

# HOUSE BILL REPORT

## HB 2010

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**As Reported by House Committee On:**  
Housing, Community Development & Veterans

**Title:** An act relating to evaluating options for increasing involvement of for-profit housing developers in the nine percent low-income housing tax credit program.

**Brief Description:** Evaluating options for increasing involvement of for-profit housing developers in the nine percent low-income housing tax credit program.

**Sponsors:** Representatives Gildon, Walsh, Barkis, Hoff, Vick, Stokesbary and Chambers.

**Brief History:**

**Committee Activity:**

Housing, Community Development & Veterans: 2/20/19, 2/22/19 [DP].

**Brief Summary of Bill**

- Requires the Housing Finance Commission to research and evaluate options by which to increase the participation of for-profit developers in the 9 percent Low-Income Housing Tax Credit Program and report its findings to the relevant committees of the Legislature by December 1, 2019.

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### HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

**Majority Report:** Do pass. Signed by 9 members: Representatives Ryu, Chair; Morgan, Vice Chair; Jenkin, Ranking Minority Member; Gildon, Assistant Ranking Minority Member; Barkis, Entenman, Frame, Leavitt and Reeves.

**Staff:** Cassie Jones (786-7303).

**Background:**

Housing Finance Commission.

The Housing Finance Commission (HFC) was created in 1983 to act as a financial conduit that, without lending the credit of the state, can issue nonrecourse revenue bonds; participate in federal, state, or local housing programs; make additional funds available at affordable rates to help provide housing throughout the state; and encourage the use of Washington

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*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.*

forest products in residential construction. The HFC administers the 9 percent Low-Income Housing Tax Credit Program (LIHTC), which allocates federal income tax credit to developers to encourage the construction and rehabilitation of affordable multifamily housing.

Joint Legislative Audit and Review Committee.

The Joint Legislative Audit and Review Committee (JLARC) is comprised of an equal number of House of Representatives and Senate members, Democrats and Republicans. The nonpartisan staff of the JLARC conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the JLARC itself. In 2017 the Legislature directed the JLARC to analyze the costs of developing low-income housing and compare them with market-rate costs. Since comparable market-rate data was not available, JLARC staff analyzed development costs for state low-income housing development programs. The study resulted in recommendations by the Legislative Auditor. One of those recommendations was that the HFC should identify and evaluate options for increasing the participation of for-profit developers in the LIHTC Program.

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**Summary of Bill:**

The HFC must research and evaluate options by which to increase the participation of for-profit developers in the LIHTC Program and report its findings to the relevant committees of the Legislature by December 1, 2019.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**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 bill comes as a result of the JLARC study, which found low participation by for-profit developers in the LIHTC Program. The JLARC also found that for-profit developers produce housing less expensively than nonprofit developers. This bill seeks to implement a recommendation of the JLARC to look for ways to increase participation of for-profit developers in the LIHTC Program. Recent studies show that a housing shortfall cannot be met by the HFC alone. The HFC's application scoring criteria result in exclusion of the for-profit developers. This bill would allow the Legislature to verify that the HFC is following the JLARC's recommendation. In the current housing crisis, all resources should be utilized, including for-profit developers.

The HFC has not been adequately transparent over the years. Housing finance is a very complicated system. The JLARC study shows that private developers can build affordable

housing more efficiently and effectively than nonprofits. The reporting requirement in this bill should be institutionalized to produce the same baseline information to the Legislature each year. The HFC needs as many tools as possible. Other states have programs that mirror the federal program, and this results in more housing.

(Opposed) There are currently for-profit developers that participate in the LIHTC Program in a partnership with nonprofits. There is no prohibition on for-profit developers participating, but they do need to score high enough on the application criteria. The HFC concurs with the JLARC study and is happy to have for-profit developers in the LIHTC Program. For-profit developers usually prefer and participate through the bond program. The HFC is already planning for the evaluation and reviewing scoring criteria and will report back to the JLARC. The federal mandate for the LIHTC Program is to serve the lowest-income people for the longest period of time. This mandate makes it more difficult for for-profits to participate. It is a small and competitive program. The bond program provides greater opportunities to serve a higher-income group and is generally not as competitive.

**Persons Testifying:** (In support) Representative Gildon, prime sponsor; Roger Valdez, Seattle For Growth; Mark Scheffel, Advantage Capital; and Jeanette McKague, Washington REALTORS.

(Opposed) Kim Herman and Lisa Vatske, Washington State Housing Finance Commission.

**Persons Signed In To Testify But Not Testifying:** None.