

HOUSE BILL REPORT

ESHB 1570

As Passed House:
May 25, 2017

Title: An act relating to expanding access to homeless housing and assistance.

Brief Description: Concerning access to homeless housing and assistance.

Sponsors: House Committee on Community Development, Housing & Tribal Affairs (originally sponsored by Representatives Macri, Robinson, McBride, Kagi, Sawyer, Tharinger, Doglio, Pollet, Ortiz-Self, Chapman, Cody, Jenkins, Bergquist, Hudgins, Peterson, Senn, Stonier, Riccelli, Frame, Gregerson, Dolan, Tarleton, Ormsby, Ryu, Fey, Fitzgibbon, Goodman, Slatter, Pettigrew, Kloba, Orwall, Appleton, Clibborn, Farrell and Stanford).

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 1/26/17, 2/16/17 [DPS];
Appropriations: 2/23/17, 2/24/17 [DPS(CDHT)].

Second Special Session

Floor Activity:

Passed House: 5/25/17, 50-44.

Brief Summary of Engrossed Substitute Bill

- Makes the temporary \$40 local homeless housing and assistance surcharge permanent.
- Allows counties to charge and retain an additional surcharge for homeless housing and assistance.
- Allows additional homeless housing and assistance surcharges imposed by a county to be used to pay off general obligation bonds issued by the county for homeless housing and assistance.
- Changes the Home Security Fund from an appropriated account to a nonappropriated account.
- Creates new and updated reporting requirements and studies for certain homeless assistance 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.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Ryu, Chair; Macri, Vice Chair; Reeves and Sawyer.

Minority Report: Do not pass. Signed by 3 members: Representatives McCabe, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Jenkin.

Staff: Kirsten Lee (786-7133).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Community Development, Housing & Tribal Affairs be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Bergquist, Cody, Fitzgibbon, Hansen, Hudgins, Jinkins, Kagi, Lytton, Pettigrew, Pollet, Sawyer, Senn, Springer, Stanford, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 15 members: Representatives Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Buys, Caldier, Condotta, Haler, Harris, Manweller, Nealey, Schmick, Taylor, Vick, Volz and Wilcox.

Staff: Meghan Morris (786-7119).

Background:

The State Homeless Housing Program.

The Homeless Housing and Assistance Act directs the Department of Commerce (Department) to develop a statewide homeless housing program. The Department must implement the program through a 10-year strategic plan with the goal of reducing homelessness by 50 percent in the state, and within each county by 2015. Local governments must also develop their own 10-year homeless housing plans in coordination with the statewide plan.

The Department's efforts include an annual homeless census to aid the Department and local governments in identifying homeless housing for individuals. The Department must also report biennially to the Governor and appropriate committees of the Legislature. This report is an assessment of the state's performance in furthering the goals of the state's 10-year homeless housing strategic plan, and the performance of each participating local government in creating and executing a local homeless housing plan.

The Department manages a range of homeless assistance, prevention, and housing programs. The Department programs include:

- the Consolidated Homeless Grant Program, which provides grants for county governments and other designated entities for services including temporary rent assistance for households who are homeless or at risk of being homeless;
- the Office of Homeless Youth Prevention and Protection Programs, which provides services for youth and young adults, including: (1) the Independent Youth Housing Program, which provides rental assistance and case management for eligible youth who have aged out of the state foster care system; (2) Street Youth Services, which fund outreach to street youth to connect them to shelters and services; and (3) HOPE Beds, which provide voluntary and temporary residential placements for youths under age 18; and
- Crisis Residential Centers, which are short-term, semi-secure and secure facilities for runaway youth and adolescents in conflict with their families.

The Local Homeless Housing and Assistance Surcharge.

Both the state and local homeless housing programs receive funding from the homeless housing and assistance surcharge collected by each county auditor when a document is recorded. The surcharge is \$40 per recorded document, but is scheduled to change back to \$10 in 2019. The surcharge is applied in addition to any authorized surcharges, as well as any administrative fees collected by the county auditor. An additional homeless housing and assistance surcharge of \$8 is also collected by each county auditor.

