SENATE BILL REPORT
E2SHB 1570

As of February 21, 2018

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 Appropriations (originally sponsored by Representatives Macri, Robinson, McBride, Kagi, Sawyer, Tharinger, Doglio, Pollet, Ortiz-Self, Chapman, Cody, Jinkins, 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: Passed House: 2/07/18, 51-47.
Committee Activity: Human Services & Corrections: 2/19/18.

Brief Summary of Bill

- Makes the temporary $40 local homeless housing and assistance surcharge permanent.
- Allows counties to charge an additional surcharge of $50 for homeless housing and assistance purposes and to pay off general obligation bonds issued by the county for homeless housing and assistance.
- Allows certain cities to charge an additional surcharge of $50 for homeless housing and assistance purposes if a county does not impose the additional surcharge.
- Modifies the state and local homeless housing plans to be five-year plans instead of ten-year plans.
- Requires the Office of Financial Management (OFM) to secure an independent expenditure review of state document recording surcharge funds received on a biennial basis.
- Creates new and updated reporting requirements for certain homeless assistance programs.

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

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.

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Background: 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. Currently, the surcharge is $40 per recorded document, but will revert to $10 in 2023. 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 for each document recorded.

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

1. Two percent to the county for collection of the fee.
2. Sixty percent to the county for its homeless housing program, up to 6 percent of which may be used for administering its homeless housing plan and the remainder for programs that accomplish plan goals.
3. The remainder to be deposited into the Home Security Fund Account and distributed as follows:
    a. up to 12.5 percent may be used by the Department of Commerce (Commerce) 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; and
    b. of the remaining 87.5 percent, at least 45 percent must be set aside for private rental housing payments and the remainder to provide housing and shelter for homeless persons and to fund the homeless housing grant program.

Private rental housing means housing owned by a private landlord and does not include housing owned by a nonprofit housing entity or government entity. Commerce must make reasonable efforts to ensure local providers conduct outreach to private rental housing landlords each calendar quarter regarding the availability of funds.

The $40 homeless housing and assistance surcharge applies to most recorded documents, except for assignments or substitutions of previously recorded deeds of trust, documents recording a birth, marriage, divorce, or death, and documents recording a state, county, or city lien, and, as of 2017, documents recording water-sewer district liens or satisfaction of liens for delinquent utility payments.

The State Homeless Housing Program. The Homeless Housing and Assistance Act directs Commerce to develop a statewide homeless housing program in consultation with the Interagency Council on Homelessness and the Affordable Housing Advisory Board. Commerce must implement the program through a ten-year strategic plan with the goal of reducing homelessness by 50 percent in the state and within each county by July 1, 2015. Local governments must also develop their own ten-year homeless housing plans in coordination and consistent with the statewide plan through the creation of county homeless housing task forces, which may include various community and law enforcement members and health care professionals.

Commerce must also develop performance measures that address the limitations of the annual point-in-time count on measuring how effective the document recording fee surcharge funds support homeless programs, including three performance metrics. The Joint Legislative Audit and Review Committee (JLARC) must also conduct a similar review and report and update every five years beginning in December 2022. Commerce may also revise the performance measures and state strategic plan and recommend changes in local governments' plans based on certain conditions.

Commerce must also report biennially to the Governor and appropriate committees of the Legislature an assessment of the state's performance in furthering the goals of the state's ten-year homeless housing strategic plan, and the performance of each participating local government in creating and executing a local homeless housing plan.

Commerce must produce data and submit a variety of reports on a calendar year basis addressing the use and expenditures of the document recording surcharge fee, until June 30, 2019.

<u>State Homeless Census and Point-In-Time Count.</u> Commerce must annually conduct a homeless census that counts all homeless individuals in coordination with existing homeless census projects, including those funded by the United States Department of Housing and Urban Development (HUD). Every year HUD requires communities across the nation to collect data on their homeless populations and to report the data to 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.

<u>Home Security Fund Account.</u> The state's portion of the $40 homeless housing and assistance surcharge is deposited into the Home Security Fund Account, along with funds from the additional $8 homeless housing and assistance surcharge. This account is an appropriated account and may be used only for homeless housing programs. OFM oversees certain compliance requirements for the account. Commerce uses the funds for multiple homeless housing programs, which include:

1. 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.
2. The Office of Homeless Youth Prevention and Protection Programs, which provides services for youth and young adults, including:
    a. 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;
    b. Street Youth Services, which fund outreach to street youth to connect them to shelters and services;
    c. HOPE Beds, which provide voluntary and temporary residential placements for youths under age 18; and
    d. Crisis Residential Centers, which are short-term, semi-secure and secure facilities for runaway youth and adolescents in conflict with their families.

