Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Community Development & Housing Committee

HB 1661

Brief Description: Providing cost-saving measures and allocation of vouchers for low-income housing.

Sponsors: Representatives Finn, Smith, Roberts and Condotta.

Brief Summary of Bill

- Requires that at least 26 percent of funds received by the Department of Commerce (Department) and counties from affordable housing-related document recording surcharges are used for housing vouchers.
- Requires the Department and counties to place a high priority on cost control and housing the greatest number of qualified individuals within existing funds as part of their decision making process when awarding resources.
- Requires the Department and counties to include life-cycle cost analyses in funding processes.

Hearing Date: 2/9/11

Staff: Jennifer Thornton (786-7147).

Background:

Duties and Authority of County Auditors.

The county auditor is responsible for the recording of specified documents required by law to be maintained as part of the public record kept by a county. State law specifies requirements that must be met by an auditor when exercising his or her recording duties, including the collection of specified fees when a document is recorded. Currently, there are three document recording surcharges related to affordable housing and homelessness that county auditors must collect.

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.

(1) A $10 Affordable Housing for All document recording surcharge is collected by county auditors. The fees are distributed and used as follows:

- up to 5 percent is retained by the county auditor for the collection and administration of the funds;
- of the remaining, 40 percent is remitted to the State Treasurer for deposit into the Affordable Housing for All Account for the Department of Commerce (Department) to provide housing and shelter for households with incomes at or below 30 percent of the area median; and
- the remainder is deposited in a fund for the county and its cities and towns for eligible housing activities that serve very low-income households (with incomes at or below 50 percent of the area median), with priority given to households with incomes at or below 30 percent of the area median. Funding may be used for: the acquisition, construction, or rehabilitation of housing projects; building operation and maintenance costs of housing projects; rental assistance vouchers; and operating costs for emergency shelters and overnight shelters.

(2) A $30 Homeless Housing and Assistance document recording surcharge is collected by county auditors. Beginning in the 2013-15 biennium, this surcharge will be $10. The fees are distributed and used as follows:

- 2 percent is retained by the county auditor for collection of the fee;
- 58.8 percent is deposited into a fund used by the county and its cities and towns to accomplish the goals in the county's local homeless housing plan and cover administrative costs related to the plan. A specified share is remitted to the city Treasurer to be used to accomplish the goals of any city that has its own local homeless housing plan; and
- 39.2 percent is remitted to the State Treasurer for deposit in the Home Security Fund Account used by the Department to provide housing and shelter for people who are homeless, fund the homeless housing grant program, and administer the homeless housing program.

(3) An additional $8 document recording surcharge is collected by county auditors for homeless housing programs. The fees are distributed and used as follows:

- 90 percent is deposited into a fund used by the county for programs accomplishing the goals of the county's homeless housing plan and related administration; and
- 10 percent is remitted to the State Treasurer for deposit into the Home Security Fund Account used by the Department for program administration, housing and shelter assistance for homeless persons, and the Homeless Housing Grant Program.

<u>Comparing Costs and Characteristics of Housing Assistance Programs</u>.

The 2007-09 Biennial Operating Budget directed the Joint Legislative Audit and Review Committee (JLARC) to conduct an evaluation and comparison of the cost efficiency of rental housing voucher programs versus other programs providing housing assistance to low-income households. For it's report, "Comparing Costs and Characteristics of Housing Assistance Programs" (09-1), the JLARC developed a model for analyzing the life-cycle cost of low-income housing developments, and collected data for the model including information about permanent financing, property tax subsidies, and expected rental income. The JLARC then compared the costs for these capital developments to the costs for vouchers for units with the same number of bedrooms in the same general location.

In the report, life-cycle cost analysis is a method of calculating the total cost of an asset over its useful life by comparing the calculated present discounted values for rental income, development subsidies, forgiven property taxes, and residential land values converted to monthly voucher costs.

The evaluation found that vouchers generally cost less than capital subsidy programs, and provided additional factors to weigh when considering state funding for housing assistance programs. It did not make any recommendations regarding what should be funded, but recommended that the Housing Division at the Department and the Washington State Housing Finance Commission include life-cycle cost analysis as a part of their processes for evaluating proposals for state administered funding.

Summary of Bill:

The Department and counties must use at least 26 percent of funds received from the Affordable Housing for All and Homeless Housing and Assistance document recording surcharges for vouchers for people who are very low-income, extremely low-income and homeless. The vouchers must be used in locations where a majority of the dwelling units are privately owned and not operating under any program licensed by the state of Washington.

Local public housing authorities and other organizations offering vouchers, or having the authority to offer vouchers, are permitted to administer county voucher programs for extremely low-income and very low-income households. Vouchers must be payable to the landlord, and must be provided for as long as necessary.

Agencies administering the rental voucher program must calculate voucher payment amounts using the method required by the US Department of Housing and Urban Development for its Section 8 Housing Voucher Choice Program.

A provision allowing county funds to be used to offer rental assistance vouchers affordable to very low-income households administered consistent with the US Department of Housing and Urban Development Section 8 voucher program standards is removed.

The Department and counties must place a high priority on cost control and housing the greatest number of qualified individuals within existing funds as part of their decision making process in awarding resources. The Department and counties must implement specified actions including:

- developing cost measures;
- tracking and publicizing cost comparisons and effectiveness;
- maximizing housing homeless and severely rent-burdened individuals in de-concentrated settings in small private rental units; and
- ensuring that voucher programs provide vouchers for as long as necessary.

The Department is required to include a life-cycle cost analysis in its process for evaluating proposals for state funding. Counties must include a comparable life-cycle cost analysis in their award processes for county allocations.

Counties receiving funding are directed to develop a report and submit it to the Department. The Department must submit an annual report to the Legislature and the OFM that includes a compilation of county reports, and details on the distribution of funds, the process used for allocating funds, and criteria used for decision making.

Life-cycle cost analysis is defined as a method of calculating the total cost of an asset over its useful life as used in the JLARC report 09-1, "Comparing Costs and Characteristics of Housing Assistance Programs."

Appropriation: None.

Fiscal Note: Requested on February 4, 2011.

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