Both the state and the county receive a percentage of the money collected from each surcharge. For the \$40 local homeless housing and assistance surcharge, approximately 60 percent is distributed to the county, and approximately 40 percent to the state. The funds collected for the \$40 local homeless housing and assistance surcharge are distributed as follows:

- 2 percent to the county for collection of the fee;
- 60 percent of the remainder to the county for its homeless housing program, up to 6 percent of which may be used for administering its homeless housing plan;
- 40 percent of the remainder to be deposited in the Home Security Fund (Fund), up to 12.5 percent of which may be used by the Department for managing the state Homeless Housing Program, including the costs of creating the statewide homeless housing strategic plan, measuring performance, providing technical assistance to local governments, and managing the homeless housing grant program of the remaining;
- 87.5 percent of the 40 percent, at least 45 percent must be set aside for private rental housing payments; and
- the remainder of all funds go to the Department to be used to provide housing and shelter for homeless people and fund the homeless housing grant program.

"Private rental housing payments" means housing owned by a private landlord and does not include housing owned by a nonprofit housing entity or government entity.

The \$40 homeless housing and assistance surcharge applies to most recorded documents. Certain documents are exempt, including documents recording a birth, marriage, divorce, or death, and documents recording a state, county, or city lien.

Home Security Fund.

The state's share of the \$40 homeless housing and assistance surcharge is deposited into the Fund, along with funds from the additional \$8 homeless housing and assistance surcharge. This Fund is an appropriated account and may be used only for homeless housing programs. The Office of Financial Management oversees certain compliance regulations for the account. The Department use the funds for multiple homeless housing programs.

United States Department of Housing and Urban Development Point-In-Time Count.

Every year the United States Department of Housing and Urban Development (HUD) requires communities across the nation to collect data on their homeless populations and to report the data to the HUD. The data collection process is referred to as the Point-In-Time (PIT) Count. The PIT Count is collected as a means to estimate the number of homeless individuals in the United States. Local planning bodies responsible for coordinating homeless efforts in a geographic area, Continuums of Care (CoCs), administer the PIT Count. During even-numbered years, CoCs must provide data on the number of sheltered persons (those living in emergency shelters and transitional housing) experiencing homelessness on a single night and during odd-numbered years, CoCs must provide data on sheltered and unsheltered persons (those living in the street or in another place not meant for human habitation) experiencing homelessness on a single night. The PIT Count results are reported in the HUD Annual Homeless Assessment Report.

Counts are categorized by household type, including individuals, families, and child-only households. The counts are further broken down by subpopulation categories, such as homeless veterans and people who are chronically homeless. The HUD provides resources to communities to assist with the PIT Count, including model PIT Count surveys.

Summary of Engrossed Substitute Bill:

The State Homeless Housing Program.

The Department must make their subpopulation data collected for the annual homeless census consistent with the HUD's PIT requirements.

At least every 10 years, and subject to appropriation, the Department, in collaboration with the Washington State Institute for Public Policy, must conduct a statewide homeless study to better understand the causes and characteristics of the homeless in Washington and help decision-makers promote efforts toward housing stability. The study is intended to supplement the Department's current annual homeless census. A study proposal is due to the Legislature by January 1, 2019.

The state homeless housing strategic plan is changed from a 10-year strategic plan to a five-year strategic plan. The homeless housing strategic plan must be updated by July 1, 2018, and every five years thereafter. The Department must continue to coordinate with the Interagency Council on homelessness, the Affordable Housing Advisory Board, and the State Advisory Council on Homelessness for the preparation and publishing of the five-year strategic plan. The Department must coordinate its five-year strategic plan with the Homeless Youth Prevention and Protection Advisory Committee. New criteria are added to what must be included in the five-year strategic plan, including performance measures and goals to reduce homelessness, an analysis of the services and programs being offered at the

state and county level, identification of those representing best practices and outcomes, and new or innovative funding, program, or service strategies to pursue.

