

SENATE BILL REPORT

E2SHB 1359

As Reported By Senate Committee On:
Consumer Protection & Housing, March 29, 2007
Ways & Means, April 2, 2007

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

Brief Description: Creating an affordable housing for all program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Miloscia, Chase, Hasegawa, Pettigrew, Springer, Ormsby, Roberts, Darneille, Goodman and Santos).

Brief History: Passed House: 3/10/07, 57-39.

Committee Activity: Consumer Protection & Housing: 3/22/07, 3/29/07 [DPA-WM, DNP].
Ways & Means: 4/02/07 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Haugen, Jacobsen, Kilmer and Tom.

Minority Report: Do not pass.

Signed by Senators Honeyford, Ranking Minority Member and McCaslin.

Staff: Alison Mendiola (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Honeyford and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Roach and Schoesler.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Richard Ramsey (786-7412)

Background: Existing Low Income Housing Surcharge: (RCW 36.22.178) County auditors are required by statute to record deeds and other instruments that are filed and recorded. 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 Account administered by Department of Community, Trade and Economic Development (CTED) to be used for the support operation and maintenance of extremely low-income housing projects and to support homeless programs. The remainder of the revenue generated is retained by the counties for low-income housing programs and projects which serve households making at or below 50 percent of the area median income.

Homeless Housing and Assistance Act: The Legislature enacted the Homeless Housing and Assistance Act in 2005, the goal of which is to reduce homelessness by 50 percent statewide and in each county by July 1, 2015. This goal is to be achieved through the creation of plans to address the causes of homelessness and the implementation of solutions to homelessness through state and county homeless housing programs. Thirty-seven county governments are participating in the Homeless Housing and Assistance program.

Homeless Housing and Assistance Program Funding: The Homeless Housing and Assistance Program is funded by a \$10 surcharge for certain documents recorded by the county auditor. Of that \$10 surcharge:

- the auditor retains 2 percent;
- 60 percent of the remaining funds stay within the participating county of origin;
- any city which assumes responsibility for reducing homelessness within its boundaries receives a percentage of the surcharge equal to the percentage of the city's local portion of the real estate excise tax; and
- the remaining monies are remitted to CTED and deposited into the Homeless Housing Account for program administration and to support the Homeless Grant Program.

Approximately \$16 million in new funding for homelessness is produced each year through the homeless document recording fee.

Summary of Engrossed Second Substitute Bill: Part I: Affordable Housing for All Program: Creates the Affordable Housing For All Program and establishes a state goal of ensuring a decent, appropriate, and affordable home in a healthy, safe environment for every very low-income household by 2020.

Affordable Housing for All Surcharge: RCW 36.22.178 is renamed the Affordable Housing for All (AHFA) Surcharge. The portion of revenue due to the state will be remitted to the Home Security Fund Account. All counties must report on their use of county funds to CTED.

County Participation in Affordable Housing for All Program: Counties may decline to participate in the AHFA program. In doing so, they continue to collect and have use of the AHFA surcharge (in RCW 36.22.178); however, they are not eligible for monies from any

additional state appropriations. Counties that do choose to participate in the program are required to fulfill the following responsibilities:

- create an Affordable Housing for All Taskforce;
- create a County Affordable Housing Plan by June 30, 2008, and update that plan annually; and
- comply with additional planning, reporting, and evaluation requirements.

City Participation in Affordable Housing for All Program: A city may participate in the AHFA program if the county in which it is located declines to participate.

CTED Responsibilities of the Affordable Housing for All Program:

- creating a state AHFA plan by December 31, 2008, and updating the plan annually;
- establishing performance measures by December 2007;
- evaluating participating county plans annually beginning in 2008;
- evaluating participating county programs annually starting in 2008;
- evaluating all counties' use of the AHFA surcharge; and
- conducting annual performance evaluations of all state agency housing programs.

