

SENATE BILL REPORT

SB 5283

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 16, 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, 2/16/11 [DPS-WM, w/oRec].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5283 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Hobbs, Chair; Prentice, Vice Chair; Benton, Ranking Minority Member; Keiser.

Minority Report: That it be referred without recommendation.

Signed by Senators Fain and Litzow.

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;

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- 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.

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 (Recommended Substitute): Affordable Housing for All and Home Security Fund. For the funds collected by this surcharge on both the state and local level, a minimum of 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.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute as Passed Committee): Language requiring a life-cycle analysis and cost-saving measures are struck. Current law is restored so that any vouchers provided must be provided under a program consistent with or similar to HUD Section 8 standards.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee:
PRO: In this economy, we don't need to build more housing, we need to get more people into housing. It's also more cost-effective to use housing vouchers, the public dollar would go farther. The original intent of the legislation was to include vouchers for private rentals. Landlords want to work with the community to make vouchers work. Disabled communities need to be near transit areas, so more vouchers providing for more choices in a tenant's community is a good thing. It's important to know that public funds are being used wisely and in a way that's accountable. Building buildings cost a lot of money. Developing affordable housing is not low-cost, it's just that the units are heavily subsidized. Then you need to keep infusing money into these buildings to maintain them as the rent paid doesn't cover these costs. Moving is hard and expensive. Vouchers would be more effective and provide more choice. Units in smaller buildings should be included as they tend to be more flexible with working with a tenant who might have credit issues,

CON: This bill stimulates a good conversation in times of scarce resources. Funds from the recording fee are already low. Vouchers are an important part of the system, and many locals do use the funds for vouchers. We need to maintain local flexibility. Increasing the regulatory burden by requiring a cost analysis will have costs; and is it even necessary? It is actually cheaper to provide capital units than vouchers.

OTHER: Removing flexibility means that some counties may have to end services. Vouchers are used by locals, and they work with the private rental market but some tenants are hard to house due to issues with felony convictions, drug records, chemical dependency, seniors coming out of prisons, and mentally-ill sex offenders. Concerned about the cost to locals to do a life-cycle cost analysis.

Persons Testifying: PRO: Charles Spaeth, Karyn Kuever, Terri Hotdvedt, Rental Housing Association; Terry Kohl, Washington Apartment Association; Emily Rogers, Advocating for the Rights of Citizens with Developmental Disabilities.

CON: Nick Federici, Washington Low-Income Housing Alliance; Paul Purcell, Beacon Development; Bill Block, King County Committee to End Homelessness; Connie Brown, Tacoma Pierce County Affordable Housing; Kathy Roseth, Plymouth Housing Group.

OTHER: Rashi Gupta, Washington State Association of Counties.