The requirement that the Department report biennially to the Legislature and appropriate committees on the state's performance in furthering the goals of the state's 10-year homeless housing strategic plan, and the performance of each participating local government in creating and executing a local homeless housing plan, is eliminated.

By December 1 of each year, the Department must provide an update on the state's homeless housing five-year strategic plan and its activities for the prior fiscal year. The report must include: (1) an assessment of the current condition of homelessness; (2) the state's performance in meeting its strategic plan goals; (3) the results of the annual homeless PIT census; (4) a report on the state and local homeless document recording fee expenditure by county; and (5) the amount of federal, state, local, and private funds spent on homelessness assistance, categorized by funding source and major assistance types. The report must be posted on the Department's website.

The local government housing strategic plan is changed from a 10-year plan to a five-year plan.

The Department must create guidelines and provide relevant data to local governments by December 1, 2017, to assist with updating the five-year homeless housing plans that are due by December 1, 2018.

Any local government receiving state funds for homeless assistance must provide an annual report on meeting the goals in its homeless housing strategic plan, the current condition of homelessness in its jurisdiction, and any significant changes to the plan. The report must be posted on their website.

The Department must also post, with a local government's annual report, information on the local government's homeless spending from all sources by project during the prior state fiscal year. If a local government fails to report, or provides an inadequate report, the Department must take corrective action, including withholding state funding for homeless assistance until the report is remedied.

Document recording surcharge fund reporting and auditing requirements for local governments and the Department are changed to be reported on a fiscal year basis, instead of an annual year basis.

The Local Homeless Housing and Assistance Surcharge.

The \$40 homeless housing and assistance document recording surcharge is made permanent. The Department must set aside 45 percent of the initial \$40 collected of the state's share for private rental housing payments. The definition for "private rental housing payments" is changed.

"Private rental housing payments" means housing owned by a private landlord and includes housing owned by a nonprofit housing entity.

A county may charge and retain an additional surcharge of up to \$50 to be used for the same purposes as the \$40 homeless housing and assistance document recording surcharge, but must wait 90 days from the effective date of the decision to impose the additional fee before collecting any additional surcharge amount. A county imposing an additional surcharge fee may retain two percent of the additional surcharge for collection of the fee. A county may use additional surcharge fees collected to pay off general obligation bonds issued by the county to carry out the same homeless housing and assistance purposes as the \$40 homeless housing and assistance document recording surcharge.

Home Security Fund.

The Home Security Fund is changed from an appropriated to a nonappropriated account. Expenditures from the account must be made by the Director of the Department (Director) or the Director's designee. The OFM compliance provisions are removed, but the OFM must secure an independent expenditure review of state Local Homeless Assistance and Housing surcharge funds received and deposited into the Fund on a biennial basis. The purpose of the expenditure review is to assess the consistency in achieving policy priorities within the private market rental housing segment for housing persons experiencing homelessness. The first biennial expenditure review is due February 1, 2020.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Community Development, Housing & Tribal Affairs):

(In support) The investments from the local homeless housing and assistance surcharge have been working well, and the changes in this legislation allow for continued progress in providing homeless support and services. Since 2006 there has been a net decrease in homelessness of approximately 17 percent and the primary contributor of the decrease has been the funding source from the homeless housing and assistance document surcharge fees.

Since 2013 there has been a significant increase in homelessness in Washington, much of which has been attributed to the increased cost of housing. Other contributors include stagnant incomes and low vacancy rates. The need for additional support for the homeless related to youth services, mental health needs, medical, and domestic violence continues to grow. These funds have been successful in providing services including respite care, providing shelter for unsheltered persons with mental illness, and providing support and safety to victims of domestic violence and their children. However, an increase in funding and flexibility is needed to sustain and provide much needed additional services. In some instances, the 45 percent set-aside interferes with the ability to use funds for necessary purposes, such as mental health resources. It is not expected that federal funding will increase in the coming years, so it is important that the state provide a means to fund the many programs that are benefiting the homeless around the state. For many, having these resources is a matter of life and death.

