

SENATE BILL REPORT

HB 1616

As of March 21, 2017

Title: An act relating to affordable housing loan programs.

Brief Description: Clarifying the type of land eligible for purchase under the affordable housing land acquisition revolving loan fund program.

Sponsors: Representatives McBride, Johnson, Stanford, Pollet and Jinkins; by request of Housing Finance Commission.

Brief History: Passed House: 2/28/17, 79-19.

Committee Activity: Human Services, Mental Health & Housing: 3/21/17.

Brief Summary of Bill

- Expands the type of property eligible for purchase under the Affordable Housing Land Acquisition Revolving Loan Fund program to include improved land.

SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

Staff: Alison Mendiola (786-7444)

Background: Housing Finance Commission (Commission). The Commission is a finance authority established to act as a financial conduit to make additional funds available at affordable rates to help provide housing throughout the state. The Commission is financially self-supported and does not receive funding from the state.

To provide financing, the Commission may:

- issue bonds;
- make loans to or deposits with mortgage lenders for the purpose of making mortgage loans;
- make loans for down payment assistance to home buyers; and
- participate in federal and other government programs to carry out its purpose.

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 Commission can also issue nonrecourse bonds for capital projects, which are bonds that are not obligations of the state. Repayment of these bonds is payable solely from the funds received as repayment of loans for which the bonds were issued.

The Commission, in cooperation with the Department of Commerce, developed and implemented a housing finance program, limited to qualified first-time home buyers with priority given to low-income households. The housing finance program provides subsidized and unsubsidized mortgage financing for single-family home ownership and, when possible, provides down payment or closing costs assistance to eligible households. The Commission was authorized and developed additional financing programs, such as the veteran homeownership down payment assistance program, sustainable energy trust program, aviation biofuel facilities and production bond program, nonprofit facilities, and beginning farmer financing program.

Affordable Housing Land Acquisition Revolving Loan Fund Program (LAP). The Legislature created the LAP in 2007. The LAP is managed by the Commission and consists of a revolving loan fund for land acquisition by eligible organizations who intend to develop affordable housing or develop facilities intended to provide supportive services to affordable housing residents and low-income households. Loan interest rates may not exceed 1 percent. An affordable housing development plan is required as part of the loan application process and loan recipients must develop and place affordable housing into service within eight years of loan receipt. If a housing development does not comply with the requirements of the LAP, a penalty is imposed on the loan recipient, which consists of the principal of the loan plus compounded interest calculated at the current market rate. Forty percent of loans must be made to eligible applicants operating homeownership programs for low-income households in which the households participate in the construction of their homes. Sixty percent of loans must be made to other eligible organizations.

Summary of Bill: The type of allowable land that loans may be made for, under the LAP, is expanded to include vacant or improved land.

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: We need to do whatever we can to preserve affordable housing. Allowing the program to include developed land provides another choice for developers. This program was designed to help nonprofits acquire land for the future development of affordable housing. This program was created pre-recession when the real estate market was hot like it is now. Finding vacant land is very difficult in urban areas. There might be improved land with a house or shed on the property. This bill would also allow a nonprofit to buy and develop the land for future affordable housing. In some situations, the Housing Finance Commission might be able to help a nonprofit buy a house if there was a home on the property that could be used for affordable housing. This program

started with \$1 million in state funds. The Commission has added \$16 million through excess earnings in other programs.

Persons Testifying: PRO: Representative Joan McBride, Prime Sponsor; Kim Herman, WA State Housing Finance Commission.

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