
**Community Development, Housing &
Tribal Affairs Committee**

ESB 5647

Brief Description: Creating a low-income home rehabilitation revolving loan program.

Sponsors: Senators Honeyford, Takko, Schoesler and Saldaña.

Brief Summary of Engrossed Bill

- Creates the Low-Income Home Rehabilitation Revolving Loan Program within the Department of Commerce for the rehabilitation of homes owned by low-income homeowners in rural areas.

Hearing Date: 3/15/17

Staff: Kirsten Lee (786-7133).

Background:

Department of Commerce Housing Assistance Program.

The state Housing Trust Fund (HTF), a common name for the state Housing Assistance Program, was established as a renewable resource to meet the basic housing needs of low income and special needs citizens. The HTF is managed by the Department of Commerce (Department) to support the Department's housing programs.

Through the HTF, the Department distributes funding through a competitive grant process to eligible organizations for projects that serve individuals and families with special needs and whose income is at or below 50 percent of the median family income for the county or city where the project is located. At least 30 percent of the HTF funding must be used for projects in rural areas. Organizations eligible to receive funding include local governments, local housing authorities, regional support networks, nonprofit community or neighborhood-based organizations, federally recognized Indian tribes, and regional or statewide nonprofit housing assistance organizations.

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.

Funding from the HTF may be used for various related purposes, including:

- low-income housing construction and rehabilitation;
- rent subsidies, matching funding for housing-related social services;
- administrative and technical costs for housing assistance groups;
- homeless shelters;
- mortgage and down payment assistance; and
- accessibility in housing for persons with disabilities.

Federal Department of Health and Human Services.

The Department of Health and Human Services (HHS) provides nationwide health and human services and oversees programs that provide advancement in medicine, public health, and social services. Each year the HHS issues poverty guidelines, also referred to as the federal poverty level. The poverty guidelines are used as eligibility criterion for a number of federal assistance programs. For example, in Washington, the federal poverty level used for a single person is \$12,060 and the federal poverty level used for a family of four is \$24,600.

United States Department of Housing and Urban Development.

The United States Department of Housing and Urban Development (HUD) provides many affordable housing opportunities to states, local governments, and individual homebuyers. The HUD's Community Development Block Grant Program provides grants to state and local governments to provide assistance to non-entitled areas for housing and community development needs. The HUD defines non-entitlement areas as those that are not metropolitan cities or part of an urban county, cities with a population of less than 50,000, and counties with a population of less than 200,000.

Summary of Bill:

The Low-Income Home Rehabilitation Revolving Loan Program (LHRRLP) is established within the Department of Commerce (Department).

The program must include that:

- Eligible homeowners must be low-income and live in rural areas. "Low-income" means persons or households with incomes at or below 200 percent of the federal poverty level as adjusted for family size and determined annually by the Federal Department of Health and Human Services. "Rural areas" means areas of Washington defined as non-entitlement areas by the United States Department of Housing and Urban Development.
- Homeowners who are senior citizens, persons with disabilities, families with children five years old and younger, and veterans must receive priority for loans.
- The cost of the home rehabilitation must be the lesser of 80 percent of the assessed value of the home post rehabilitation or \$40,000. "Home rehabilitation" means residential repairs and improvements that address health, safety, and durability issues in existing housing in rural areas.
- The maximum amount that may be loaned under this program may not exceed the cost of the home rehabilitation and must not result in loans borrowed against the property equaling more than 80 percent of the assessed value.
- The interest rate of the loan must be equal to the previous calendar year's annual average consumer price index compiled by the Bureau of Labor Statistics.

- The Department must allow participating homeowners to defer repayment of the loan principal and interest and any fees related to the administration or issuance of the loan. Any amounts deferred become a lien in favor of the state and is secondary in rank to all other privileges, liens, monetary encumbrances, or other security interests that affect the real property, with the exception of special district property tax assessments. The loan must be repaid upon sale of the home or upon change in ownership of the home.

The Department must contract with rehabilitation agencies to provide home rehabilitation to participating homeowners. "Rehabilitation agency" means any approved Department grantee, tribal nation, or any public service company, municipality, public utility district, mutual cooperative or other entity that bears the responsibility for rehabilitating residences under the LHRRLP. Rehabilitation agencies may not charge more than the allowed administrative fee to participating homeowners and must report at least quarterly on project costs and the number of homes repaired and rehabilitated under the LHRRLP.

A non-appropriated account is created, the LHRRLP Account, in the custody of the state treasurer. Expenditures from the account may only be used for the purpose of the LHRRLP and may only be authorized by the Director or the Director's designee.

Appropriation: None.

Fiscal Note: Available.

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