Homelessness is an issue that affects persons across the income spectrum. Action needs to be taken by leaders who are in a position to make a difference in the lives of the homeless around the state. One of the best ways to understand the issue of homelessness is to get to know those who are homeless.

Without implementation of the changes in this legislation, Washington will stand to lose \$70.5 million that would go towards homelessness in the 2019-2021 biennium. It is projected that the loss of funds would cause 34,000 people to return to homelessness. The changes in this legislation could prevent the loss of funding and support for homelessness in the state.

(Opposed) Caring for the homeless should be a core function of the government and should be funded out of the General Fund, not from surcharges placed on document filing fees. Further, the issue of homelessness is much broader than affordable housing; it includes both mental health and criminal justice related issues. However, the funding mechanism to support homelessness has been placed on specific document filings that do not include these areas.

The current law and support for homelessness took time to agree, upon and those agreements are not reflected in the current legislation. For example, the auditing provisions have been removed. These provisions are still needed. If the goal is to make the fee permanent, metrics are needed to justify keeping the fee.

Homelessness is not likely an issue solved without the private market. Further discussion about what this inclusion looks like, including further vetting of definitions, incorporating nonprofit organizations, and landlord liaison programs are needed.

(Other) The broad terms of the legislation are supported. However, the legislation does not align completely with the Governor's budget. There is a need for additional resources to address homelessness and to make the temporary fee permanent. The Department of Commerce is doing much of what the legislation requires already and could implement many of the proposed changes within existing resources.

Staff Summary of Public Testimony (Appropriations):

(In support) We are facing a record low inventory for housing. Allowing this revenue source to go away would negatively impact the primary source of combating homelessness in our state. The document recording fee is not a burden to homebuyers. The fee is a uniquely powerful tool paid for by people who are benefiting the most from rising home prices. People who are purchasing homes are wealthy enough to pay the fee, which is never a barrier in home sales. The average home price in Thurston County is \$250,000, meaning average closing costs are about \$8,000. Document recording fees are less than half of one percent of home closing costs overall. This modest surcharge offsets the larger impacts of homelessness. The revenue allows for the much-needed expansion of homelessness services in our communities. The number of people experiencing homelessness is not decreasing.

(Opposed) None.

(Other) The provisions directing how the fee revenues are utilized are good. However, the fee should not be permanent. The document recording fee started as a temporary fee of \$10 and could go up to \$108, which is significant. There are 1.3 million documents recorded a year, and about 100,000 of those are for home sales. This fee is not just about home sales.

The optional city fee is not possible to implement.

Persons Testifying (Community Development, Housing & Tribal Affairs): (In support) Representative Macri, prime sponsor; Rhonda Hauff, Yakima Neighborhood Health Services; Michael Parker, Opportunity Council; Shoshana Wineburg, Youthcare Seattle; Robin Koskey, Seattle Housing; Julio Cortes, Cocoon House; Robin Corak, Multi-Service Center; Tamaso Johnson, Washington State Coalition Against Domestic Violence; Mindy Woods; Debbie Knowles, Snohomish County Human Services Department; Carl Schroeder, Association of Washington Cities; and Nikolaus Lewis, Lummi Nation.

(Opposed) Chester Baldwin, Washington Rental Owners Association; and Kyle Woodring, Rental Housing Association of Washington.

(Other) Tedd Kelleher, Department of Commerce; and Stacy Bacon.

Persons Testifying (Appropriations): (In support) Tonya Hennen, Windemere Real Estate-Olympia; Sol Villarreal, Windemere Real Estate-Seattle; and Debbie Trosvig, Snohomish County Human Services Department.

(Other) Bill Clarke, Washington Realtors; and Monty Cobb, Washington Association of County Officials.

Persons Signed In To Testify But Not Testifying (Community Development, Housing & Tribal Affairs): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.