB 1401

C 428 L 07

Synopsis as Enacted

Brief Description: Regarding the acquisition of land for affordable housing.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Pettigrew, Springer, Dunn, McCune, Miloscia, Chase and Santos).

House Committee on Housing

House Committee on Capital Budget

Senate Committee on Consumer Protection & Housing

Senate Committee on Ways & Means

Background:

The Department of Community, Trade and Economic Development (DCTED) provides financial assistance to affordable housing projects for low-income persons through its Housing Trust Fund loan and grant program. Eligible activities for Housing Trust Fund assistance include new construction and rehabilitation, rent subsidies, housing related social services, shelters, acquisition of low-income housing units, and down payment assistance. Affordable Housing is housing for rental or home ownership housing for low-income families (80 percent of the median family income). For rental housing, payment of monthly housing costs cannot exceed over 30 percent of the household's income.

There exists a formal process by which eligible organizations may apply for funding. Application periods of at least 90 days duration are announced as often as the DCTED deems appropriate and applications are accepted and evaluated only during those periods of time. The review process evaluates the merits of a proposal based on need, readiness, capacity of the organization, and the proposed project impact. The review process takes approximately 12 weeks. Eligible Organizations include local governments, housing authorities, non-profit community or neighborhood-based organizations, federally recognized Indian tribes and regional or statewide nonprofit housing assistance organizations.

Some low-income housing developers purchase and hold land for future affordable housing development in a real estate market characterized by fast pace and short time periods during which they must gather financing and close the deal. Many traditional sources of funding and financing for low-income housing developments, including the Housing Trust Fund, have strict application and review periods which may be longer than the periods purchasing land in the private market. Furthermore, although short-term "bridge loans" are available, these may not give recipient organizations the time needed to secure permanent financing.

Summary:

The Affordable Housing Land Acquisition Program is created within the DCTED which will contract with the Washington State Housing Finance Commission (HFC) to implement and manage the program.

The HFC will create and maintain a revolving loan fund for land acquisition for affordable housing and associated facility development and all receipts from loan payments and penalties will be remitted to this fund. Loan interest rates may not exceed 1 percent.

Forty percent of loans must be made to eligible applicants operating homeownership programs for low-income households in which the households participate in the construction of their homes. Sixty percent of loans may be awarded to other eligible organizations.

In addition to a proposed affordable housing development plan required as part of the loan application process, loan recipients must present a more detailed development plan within five years of loan receipt and must place housing into service within eight years of loan receipt.

Penalty for Non-Compliance.

If a housing development does not comply with the requirements of the program, a penalty is imposed on the loan recipient which consists of the principal of the loan plus compounded interest calculated at the current market rate at the time the loan was made. The market rate will be determined by the HFC and must be noted in the loan documents.

Program Reporting.

The HFC will report annually on the results of the program to the DCTED and the Legislature using performance measurement data.

Funding.

The act is null and void unless funded in the budget.

Votes on Final Passage:

House	96	1
Senate	47	0

Effective: July 22, 2007