Summary of Bill: The Local Homeless Housing and Assistance Surcharge. The $40 homeless housing and assistance document recording surcharge is made permanent. Private rental housing payments that are funded by the 45-percent set aside of the initial $40 collected are expanded to include housing owned by a nonprofit housing entity. The exemption for documents recording a water-sewer district lien or satisfaction of a lien for delinquent utility payments is removed.

A county may charge 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 and collect the additional surcharge. A county imposing an additional surcharge fee may retain 2 percent of the additional surcharge for collection of the fee. A county may use funds collected from the additional $50 surcharge to pay off general obligation bonds issued by the county to carry out the same purposes as authorized under the $40 document recording surcharge.

If a county has not imposed an additional $50 surcharge, a city with a population of more than 150,000 in a county with a population between 800,000 and 1,500,000 may charge an additional surcharge of up to $50 to be used for the same purposes as the $40 homeless housing and assistance document recording surcharge. A city must wait six months from the effective date of the decision to impose and collect the additional surcharge. The county in which the city imposing an additional surcharge fee is located may retain 2 percent of the additional surcharge for collection of the fee, and retain additional amounts for administrative costs as demonstrated by need. A city must relinquish its authority to impose an additional $50 surcharge within 90 days of the effective date of the decision of the county in which the city is located imposes an additional $50 surcharge.

The State Homeless Housing Program. Commerce must make its subpopulation data collected for the annual homeless census consistent with HUD's PIT requirements.

The state homeless housing strategic plan is changed from a ten-year plan to a five-year plan. The plan must be updated and submitted to the Legislature by July 1, 2019, and every five years thereafter. Commerce must also consult with the State Advisory Council on Homelessness to prepare and publish the plan. Commerce must coordinate its efforts on the plan with the Office of Homeless Youth Prevention and Protection Advisory Committee. The mandatory criteria in the plan include:

- 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;
- new or innovative funding, program, or service strategies to pursue;
- an analysis of current drivers of homelessness or housing security improvements; and
- an implementation strategy to reduce homelessness statewide during the plan.

Provisions that require Commerce to develop performance measures and metrics and JLARC to conduct a review and report, and that authorize Commerce to revise the performance measures and goals for the statewide strategic plan and recommend changes to the local governments' plans, are eliminated.

By December 1 of each year, Commerce must provide an update on the state homeless housing five-year strategic plan and its activities for the prior fiscal year. The report must be posted on Commerce's website and include:

- an assessment of the current condition of homelessness and the state's performance in meeting plan goals;
- the results of the annual homeless PIT census;
- the amount of federal, state, local, and private funds spent on homelessness assistance, categorized by funding source and major assistance types;
- reports on the expenditures and outcomes of: state funds distributed through the consolidated homeless grant program; the essential needs and housing support program; and the independent youth housing program; and
- a report on the state and local homeless document recording fee expenditure by county.

The Local Homeless Housing Plan. The local government housing strategic plan is changed from a ten-year plan to a five-year plan.

Commerce must create guidelines and provide relevant data to local governments by December 1, 2018, to assist with updating the five-year homeless housing plans that are due by December 1, 2019. Real estate professionals may be included among county homeless housing task force membership.

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

Commerce 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, Commerce must take corrective action, including withholding state funding for homeless assistance to allow Commerce to contract with other entities to provide homelessness assistance.

Fiscal Year Reporting. Document recording surcharge fund data production, reporting, and auditing requirements for local governments and Commerce are changed to be reported on a fiscal year, instead of an annual year, basis.

