

# SENATE BILL REPORT

## ESSB 5875

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As Passed Senate, March 13, 2014

**Title:** An act relating to a surcharge for local homeless housing and assistance.

**Brief Description:** Concerning a surcharge for local homeless housing and assistance.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Hill).

**Brief History:**

**Committee Activity:** Ways & Means: 3/10/14 [DPS, w/oRec].

Passed Senate: 3/13/14, 41-8.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5875 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Bailey, Becker, Braun, Dammeier, Hatfield, Padden, Parlette, Rivers and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Keiser, Assistant Ranking Member on the Capital Budget; Billig, Conway, Fraser, Hasegawa and Kohl-Welles.

**Staff:** Julie Murray (786-7711)

**Background:** 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 (Commerce), with the support of the Interagency Council on Homelessness and the Affordable Housing Advisory Board, is responsible for preparing and publishing a ten-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 ten-year plans that are substantially consistent with the state plan.

A \$40 surcharge is imposed on recording of certain documents with county auditors for local homeless housing and assistance. The surcharge applies to certain documents relating to real property specified in statute including deeds, mortgages, community property agreements,

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leases, and other documents related to property ownership, as well as other documents pertaining to real property as determined by Commerce. The surcharge specifically does not apply to assignments or substitutions of previously recorded deeds or trusts, or any documents exempt from a recording fee by state law.

Of the \$40 recording surcharge, the county auditor retains 2 percent; 60 percent goes to the county for homeless housing and assistance, of which 6 percent may be used by the county for administrative costs; and the remaining funds are deposited into the Home Security Fund account for homeless housing programs administered by Commerce. Commerce may use 12.5 percent of the funds for administrative fees and the remaining 87.5 percent is used to provide housing and shelter for homeless people and fund the homeless housing grant program.

The document recording surcharge is currently \$40 per recorded document, but is scheduled to reduce to \$30 in 2015, and to \$10 in 2017.

**Summary of Engrossed Substitute Bill:** The \$40 document recording surcharge is extended to June 30, 2019. Documents subject to the recording surcharge are simplified and the exemption from the surcharge is expanded.

Of the recording surcharge funds used by Commerce, at least 45 percent must be used for private rental housing payments. Private rental housing is defined to mean housing owned by a private landlord and does not include housing owned by a nonprofit housing entity or government entity. Requires Commerce to make reasonable efforts to ensure local providers conduct outreach to private rental housing landlords each calendar quarter regarding availability of funds.

Requires the Office of Financial Management (OFM) to obtain an independent audit of Commerce's expenditures of document recording surcharge funds annually. The audit must review a random sample of local governments, contractors, and providers that is geographically and demographically diverse. A preliminary audit report must be presented to Commerce and one landlord representative to make comments regarding the findings to include in the audit. The first audit is due July 1, 2015, for the calendar year 2014 report, and each July 1 thereafter following the Commerce's submission of the report to the Legislature. If the independent audit finds that Commerce fails to use 45 percent of its funds for private rental housing payments, Commerce must submit a correction action plan to OFM. If Commerce does not correct its actions, OFM must reduce Commerce's allotments and expenditures in the same amount. The independent audit must recommend an alternative method distributing funds in this event.

OFM must contract for an independent audit to conduct a performance audit of the use of document recording surcharges provided in RCW 36.22.178, 36.22.179, and 36.22.1791. The performance audit is due December 1, 2016.

Commerce must convene a stakeholder group to discuss long-term funding options for homeless housing programs that do not include document recording surcharges. The group must be convened by March 1, 2017, and report to the Legislature by December 1, 2017.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**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 Original Bill:** PRO: The bill moves us and this issue forward. We appreciate the inclusion of the taskforce. We need to look at more stable revenue source of this program.

OTHER: We need dependable funding. Clients are more able to stabilize when housing is stable. We support the concept. There is uncertainty at the local level whether funding will continue at its current rate. No sunset of surcharge is desired. The program is working. The fee is paid for by you and me, not the realtor community. The private housing definition and use of the term voucher is problematic. Setting aside for private rental housing will limit local innovation. The loss of funds will have a ripple effect. Many local programs in Thurston County have benefitted from the funds generated from the surcharge, including programs focusing on veterans, youth, and rapid re-housing. The document recording surcharge is the largest source of income at the local level for homeless programs. Homelessness is not just a problem in urban areas. Funds are used for warming centers, domestic violence shelters, and other programs in rural areas. The email requirement to landlords might conflict with federal funding mandates. Our differences are between the Senate and House versions of bill, and not with the need and good work of the program. We can be more specific in the set-aside for private rental housing and allow the state and counties to work to achieve that goal. We support the set-aside, taskforce, and performance audit. Changes to the definition of private rental housing are requested.

**Persons Testifying:** PRO: Bill Clarke, Washington REALTORS.

OTHER: Flo Beaumon, Catholic Community Services; Gabe Ash, Drexel House; Katie Baum, Aloha Inn; Eddy Mahaon, Palo Studios; Bary Hanson, Drexel House; Andi Smith, Governor's Office; Dan McConnon, Deputy Director, Commerce; Micheal Reichert, Catholic Housing, Catholic Community Services; Terry Kohl, WA Apartment Assn.; Kyle Woodring, Rental Housing Assn.; Nick Federici, WA Low Income Housing Alliance; Mark Putnam, Committee on Ending Homelessness of King County; Karen Vlaenzuela, Thurston County Commissioner; Carl Schroeder, Assn. of WA Cities; Craig Lyons, Landlord; Alex Hur, Statewide Poverty Action Network; Melanie Smith, Wellspring Family Services; Robin Koskey, Building Changes; Abby Murphy, WA State Assn. of Counties.