

# FINAL BILL REPORT

## ESSB 5875

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Synopsis as Enacted

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

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

### Senate Committee on Ways & Means

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

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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.

**Votes on Final Passage:**

Senate	41	8
House	74	22

**Effective:** June 12, 2014