

# HOUSE BILL REPORT

## HB 2640

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

**Title:** An act relating to emphasizing cost-effectiveness in the housing trust fund.

**Brief Description:** Emphasizing cost-effectiveness in the housing trust fund.

**Sponsors:** Representatives Smith, Kenney, Warnick, Finn, Walsh, Orcutt and Kelley.

**Brief History:**

**Committee Activity:**

Community & Economic Development & Housing: 1/23/12, 1/30/12 [DPS];  
Capital Budget: 2/2/12 [DPS(CDH)].

**Brief Summary of Substitute Bill**

- Requires the Department of Commerce (Department) to consider total project cost and per-unit cost for Washington State Housing Trust Fund (Housing Trust Fund) applications reviewed through June 30, 2013.
- Requires the Department to report to the Legislature with recommendations for awarding funds from the Housing Trust Fund in a cost-effective manner.

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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & HOUSING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. 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).

**Background:**

Established by the Department of Commerce (Department) in 1987 and funded beginning in 1989, the Washington State Housing Trust Fund (Housing Trust Fund) provides loans and

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grants to help communities meet the housing needs of low-income and special needs populations.

The Housing Trust Fund portfolio is approximately \$820 million. The Housing Trust Fund appropriations from the omnibus capital appropriations act have supported the development of 1,200 projects and 36,763 single and multifamily units in 38 counties. Ninety-three percent of households served through the Housing Trust Fund are below 50 percent of area median income, with 72 percent below 30 percent of area median income. Fifty-eight percent of the units serve general low-income populations, 14 percent serve elderly populations, 11 percent serve special needs populations, and the rest serve homeless households, farm workers, and others.

In awarding grants and loans from the Housing Trust Fund, the Department must provide for a statewide geographic distribution. The Department is required to give preference for applications based on some or all of the following criteria:

- the degree of leveraging of other funds;
- the degree of commitment from programs to provide necessary habilitation and support services for projects focusing on special needs populations;
- recipient and local government project contributions;
- projects that encourage ownership, management, and other project-related responsibility opportunities;
- projects that demonstrate a strong probability of serving the original target group or income level for a period of at least 25 years;
- the applicant has the demonstrated ability, stability, and resources to implement the project;
- projects which demonstrate serving the greatest need, persons and families with the lowest incomes, and special needs;
- project location and access to employment centers and public transportation; and
- projects that provide employment and training opportunities for disadvantaged youth.

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### **Summary of Substitute Bill:**

The Department is required to consider total project cost and per-unit cost compared to similar housing projects constructed or renovated within the same geographic area for the Housing Trust Fund applications it reviews through June 30, 2013. The scope of projects for which cost will be considered is limited to those involving housing construction, rehabilitation, or acquisition.

The Department, with input from the Affordable Housing Advisory Board, is required to report to the Legislature by December 1, 2012, with recommendations for awarding funds from the Housing Trust Fund in a cost-effective manner.

### **Substitute Bill Compared to Original Bill:**

The requirement that the Department give funding preference to Housing Trust Fund applications demonstrating cost-effectiveness is removed. Instead, the Department is

required to consider total project cost and per-unit cost for the Housing Trust Fund applications it reviews through June 30, 2013.

Additionally, the Department, with input from the Affordable Housing Advisory Board, is required to report to the Legislature by December 1, 2012, with recommendations for awarding funds from the Housing Trust Fund in a cost-effective manner.

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**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) This is a bill inspired out of the work of the Department's Affordable Housing Cost Study. The study's first recommendation was to place increased emphasis on cost control as a funding decision factor for the Housing Trust Fund. This bill formalizes that we need to look at cost per unit, and somehow weigh it as a factor for funding. Sound stewardship of public resources for the poor is a guiding principle of Catholic Housing Services of Western Washington, and we support the idea of giving funding to projects that demonstrate cost effectiveness. Three or four years ago, the Joint Legislative Audit and Review Committee did an analysis of housing projects and developed a life cycle cost analysis program. It is free and available to be used and could be helpful. We should do projects where there are not places for people to live.

(Neutral) The Department agrees that it is essential to squeeze every dollar in order to provide more services with increasingly scarce resources. This compares like projects and recognizes geographic differences. The Department identified this issue several years ago, and includes costs in current criteria. At the heart of this issue is balance, and this gives flexibility.

(In support with concerns) We support the bill, but request a critical change in the term preference as publicly-funded projects have a multitude of objectives they are serving.

(With concerns) Cost effectiveness is important. We want to make sure it is equally weighted with other important things such as the size of the unit, populations served, depth of affordability, feasibility of the project, and geographic distribution. We just want to make sure there are not any unintended consequences.

(Opposed) None.

**Persons Testifying:** (In support) Representative Smith, prime sponsor; Terri Hotvedt, Rental Housing Association of Puget Sound; Terry Kohl, Washington Apartment Association; and Rob Van Tassell, Catholic Housing Services of Western Washington.

(Neutral) Dan McConnon, Department of Commerce.

(In support with concerns) Paul Purcell, Beacon Development.

(With concerns) Michele Thomas, Washington Low Income Housing Alliance.

**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 Community & Economic Development & Housing be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Asay, Jinkins, Lytton, Pearson, Smith, Tharinger and Wylie.

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

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

No new changes were recommended.

**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 Department is concerned with project costs and does take them into consideration when evaluating projects even though it is not required in statute. We like the language that calls for the project cost comparison to be done with projects in the same geographic area rather than with projects in different geographic areas.

(Opposed) None.

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

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