Additional Affordable Housing for All Program Components:

- The Joint Legislative Audit and Review Committee (JLARC) evaluates the AHFA program every four years (starting in 2010);
- Quality Management: city and county governments receiving more than \$500,000 in housing-related funds from state sources, the Housing Finance Commission (HFC), and certain document recording fee surcharges must apply to the Washington State Quality Award program; and
- Voucher Study is to be conducted by JLARC to determine the cost effectiveness of voucher programs.

Part II: Homeless Housing and Assistance Act Program Funding Revisions:

\$10 Surcharge: CTED's share of revenue from the \$10 homeless housing surcharge will be deposited into the Home Security Fund and may be used for:

- program administration;
- to provide housing and shelter to homeless people and to financially support homeless shelters and other homeless housing programs; and
- to fund the Ending Homelessness Grant Program.

\$8 Surcharge: An additional \$8 document recording fee surcharge is established of which 90 percent may be used for:

- county homeless programs;
- 10 percent will be deposited into the Home Security Fund Account to be used for the CTED program administration;
- funding the creation of two self-sufficiency income standards by Department of Employment Security (ESD);
- housing and shelter assistance for homeless persons; and
- the Homeless Housing Grant Program.

The Departments of Revenue, Labor and Industries, and ESD are exempt from the \$8 surcharge.

Additional Homeless Program, Reporting, and Evaluation Requirements:

Responsibilities of CTED:

- update the State Ending Homelessness plan annually;
- create program performance measures in collaboration with a taskforce; and
- evaluate local plans and local performance annually.

Responsibilities of Local Governments:

- update the Local Ending Homelessness plan annually; and
- include and report upon performance measures in Local Ending Homelessness plans.

Other Engrossed Second Substitute Bill Components: JLARC will audit the Ending Homelessness program every four years beginning in 2009.

CTED will contract with ESD to develop two self-sufficiency income standards.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Consumer Protection & Housing): Part 1: State Affordable Housing for All Program: The county role completely eliminated (including the county Affordable Housing for All plans and task forces). The State Affordable Housing for All plan is still due every five years versus annually as proposed in E2SHB 1359, with reduced data gathering. The existing \$10 recording surcharge is renamed the "Affordable Housing for All" surcharge. The state's portion of the surcharge is deposited into the Affordable Housing for All account. Counties report use of their part of the surcharge (approximately 60 percent) annually to CTED. JLARC is to conduct a performance audit of the program every five (instead of four) years. Additional quality management requirements for cities and counties are eliminated. If specific funding is not provided for this program, then sections 1 to 13 become null and void.

Part II: Homeless Housing Program: The new \$8 recording surcharge, together with the existing "2163" homeless \$10 surcharge, is deposited in the Home Security Fund. Costs associated with the new planning, evaluation, and reporting requirements may be funded by the \$8 surcharge, but not the existing surcharge.

Part III: GMA Amendment: (1) amends the housing and land use elements of local comprehensive plans to clarify that counties and cities must designate a sufficient quantity of land to accommodate the housing needed to accommodate growth; (2) amends the countywide planning policies for "buildable lands counties" (King, Pierce, Snohomish, Kitsap, Thurston, and Clark) to include policies for providing a supply of housing sufficient to accommodate anticipated employment growth and performance measures that regularly review progress towards accommodating projected growth; and (3) amends the CTED's reporting requirements of the buildable lands evaluation to include: a list of methods used by counties and cities to comply with the Growth Management Act; information comparing estimated employment changes with estimated housing unit changes; growth patterns; the density, types, and net number of housing units; the amount of land developed for residential, commercial, and industrial uses; estimated net number of new jobs created; whether there is sufficient buildable land available to meet needs; a list of jurisdictions that have identified inconsistencies between what has occurred and what was envisioned in their planning goals; a summary of the inconsistencies identified and reasonable measures adopted to increase consistency; and recommendations for legislation to increase effectiveness of managing growth.