Home Security Fund Account. The account is retained as an appropriated account, but Commerce must distinguish account allotments made for the purposes of youth homelessness programs. Expenditures from the account must be made by the director of Commerce or the director's designee. Provisions addressing the oversight of Commerce's distribution of the 45 percent set aside by OFM and OFM's reduction of Commerce account allotments are removed, but OFM must secure an independent expenditure review of state document recording fee surcharge funds received and deposited into the account 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 who are experiencing homelessness. The expenditure review is due biennially every February 1 beginning in 2020.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: While document recording fee surcharge (surcharge) revenue has remained consistent, the increase in homelessness has been dramatic. Thirty-five percent of youth in foster care, 29 percent of those that seek care at psychiatric hospitals, and over 50 percent of those treated with substance use disorders become homeless within one year of exiting or being released from these public systems of care. Over 2000 veterans in our state are currently homeless too. Seniors and disabled veterans are disproportionately impacted by homelessness. The bill strives to be flexible, transparent, and accountable. Reporting requirements on all levels have been increased to ensure accountability about surcharge funds spent.

State and local programs are delivering highly effective and quality services that move people into housing. The surcharge assists 98,000 persons experiencing homelessness every year and has reduced homelessness by almost 18 percent over the last 10 years. The increase in homelessness is due to sky-high rents, a shortage of affordable housing, and household incomes below the current cost of housing. The sunset of the surcharge would almost double current homelessness census reports. It is essential to expand payments to the public nonprofit market. It is also preferred if the bill implements a statewide increase instead of local option.

The surcharge, whether $40 or $90, is not a burden to home buyers in today's market. Average closing costs are thousands of dollars and the surcharge is a minor portion of these costs. Fourteen of 20 homebuyers surveyed expressed appreciation to help provide services to the homeless community through payment of the surcharge. Homebuyers typically do not pay attention to these extra closing costs.

Rents have increased in Pierce County by 50 percent and are outpacing wages ten-fold. Vacancies in lower-rent units are nonexistent. The surcharge is flexible and helps create diversion programs to help families find housing within 30 days, but it is still not keeping pace as people continue to lose housing. Proposed surcharge increases would raise an additional $7 million for Pierce County. The increase would also improve linkages to behavioral health services and leverage public and private capital to build hundreds of supportive housing units. The issue is a statewide problem and homeless persons typically do not migrate out to receive services. Seventy percent of homeless persons in Pierce County once resided there. In Thurston County it would be challenging but possible to implement the additional surcharge. Expiration of the surcharge is prohibitive for long-term planning for local counties. A surcharge increase would assist in developing private-public partnerships. Vancouver has the highest rent-cost increase in the nation, with a doubling of rent in the last five years. Some counties have less than 10 percent capacity to serve those with housing needs.

Homelessness is no longer a big city issue; smaller communities are experiencing rapid homelessness. OSPI has reported a 90 percent increase in student homelessness. Rural counties receive $25 million from the surcharge, which represents the primary and sometimes only funding for these counties. In 2016, rural Washington areas constituted highest numbers in the nation experiencing homelessness.

Family physicians recognize that patients need housing support to ensure healthy lifestyles. There is a link between affordable housing and a reduction in community health care costs, i.e. fewer emergency room visits. Some local hospitals have recently partnered with housing advocacy groups to provide services.

OTHER: Optional city surcharges may present a complicated surcharge recording system and can negatively affect real estate closings. Counties are designed to record documents, not cities, and city surcharge processing would be inefficient. There are often confusing boundary or jurisdiction issues between the city and county with these types of transactions. Real estate closings might be delayed because the surcharge was improperly recorded. A flat surcharge amount implemented by all counties would be best.

There are concerns with the 45-percent set aside for nonprofit housing entities. The current bill alters the negotiated language that created the surcharge bump to $40, an expiration date of 2019 expiration, and the 45 percent set aside. The 45 percent set aside was based on a Commerce report at the time of enactment. The current definition of private rental housing should remain exclusively for private rental housing. The JLARC review language should also be retained.

Persons Testifying: PRO: Representative Nicole Macri, Prime Sponsor; Michele Thomas, Washington Low Income Housing Alliance; Lisa Sawyer, Resident Action Program; Tess Colby, citizen; Jeff DeLuca, Washington State Community Action Partnership; Sol Villarreal, Realtor; Kate Budd, Vancouver Council for the Homeless; Carl Schroeder, Association of Washington Cities; Jonathan Seib, Washington Academy of Family Physicians; Amy Reynolds, citizen; Phil Owen, Sidewalk; Ivanova Smith, SAIL.

OTHER: Sean Holland, Washington Land Title Association; Kyle Woodring, Rental Housing Association; Bill Clarke, Washington REALTORS.

Persons Signed In To Testify But Not Testifying: No one.