

HOUSE BILL REPORT

HB 3177

As Reported by House Committee On: Capital Budget

Title: An act relating to a new surcharge on certain recorded documents for affordable housing purposes.

Brief Description: Concerning funds for certain affordable housing purposes.

Sponsors: Representatives Nelson, White, Chase, Orwall and Ormsby.

Brief History:

Committee Activity:

Capital Budget: 2/8/10, 2/18/10 [DPS].

Brief Summary of Substitute Bill

- Establishes a \$62 surcharge on each assignment or substitution of a previously recorded deed of trust recorded with a county auditor for deposit into the Housing Trust Fund Account.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Chase, Jacks, Maxwell, Morrell, Orwall and White.

Minority Report: Do not pass. Signed by 7 members: Representatives Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Hope, McCune and Smith.

Staff: Susan Howson (786-7142).

Background:

Housing Trust Fund.

The Department of Commerce administers the Housing Assistance Program and the Affordable Housing Program. Both of these programs, commonly referred to as the Housing

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Trust Fund (HTF), provide loan and grant moneys to eligible organizations to provide housing for low-income and special needs populations. The HTF is available to fund acquisition, new construction, and rehabilitation of low-income housing units. The HTF is primarily funded through a combination of bond appropriations and HTF loan repayments appropriated in the state's capital budget.

Document Recording Surcharges.

County auditors, in addition to other duties, are charged with recording deeds and other written instruments that are filed and recorded in and for the county for which he or she is elected. In addition to the general recording fee of \$5 that is established by statute, county auditors are obligated to impose numerous surcharges, each for a specific purpose or program, upon each recorded instrument. Examples of the surcharges include the following:

- \$5 for historical preservation or programs;
- \$10 for providing shelter and housing through an affordable housing for all account;
- \$30 for local homeless housing and assistance; and
- \$2 for the Washington State Heritage Center.

Summary of Substitute Bill:

A \$62 surcharge is established that applies to assignments or substitutions of previously recorded deeds of trust recorded with a county auditor. These funds must be transmitted monthly to the State Treasurer for deposit into the HTF Account.

Substitute Bill Compared to Original Bill:

The \$100 million bond authorization for the HTF and the appropriation to the Department of Commerce is eliminated. The \$62 surcharge is available for the HTF program, rather than exclusively for debt service payments.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The state, through the HTF, has assisted in the creation or preservation of 38,000 units in more than 1,900 projects. The HTF has done an excellent job in efficiently leveraging its funds to create a portfolio worth billions of dollars. It is critical to keep funds flowing into the HTF. About 1,000 units of housing have submitted requests to the HTF; however, all of the funds for this biennium have been obligated. Housing Trust Fund dollars are addressing a growing need among low income households for affordable housing. The

purchasing power can go a long way right now, especially with the HTF's five to one leverage ratio. The HTF has been very successful in leveraging other private and public investments. Passage of this bill can have a profound impact on job creation. Banks have been partners in these projects for years. The HTF is particularly important in our rural communities. The HTF helps to support and stabilize our existing workforce. This is particularly true for our agricultural workforce.

(Opposed) House Bill 3177 provides a \$62 increase in fees when a deed is transferred in the secondary market. While financial institutions have supported past proposals to increase the HTF and document recording fees that are paid upon the sale of homes, now is not the time to increase the front-end cost of these transactions. With the depth of this recession, home prices are continuing to drop, homebuyers are struggling, and banks are tightening credit. These fees are part of the closing transaction and will end up being paid by the borrower. Many financial institutions are partners in developing low income housing. However, this support has been conditioned on the provision that such fees would not apply to purely financial transactions in the secondary market because it would not be possible to charge for the fee. Thus, these fees would only apply at the initial sale. This is not the time to add to the cost of housing transactions or discourage seeking support from the secondary markets.

Persons Testifying: (In support) Representative Nelson, prime sponsor; Josephine Tamayo Murray, Washington State Catholic Conference; Joe Ingram; Bill Kirlin-Hackett, Interfaith Task Force on Homelessness; Debra Nielsen, Mason County Shelter; June Robinson, House Consortium of Everett and Snohomish County; Harry Hoffman, Housing Development Consortium of King County; Nick Federici, Washington Low Income Housing Alliance; Lynn Davison, Common Ground; Paul Purcell, Beacon Development; Brien Thane, Farmworkers Housing Trust; and Cherie Tessier.

(Opposed) Greg Pierce, Washington Financial League and Washington Mortgage Lenders Association; Denny Eliason, Washington Bankers Association; and Paul W. Locke.

Persons Signed In To Testify But Not Testifying: None.