

# HOUSE BILL REPORT

## HB 1699

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**As Reported by House Committee On:**  
Community Development & Housing  
Capital Budget

**Title:** An act relating to housing trust fund administrative costs.

**Brief Description:** Concerning housing trust fund administrative costs.

**Sponsors:** Representatives Kenney, Smith and Maxwell; by request of Washington State Department of Commerce.

**Brief History:**

**Committee Activity:**

Community Development & Housing: 2/7/11, 2/16/11 [DPA];  
Capital Budget: 2/21/11, 2/23/11 [DPS(CB)].

**Brief Summary of Substitute Bill**

- Removes the statutory 5 percent cap on allowable administrative costs for the Housing Assistance and Affordable Housing programs at the Department of Commerce.
- Institutes a 3 percent cap on allowable administrative costs associated with application, distribution, and project development activities, and excludes reappropriation amounts from the calculation.
- Institutes a 0.25 percent cap on allowable administrative costs associated with compliance and monitoring activities related to the Washington State Housing Trust Fund portfolio.

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### HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

**Majority Report:** Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu, Santos and Walsh.

**Staff:** Jennifer Thornton (786-7147).

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*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.*

**Background:**

Housing Trust Fund.

Established at the Department of Commerce (Department) in 1987 and funded beginning in 1989, the Washington State Housing Trust Fund (Housing Trust Fund) helps communities meet the housing needs of low-income and special needs populations. Ninety-three percent of households served are below 50 percent of area median income, with 72 percent below 30 percent of area median income.

The Housing Trust Fund portfolio is currently \$806 million. The Housing Trust Fund appropriations from the Capital Budget have supported the development of 1,200 projects and 36,000 single and multifamily units statewide. Administrative funding is limited to 5 percent of appropriations, and comes from the loan repayment account within the Housing Trust Fund.

Capital Budget Appropriations for Housing 2001-03 through 2009-11 Biennium.

Biennium	2001-03	2003-05	2005-07	2007-09	2009-11
Appropriations	\$78,000,000	\$81,000,000	\$121,000,000	\$200,000,000	\$130,000,000

Two primary state programs operate within the Housing Trust Fund: the Housing Assistance Program and the Affordable Housing Program.

Housing Assistance Program.

The Housing Assistance Program, administered by the Department, uses Housing Trust Fund and other appropriations to finance loans and grant projects that provide housing for households with special housing needs and with incomes at or below 50 percent of the project area's median family income. At least 30 percent of funds in any cycle must benefit projects located in rural parts of the state. Eligible activities include:

- new construction, rehabilitation, or acquisition of low-income and very low-income housing units;
- rent subsidies;
- matching funds for social services directly related to providing housing for special-need tenants in assisted projects;
- technical assistance, design, and finance services and consultation, and administrative costs for eligible nonprofit community or neighborhood-based organizations;
- administrative costs for housing assistance groups or organizations when such grants or loans will substantially increase the recipient's access to housing funds other than those available under this chapter;
- shelters and related services for the homeless, including emergency shelters and overnight youth shelters;
- mortgage subsidies, including temporary rental and mortgage payment subsidies to prevent homelessness;
- mortgage insurance guarantee or payments for eligible projects;
- down payment or closing cost assistance for eligible first-time home buyers;

- acquisition of housing units for the purpose of preservation as low-income or very low-income housing; and
- projects making housing more accessible to families with members who have disabilities.

#### Affordable Housing Program.

The Affordable Housing Program, administered by the Department, uses Housing Trust Fund and other appropriations for the purpose of developing and coordinating public and private resources targeted to meet the affordable housing needs of households below 80 percent of the project area's median family income. Eligible activities include, but are not limited to:

- new construction, rehabilitation, or acquisition of housing for low-income households;
- rent subsidies in new construction or rehabilitated multifamily units;
- down payment or closing costs assistance for first-time home buyers;
- mortgage subsidies for new construction or rehabilitation of eligible multifamily units; and
- mortgage insurance guarantee or payments for eligible projects.

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#### **Summary of Amended Bill:**

The maximum amount of funds that can be used for administrative costs is reduced from 5 to 3 percent of the annual funds available for the Housing Assistance Program and the Affordable Housing Program. Reappropriations must not be included in the calculation of the annual funds available for determining the administrative costs. Administrative costs are described as the costs associated with application, distribution, and project development activities.

Administration funding of up to 0.25 percent of the contracted amount of state investment in the Housing Assistance Program and the Affordable Housing Program for compliance and monitoring activities is added.

"Contracted amount of state investment in the Housing Assistance Program" and "contracted amount" are defined as the aggregate amount of all state funds for which the Department has monitoring and compliance responsibility.

#### **Amended Bill Compared to Original Bill:**

The calculation for administrative costs associated with application, distribution, and project development activities must only include amounts that are appropriated, not any amounts that are reappropriated.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended 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) This change provides transparency in the way the Department administers and oversees the Housing Trust Fund as well as provides a little more stability for monitoring and implementing the program. This bill will make a big difference in the ability to protect the state's interest in its housing investment. In addition to providing the ongoing funding necessary for monitoring and compliance, it will also smooth out the amount of administration funding received. When most Housing Trust Fund business involved originating loans, the current funding method made sense. These funds are used for program administration, not general administration. It sets a limit, but the funding is still a function of the budget and appropriations by the Legislature. This funding comes from the repayment account, not the Capital Budget or the State General Fund.

(Opposed) None.

**Persons Testifying:** Representative Kenney, prime sponsor; and Dan McConnon, Department of Commerce.

**Persons Signed In To Testify But Not Testifying:** None.

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**HOUSE COMMITTEE ON CAPITAL BUDGET**

**Majority Report:** The substitute bill by Committee on Capital Budget be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Jacks, Jinkins, Lytton, Pearson, Smith and Tharinger.

**Staff:** Meg Van Schoorl (786-7105).

**Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community Development & Housing:**

The substitute bill incorporates the amendment by the Community Development and Housing Committee and makes no additional policy changes.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 23, 2011.

**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) In the beginning years of the Washington State Housing Trust Fund (Housing Trust Fund), it made sense to have a flat 5 percent cap on administrative costs for activities such as competitive application cycles and contractual distribution of funds. However, in the current stage of the Housing Trust Fund, much more staff time is devoted to compliance and monitoring of the \$800 million portfolio of existing projects. In addition, the 5 percent cap is calculated solely against fluctuating appropriation levels, causing unpredictability in resources for administration and no allowance for the costs of portfolio management. The Department of Commerce needs clarification and certainty of the administrative resources it will have to meet its responsibilities. The bill has no General Fund impact because these operating funds are appropriated from the Housing Repayment Account.

(Opposed) None.

**Persons Testifying:** Dan McConnon, Department of Commerce; and Kim Herman, Washington State Housing and Finance Commission.

**Persons Signed In To Testify But Not Testifying:** None.