

# SENATE BILL REPORT

## SB 5746

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 18, 2019

**Title:** An act relating to adequate provisions for low-income homeownership opportunities.

**Brief Description:** Providing for adequate provisions for low-income homeownership opportunities.

**Sponsors:** Senators Saldaña, Nguyen and Zeiger.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 1/30/19, 2/18/19 [DPS, w/oRec].

**Brief Summary of First Substitute Bill**

- Requires at least 13 percent of Housing Trust Fund grants and loans in any funding cycle under the housing assistance program to be used to benefit homeownership projects for households at or below 80 percent of the area median family income.
- Authorizes the Department of Commerce to provide down payment or closing cost assistance to a wider range of first-time home buyers.
- Establishes a target of 13 percent of affordable housing program funds in any funding cycle for homeownership projects.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Majority Report:** That Substitute Senate Bill No. 5746 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Fortunato and Saldaña.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Warnick.

**Staff:** Brandon Popovac (786-7465)

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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.*

**Background:** The Department of Commerce (Commerce) administers the Housing Assistance Program and the Affordable Housing Program. Both of these programs, commonly referred to as the Housing Trust Fund (HTF), provide loan and grant monies to eligible organizations to provide housing for low-income and special-needs populations. HTF is available to fund acquisition, new construction, and rehabilitation of low-income housing units. Since 1986, the HTF has awarded over \$1 billion in funding and helped build or preserve 50,000 units of affordable housing in every county.

Housing Assistance Program. The Housing Assistance Program, administered by Commerce, uses the HTF and other appropriations to finance loans and grant projects providing housing for households with special housing needs. At least 30 percent of funds in any cycle must benefit projects located in rural parts of the state. 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. Eligible activities include:

- new construction, rehabilitation, or acquisition of low-income and very low-income housing units;
- rent subsidies;
- matching funds for social services directly related to providing housing for special-need tenants in assisted projects;
- technical assistance, design and finance services and consultation, and administrative costs for eligible nonprofit community or neighborhood-based organizations;
- administrative costs for housing assistance groups or organizations when such grants or loans will substantially increase the recipients' access to other housing funds;
- shelters and related services for the homeless, including emergency shelters and overnight youth shelters;
- mortgage subsidies, including temporary rental and mortgage payment subsidies to prevent homelessness;
- mortgage insurance guarantees or payments for eligible projects;
- down payment or closing cost assistance for eligible first-time home buyers;
- acquisition of housing units for the purpose of preservation as low-income or very low-income housing; and
- projects making housing more accessible to families with members who have disabilities.

Affordable Housing Program. The Affordable Housing Program, administered by Commerce, uses the HTF and other appropriations to develop and coordinate public and private resources targeted to meet the affordable housing needs of households below 80 percent of the project area's median family income. Eligible activities include, but are not limited to:

- new construction, rehabilitation, or acquisition of housing for low-income households;
- rent subsidies in new construction or rehabilitated multifamily units;
- down payment or closing costs assistance for first-time home buyers;
- mortgage subsidies for new construction or rehabilitation of eligible multifamily units; and
- mortgage insurance guarantees or payments for eligible projects.

**Summary of Bill (First Substitute):** At least 13 percent of HTF grants and loans in any funding cycle must be used to benefit homeownership projects for households at or below 80 percent of the median family income. If Commerce imposes a funding limit on such homeownership projects, the limit must be no less than 30 percent of the limit placed on multifamily projects.

Commerce must use a separate form for applications under the affordable housing program to provide homeownership opportunities and evaluate homeownership project applications.

Commerce may provide down payment or closing costs assistance under the affordable housing program to the following types of first-time home buyers:

- an individual or the individual's spouse who has not owned a principal residence within three years before the date of purchase of the property;
- a single parent who has only owned a home with a former spouse while married;
- an individual who is a displaced homemaker, as defined by federal United States Housing and Urban Development standards, and has only owned a home with a spouse; and
- an individual who has only owned a principal residence not permanently affixed to a permanent foundation;

A target of 13 percent of affordable housing program funds used in any funding cycle is established to promote homeownership projects. Commerce may allocate unused program funds for non-homeownership projects if it determines it has not received an adequate number of suitable applications for homeownership projects in any given funding cycle.

Commerce must annually report to the Legislature on specific data regarding the number and percentage of households served under the HTF program for both homeownership and multifamily projects.

**EFFECT OF CHANGES MADE BY HOUSING STABILITY & AFFORDABILITY COMMITTEE (First Substitute):**

- Clarifies intent language addressing the recent historical percentage of HTF dollars spent on homeownership projects.
- Requires 13 percent of HTF dollars to be used for homeownership projects for low-income households whose adjusted income is up to 80 percent of the area median family income.
- Clarifies that any funding limit placed on homeownership by Commerce be no less than 30 percent of the limit placed on multifamily projects.
- Clarifies who qualifies as a displaced homemaker for purposes of down payment or closing cost assistance to first-time home buyers by referencing the federal United States Urban and Housing Development definition for displaced homemaker.
- Removes an individual who has property not in compliance with building codes and that cannot be brought into compliance for less than cost of a permanent structure from the expanded definition of first-time home buyer.
- Requires Commerce to annually report on specific data regarding the number and percentage of households served under the HTF program for both homeownership and multifamily projects.

- Clarifies the act takes effect at the start of the next funding cycle.
- Makes technical corrections to achieve uniformity in provisions governing the HTF program.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2019.

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: Our housing market and our own government have a problematic history in preventing low-income people and families of color and Native Americans from owning property in Washington State. The committee's work sessions have shown a history of redlining discriminatory covenants of land, previously held by First Nations, for settlers' private benefit and the preaching of treaties. We have seen that the private market alone has not always served lower income families to achieve homeownership. We have a recent history of predatory behavior that disproportionately impacted those same communities during our Great Recession. Legislators have a duty to undo the historic institutional exclusion of communities of color from owning land and homes in our state, particularly for lower income families with generational poverty. It is right to consider a modest set aside of our HTF moneys to support historically disenfranchised Washington residents from accessing homeownership. A 2013 Harvard study of homeownership for low-income and minority households concluded that homeownership led to wealth creation over the long run even through the Great Recession. It also stated that the desire to own a home is not solely or even primarily motivated by financial goals but with having control over one's living situation, the desire to put down roots in a community, and the sense of efficacy and success that is associated with owning a home. The bill will ensure that we have funds for homeownership in the future.

We have not received enough homeownership funding through the HTF. HTF dollars have been critical to create stability for our lowest income families and homeownership not only through the Habitat for Humanity model but through the financing mechanisms that some of our organizations support, like down payment assistance, counseling, and readiness.

A displaced homemaker and single mom who was getting a divorce could not get HTF moneys because she was not considered a first-time home buyer under the current statutory definition. The bill would align the state definition of first time home buyer with the federal definition. To be able to match what other funders utilize is important since HUD currently allows community land trusts to work with displaced homemakers.

OTHER: We support increased investments in the range of needs for affordable homes and to ensure that there is adequate funding for all, including homeownership and housing for the lowest income and most vulnerable populations. We need a robust investment in the HTF of at least \$200 million dollars. The bill should be part of a bigger package of funding for

affordable homes of \$600 million dollars to comprehensively address the affordable housing and homelessness crisis.

**Persons Testifying:** PRO: Senator Rebecca Saldaña, Prime Sponsor; Dean Fearing, Kulshan Community Land Trust; Mateo Garibaldi, HomeSight; Michone Preston, Washington Affordable Housing Coalition.

OTHER: Nick Federici, Washington Low Income Housing Alliance.

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