

HOUSE BILL REPORT

SB 6371

As Passed House:
February 28, 2018

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

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

Sponsors: Senator Mullet; by request of Housing Finance Commission.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/20/18 [DP];
Capital Budget: 2/22/18, 2/26/18 [DP].

Floor Activity:

Passed House: 2/28/18, 59-39.

Brief Summary of Bill

- Increases the Housing Finance Commission's (HFC) 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 5 members: Representatives Ryu, Chair; Macri, Vice Chair; Barkis, Ranking Minority Member; McCabe, Assistant Ranking Minority Member; Reeves.

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

Staff: Kirsten Lee (786-7133).

HOUSE COMMITTEE ON CAPITAL BUDGET

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.

Majority Report: Do pass. Signed by 14 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Eslick, Macri, Morris, Reeves, Riccelli, Ryu, Sells, Steele and Stonier.

Minority Report: Do not pass. Signed by 5 members: Representatives Dye, Kraft, MacEwen, Volz and Walsh.

Staff: Melissa Palmer (786-7388).

Background:

Housing Finance Commission.

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 (Program) is managed by the HFC and provides nonprofit corporations with lower-cost financing for the:

- 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 the 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 Program are expanded to include public development authorities and organizations eligible to receive assistance through the 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 (Community Development, Housing & Tribal Affairs):

(In support) The bill is identical to House Bill 2394. The bill does not cost the state any money and increases access to affordable housing. There has been an increase in demand for private activity bonds for affordable housing for new construction and preservation of existing units. The HFC has issued over \$1 billion in bonds for these purposes over the last two years. If the debt limit is not increased, the HFC may be able to continue issuing bonds through this year, but would not be able to continue issuing bonds next year.

(Opposed) An amendment is needed to provide more oversight of the HFC and how resources are being used. The cost of nonprofit housing has increased. These projects are costing \$500,000 per unit. There is a housing crisis in rural Washington and Seattle is consuming all of the available resources. There is a reason why the Legislature has oversight of the HFC. The Legislature should be asking the question of why the costs are so high and finding a way to measure how resources are being used.

Staff Summary of Public Testimony (Capital Budget):

(In support) This bill passed the Senate with a vote of 44-2 and broad bipartisan support. This bill should go to the House floor for a vote.

(Opposed) None.

Persons Testifying (Community Development, Housing & Tribal Affairs): (In support) Senator Mullet, prime sponsor; and Kim Herman, Washington State Housing Financing Commission.

(Opposed) Roger Valdez, Seattle for Growth.

Persons Testifying (Capital Budget): Kim Herman, Washington State Housing Finance Commission.

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

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