

# HOUSE BILL REPORT

## HB 1617

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

**Title:** An act relating to the administrative costs for the allocation, management, and oversight of housing trust fund investments.

**Brief Description:** Concerning the administrative costs for the allocation, management, and oversight of housing trust fund investments.

**Sponsors:** Representatives McCoy, Warnick, Orwall, Ryu, Smith, Maxwell, Moscoso and Freeman; by request of Washington State Department of Commerce.

**Brief History:**

**Committee Activity:**

Community Development, Housing & Tribal Affairs: 2/14/13, 2/20/13 [DPS];  
Capital Budget: 2/26/13 [DPS(CDHT)].

**Brief Summary of Substitute Bill**

- Makes permanent the 2011-13 caps on administrative costs for the Housing Assistance Program and the Affordable Housing Program at the Department of Commerce.

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**HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McCoy, Chair; Appleton, Vice Chair; Angel, Ranking Minority Member; Johnson, Assistant Ranking Minority Member; Haler, Pike, Ryu, Santos and Sawyer.

**Staff:** Jill Reinmuth (786-7134).

**Background:**

Housing Trust Fund.

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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.*

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 71 percent below 30 percent of area median income. The Housing Trust Fund portfolio is currently \$860 million. The Housing Trust Fund appropriations from the Capital Budget have supported the development of more than 41,000 single and multifamily units statewide.

Capital Budget Appropriations for Housing 2003-05 through 2011-13 Biennium.

Biennium	2003-05	2005-07	2007-09	2009-11	2011-13
Appropriations	\$81 million	\$121 million	\$200 million	\$130 million	\$117 million

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 the 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 recipients' access to other housing funds;
- 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 guarantees 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 the 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 guarantees or payments for eligible projects.

#### Administrative Costs.

In general, the cap on the Department's administrative costs is 5 percent of the annual funds available for the Housing Assistance Program and 4 percent of the annual funds available for the Affordable Housing Program. For the 2011-13 fiscal biennium, however, the cap on administrative costs associated with application, distribution, and project development activities was reduced to 3 percent of the annual funds available for the programs. Reappropriations were not to be included in the calculation of the annual funds available for determining the administrative costs. Also for the 2011-13 fiscal biennium, a cap on administrative costs for compliance and monitoring activities was set at 0.25 percent of the contracted amounts of state investment in the programs.

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

All of the caps on administrative costs for the 2011-13 fiscal biennium are made permanent.

The cap on administrative costs associated with application, distribution, and project development activities is set at 3 percent of annual funds available for the Housing Assistance Program and the Affordable Housing Program. Reappropriations are not included in the calculation of the annual funds available for determining the administrative costs.

The cap on administrative costs for compliance and monitoring activities is set at 0.25 percent of the contracted amounts of state investment in the Housing Assistance Program and the Affordable Housing Program. "Contracted amount" is defined as the aggregate amount of all state funds for which the Department has monitoring and compliance responsibility.

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

The cap on administrative costs associated with application, distribution, and project development activities is set at 3 percent of annual program funds for the Affordable Housing Program (like the cap for the Housing Assistance Program). Obsolete provisions applicable to biennia ending before the bill's effective date are deleted. A reference to the Housing Assistance Program in the chapter relating to the Affordable Housing Program is deleted.

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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 simple bill that will smooth out the cash flow for administrative costs. Under current law, funding is based on a percentage of appropriations to the Housing Trust Fund. That means it goes up and down. Under the bill, it would be based partly on a smaller percentage of the appropriations and partly on a percentage of the portfolio. There is no General Fund impact. The Legislature would still appropriate funding in the budget, and could further limit the amount.

(Opposed) None.

**Persons Testifying:** Representative McCoy, 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 Community Development, Housing & Tribal Affairs be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dunshee, Chair; Stanford, Vice Chair; Warnick, Ranking Minority Member; Hawkins, Assistant Ranking Minority Member; Appleton, Fey, MacEwen, Riccelli, Scott, Smith and Stonier.

**Staff:** Meg VanSchoorl (786-7105).

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

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) This bill has passed the House of Representatives twice before in the same form. The language currently exists in the 2011-13 budget. Putting the language in statute ensures

a steady and predictable stream of revenue for administering the Housing Trust Fund program. There is no impact to the State General Fund. The revenue to support administrative costs come from Housing Trust Fund loan repayments.

(Opposed) None.

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

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