

HOUSE BILL REPORT

HB 2364

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

Title: An act relating to facilities financing by the housing finance commission.

Brief Description: Concerning facilities financing by the housing finance commission.

Sponsors: Representatives Ryu, Macri, Ormsby and Doglio; by request of Washington State Housing Finance Commission.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 1/10/18, 1/16/18 [DP];
Capital Budget: 1/30/18, 2/2/18 [DP].

Brief Summary of Bill

- Increases the Housing Finance Commission's (HFC's) debt limit from \$6 billion to \$8 billion.
- Expands the organizations eligible for lower-cost financing through the HFC's Nonprofit Facilities Program.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass. Signed by 6 members: Representatives Ryu, Chair; Macri, Vice Chair; Barkis, Ranking Minority Member; McCabe, Assistant Ranking Minority Member; Reeves and Sawyer.

Minority Report: Do not pass. Signed by 1 member: Representative Jenkin.

Staff: Kirsten Lee (786-7133).

Background:

Housing Finance Commission.

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.

The Housing Finance Commission (HFC) issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families. It also issues tax-exempt bonds to provide below market-rate financing for non-housing, nonprofit facilities and for beginning farmers and ranchers. The HFC acts as a conduit of federal financing for housing, nonprofit facilities, energy efficiency and renewable energy projects, and beginning farmers and ranchers.

The HFC's statutory debt limit is \$6 billion. The debt limit is the total amount of debt the HFC is authorized to have outstanding at any one time. The HFC's debt limit was last raised in 2009 from \$5 billion to \$6 billion. As of December 31, 2017, the HFC's outstanding debt is approximately \$5.4 billion.

The HFC is not a state agency, it does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state.

Nonprofit Facilities Program.

The Nonprofit Facilities Program is managed by the HFC and provides nonprofit corporations with lower-cost financing for:

- purchase of land, equipment, and buildings;
- construction and rehabilitation of buildings;
- lease or purchase of equipment;
- refinancing of existing capital debt; or
- development and feasibility study costs directly related to a nonprofit's project and its development.

For the purpose of the program, a nonprofit corporation is a 501(c)(3) nonprofit organization.

Affordable Housing Program.

The Affordable Housing Program (AHP) is administered by the Department of Commerce (Department) and develops and coordinates public and private resources targeted to meet the affordable housing needs of households below 80 percent of a county's median family income. The AHP funds projects, including new construction, rehabilitation, or acquisition of housing for low-income households.

Organizations eligible to receive assistance include:

- local governments;
- local housing authorities;
- nonprofit community or neighborhood-based organizations;
- federally recognized Indian tribes in the state; and
- regional or statewide nonprofit housing assistance organizations.

These eligible organizations may receive loans to purchase land for affordable housing development and supportive services. These loans are funded through a program administered by the HFC in coordination with the Department.

Summary of Bill:

The HFC's debt limit is increased from \$6 billion to \$8 billion.

Organizations eligible to receive lower-cost financing through the HFC's Nonprofit Facilities Program are expanded to include public development authorities and organizations eligible to receive assistance through the Department's AHP, such as local governments, local housing authorities, and federally recognized Indian tribes in the state.

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:

(In support) The HFC issues private activity bonds to help homeownership programs for lower income households and has contributed significantly to the state's economy. The HFC's debt is not the debt of the state. Bonds are not backed by the full faith and credit of the state. The bill does not increase the state's debt. The number of bonds issued in recent years has increased and the HFC is close to reaching its maximum debt limit. Increasing the HFC's debt limit will help the HFC continue its activities during a time when the need for affordable housing is outpacing the capacity to help. The HFC has been a stable and effective organization that has always passed its audits. Increasing the number of eligible borrowers by mirroring the Housing Trust Fund eligibility requirements will help to lower barriers to affordable housing during this affordable housing crisis.

(Opposed) None.

Persons Testifying: Representative Ryu, prime sponsor; Kim Herman, Washington State Housing Finance Commission; and Nick Federici, Washington Low Income Housing Alliance.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 16 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Dye, Eslick, MacEwen, Macri, Morris, Riccelli, Ryu, Sells, Steele, Stonier and Walsh.

Minority Report: Do not pass. Signed by 1 member: Representative Kraft.

Staff: Melissa Palmer (786-7388).

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: 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 increases the Housing Finance Commission's debt limit and expands use of the Nonprofit Facilities Program. The subscription rate has increased and if the debt limit is not increased, the Housing Finance Commission will have to stop issuing bonds and financing projects. This effectively would halt housing projects from being developed. The Housing Finance Commission was created to finance homeownership for low and moderate income families. The Housing Finance Commission programs have since expanded to include a nonprofit financing program and a beginning farmer and rancher program. The debt of the Housing Finance Commission is not the debt of the state and receives no appropriation. There is close to \$5.3 billion in outstanding debt. In 2016 and 2017, there was over \$1 billion of debt issued each year. There is only \$700 million of remaining capacity. This increase should allow the Housing Finance Commission to finance projects for two to four years.

(Opposed) None.

Persons Testifying: Kim Herman, Washington State Housing Finance Commission.

Persons Signed In To Testify But Not Testifying: None.