Part IV: Other: Technical changes as a result of engrossing the bill.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): The following changes are recommended:

Affordable Housing for All:

- eliminates performance measures;
- reduces reporting requirements imposed on CTED;
- eliminates the task force that was to be established by CTED;
- eliminates the directive that CTED develop statewide guidelines for rental assistance programs by 2008. Counties already have the option of providing rental vouchers with the 60/40 split of the funding they receive from the \$10 surcharge;
- makes the Affordable Housing For All Account appropriated; and
- removes the "good family-wage job" definition.

Homeless Housing and Assistance Act:

- makes the Home Security Fund Account appropriated;
- reduces the new surcharge on recording documents from \$8 to \$2;
- removes some of the new performance measure as proposed by the underlying bill;
- eliminates the task force that was to be established by CTED; and
- removes language specifying that the money from the existing \$10 surcharge can be used for implementing a quality management program and applying to the full examination Washington State quality aware program; similar provision for local government contractors is also removed.

Other Changes:

- removes the five JLARC studies and audits;
- removes the amendments to the Growth Management Act; and
- removes the requirement that the Employment Security Department establish self-sufficiency income standards.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Consumer Protection & Housing): PRO: Part of this bill builds upon the homeless bills from a few sessions ago and expands the support to homeless programs by adding an \$8 surcharge on recorded documents. The surcharge generates a lot of revenue for these programs without much of a burden on the person paying the fee. The money is truly making a difference; for example, King County has had a drop in homelessness. Homelessness is both an urban and rural issue. This bill addresses the difficult but solvable problem of homelessness. While this bill seeks to ensure affordable housing for all, it doesn't address middle-income earners. There is not an adequate supply of housing, so housing prices shoot up creating a situation where middle-income earners are buying houses that traditionally would be for lower-income earners. Part of the funding provides for the option of rental vouchers which are an efficient and quick way to provide housing to people who need housing right away.

CON: Counties are concerned about the recording surcharge. It is taxing one particular class of people with little nexus between the fee and funding of such programs. The list of performance measures puts a great burden on smaller counties, which is significant since 30 of our counties are rural.

OTHER: CTED has made great strides in ending homelessness by 2015 which is a daunting task. This bill combines revenue from three sources into one account, which is hard to track when you mix the money together: (1) \$10 for homeless programs; (2) \$10 for affordable housing; (3) and now under this bill another \$8 for homelessness. This bill puts a lot of responsibility on the state and if the counties opt-out, the state still has to do the planning. Currently, reporting is every five years and this bill drops that down to annual reporting.

Persons Testifying (Consumer Protection & Housing): PRO: Representative Miloscia, prime sponsor; Mike Flynn, Jeanette McKague, Washington Realtors; Corine Knudsen, Theresa Slusher, Washington State Coalition for the Homeless; Bill Block, Committee to End Homelessness; Alison Eisinger, Seattle-King County Coalition on Homelessness; Darlene Pennoch, Washington Apartment Association; Reverend Bill Kirlin-Hackett, Interfaith Task Force on Homelessness, Church Council of Greater Seattle; Greg Provenzano, Columbia Legal Services; Bill Hallerman, Archdiocesan Housing Authority; Mike Lowry, private citizen; Ben Gitenstein, Washington Low-Income Housing Alliance.

CON: Jean Wessman, Washington State Association of Counties.

OTHER: Marie Sullivan, CTED; Dave Williams, Association of Washington Cities.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill creates funding that is critical to end homelessness by 2015. Local government and businesses have come together around this bill. Counties are making good use of funds generated by the existing surcharges on document recording. The additional \$8 surcharge will generate \$13 million for the state and counties. The source of the fee is appropriate because it takes advantage of a hot housing market, which is one of the factors that contributes to homelessness.

CON: The Association of Counties has supported the surcharge on document recording in the past and is supportive of the concept of the bill, but opposes the additional burden created by this bill.

Persons Testifying (Ways & Means): PRO: Corine Knudsen, Washington State Coalition for Homeless; Theresa Slusher, Thurston County Housing Task Force.

CON: Jean Wessman, Washington Association of Counties.