

SENATE BILL REPORT

SB 5283

As of February 10, 2011

Title: An act relating to cost-saving measures and allocation of vouchers in awarding resources for low-income housing.

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

Sponsors: Senators Hobbs, Benton, Schoesler, Honeyford, Zarelli, Prentice and Shin.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/02/11.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Alison Mendiola (786-7483)

Background: Affordable Housing for All Surcharge. There is a \$10 recording surcharge fee, of which the county auditor retains up to 5 percent for the collection and administration of the funds. Forty percent of the funds collected are remitted to the State Affordable Housing for All Account. The Department of Commerce (Commerce) uses these funds to provide housing and shelter for extremely low-income households.

The remaining funds may be used by the counties to fund eligible housing activities for very low-income households, with priority for extremely low-income households by funding:

- the acquisition, construction, or rehabilitation of housing projects, including units for homeownership, rental units, farm worker housing, and single room occupancy units;
- supporting building operation and maintenance costs of housing projects;
- rental assistance vouchers; and
- operating costs for emergency shelters and overnight shelters.

Homeless Housing Recording Surcharge. The Legislature enacted the Homeless Housing and Assistance Act in 2005, the goal of which is to reduce homelessness by 50 percent statewide and in each county by July 1, 2015. This goal is to be achieved through the creation of plans to address the causes of homelessness and the implementation of solutions to homelessness through state and county homeless housing programs.

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 Homeless Housing and Assistance Program is funded by a \$10 surcharge for certain documents recorded by the county auditor. Of that \$10 surcharge:

- the auditor retains 2 percent;
- 60 percent of the remaining funds remain within the participating county of origin;
- any city which assumes responsibility for reducing homelessness within its boundaries receives a percentage of the surcharge equal to the percentage of the city's local portion of the real estate excise tax; and
- the remaining monies are remitted to the Commerce and deposited into the Home Security Fund, a nonappropriated account, of which 12.5 percent are used for administering the homeless housing program and then remaining funds provide housing and shelter for the homeless.

During the 2009-2011 and 2011-2013 biennia, the \$10 surcharge is increased to \$30.

There is also an \$8 recording surcharge, of which:

- 90 percent of the funds are remitted to the county for its homeless housing plan and programs that accomplished the goals of the county's plan; and
- the remaining funds are deposited into the Home Security Fund and used by Commerce program administration, housing and shelter assistance for homeless persons, and the Homeless Housing Grant Program.

Life Cycle Cost Analysis. 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 housing programs intended to assist low-income households. To answer the Legislature's questions, JLARC developed a model for analyzing the life-cycle cost of low-income housing developments. 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 locations. The report, "Comparing Costs and Characteristics of Housing Assistance Programs" (09-1), includes a discussion of some additional factors to weigh when considering state funding for housing assistance programs.

As used in the report, life cycle cost analysis means 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.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Affordable Housing for All and Home Security Fund. For the funds collected by this surcharge on both the state and local level, up to 26 percent of the funds received are to be used for rental vouchers in privately-owned units that are not operating under any program licensed by the state.

Life Cycle Cost Analysis. Commerce and counties are to include a life-cycle cost analysis in its process for evaluating proposals for funding. This requirement does not apply to proposals funded by the legislative appropriations from capitol bond proceeds.

Commerce is to report to the Legislature annually on the distribution of funds (both state and local), including a description of the process used to allocate funds, the use of the funds, and the criteria used for making funding decisions.

The state and counties are to place a high priority on cost control and house the greatest number of qualified individuals within existing funding. To achieve this goal, the state and counties must take a number of actions, including:

- developing per unit and per project cost measures with the goal of achieving cost reduction;
- documenting efforts by the housing trust fund to publicize cost reduction and cost-effectiveness strategies;
- tracking and reporting on costs of project funding in each funding cycle;
- requiring developers to submit an audited final cost certification detailing total development costs and all sources of permanent financing;
- for every dollar spent, maximize the number of homeless and rent-burdened individuals housed;
- moving waiting lists for housing (waiting lists are not to be controlled by endeavors to keep publicly funded housing projects fully populated);
- ensuring that private rental properties with less than 20 units are included in efforts to house individuals as such properties are not typically surveyed for vacancies;
- ensuring that vouchers are available for as they are needed by the renter; and
- ensuring that administration of cost-saving measures are funded within existing program resources.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.