

HOUSE BILL REPORT

HB 1768

As Reported by House Committee On:
Community Development & Housing

Title: An act relating to a surcharge for very low-income and homeless housing assistance.

Brief Description: Concerning a surcharge for very low-income and homeless housing assistance.

Sponsors: Representatives Kenney, Upthegrove, Santos, Dickerson, Kagi, Hasegawa, Van De Wege, Pedersen and Tharinger.

Brief History:

Committee Activity:

Community Development & Housing: 2/10/11, 2/17/11 [DPS].

Brief Summary of Substitute Bill

- Increases the Homeless Housing and Assistance Act document recording surcharge to \$35 through the 2017-2019 biennium.
- Changes the distribution of funds collected through the surcharge.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Kenney, Chair; Finn, Vice Chair; Maxwell, Ryu and Santos.

Minority Report: Do not pass. Signed by 4 members: Representatives Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern and Walsh.

Staff: Jennifer Thornton (786-7147).

Background:

Duties and Authority of County Auditors.

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.

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. The documents that must be recorded by a county auditor include judgments, liens, deeds, mortgages, and many other categories of documents pertaining to property ownership and real estate transactions.

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. These fees include certain surcharges used for the funding of state and local programs to provide affordable housing for low-income persons and housing assistance for the homeless.

Homeless Housing and Assistance Act.

The Legislature enacted the Homeless Housing and Assistance Act (Act) in 2005 with the goal of reducing homelessness by 50 percent statewide and in each county by 2015. The Department of Commerce (Department), with the support of the Interagency Council on Homelessness and the Affordable Housing Advisory Board, is responsible for preparing and publishing a 10-year homeless housing strategic plan with statewide goals and performance measures, and providing biennial progress reports to the Governor and the Legislature. Local areas must also have 10-year plans that are substantially consistent with the state plan.

An Act document recording surcharge is collected by county auditors. The fees are distributed and used as follows:

- 2 percent to the county auditor for collection of the fee;
- 58.8 percent 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 to the State Treasurer for deposit in the Home Security Fund Account (Account) used by the Department to provide housing and shelter for homeless people, fund the homeless housing grant program, and administer the homeless housing program.

A \$10 surcharge was authorized in 2005 under the Act. In 2009 House Bill 2331 did two things:

- (1) increased the surcharge to \$30 during the 2009-11 and 2011-13 biennia; and
- (2) returned the surcharge to \$10, beginning in the 2013-15 biennium.

Summary of Substitute Bill:

The \$30 document recording surcharge collected by county auditors under the Act is increased to \$35 and extended through the 2017-19 biennium. Beginning with the 2019-21 biennium, the surcharge is \$10.

The distribution of the funds collected from the surcharge is as follows:

- 2 percent retained by the county auditor for collection of the fee;
- 51 percent remitted 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
- 47 percent remitted to the State Treasurer for deposit in the Account used by the Department to provide housing and shelter for homeless people, fund the homeless housing grant program, and administer the homeless housing program.

Substitute Bill Compared to Original Bill:

The \$48 surcharge assessed by county auditors when recording assignments and substitutions of previously recorded deeds of trust and the corresponding requirements for the collection and distribution of the funds are removed.

The \$30 document recording surcharge collected by county auditors under the Act is increased to \$35, and the time period is extended through the 2017-19 biennium. A new distribution formula is provided.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 18, 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) Homelessness programs have been hit hard. These funds will cover a shortfall. People pay a \$48 fee for affordable housing and homelessness when they buy a house. However, mortgages on the secondary market pay only \$14. This closes the loophole on these transactions. The amount of money this would raise equals the amount of Bank of America's executive bonuses.

(Opposed) This is not about being against housing for the homeless. Collecting this fee is the wrong mechanism for addressing the issue. The responsibility for homelessness belongs to everyone, and it needs to be shared. A different plan is needed for addressing homelessness. The recording fee has become a Christmas tree for all the things the Legislature wants to do, but it goes under the radar. These transactions cost \$5, but due to all the surcharges attached, the cost is \$62. Of the \$62, \$48 is for housing and every odd year there is a new request. This is not the time to add secondary transactions to the items that are subject to the surcharge. This could trigger the requirements of Initiative 1053. Small banks bundle and sell loans, so it is not really \$48. It would be \$144 because they are often sold three times on the secondary market. This will leave small banks in a quandary, as they are not in a position to absorb the cost. This would likely become a new line item at closing for homebuyers.

Persons Testifying: (In support) Representative Kenney, prime sponsor; and Nick Federici, Washington Low Income Housing Alliance.

(Opposed) Vern Spatz, Grays Harbor County Auditor; Mark Gaspard, Washington Financial League; Denny Eliason, Washington Bankers Association; and Walt Washington, Kitsap County Auditor.

Persons Signed In To Testify But Not Testifying: None.