

SENATE BILL REPORT

HB 1975

As Reported by Senate Committee On:
Housing & Local Government, February 24, 2022

Title: An act relating to property management services provided to housing authority properties.

Brief Description: Concerning property management services provided to housing authority properties.

Sponsors: Representatives Wylie, Harris, Berry, Chopp, Stonier, Ryu, Peterson and Macri.

Brief History: Passed House: 2/11/22, 96-1.

Committee Activity: Housing & Local Government: 2/16/22, 2/24/22 [DPA].

Brief Summary of Amended Bill

- Allows a public housing authority (PHA) to contract with a property management services company for the operation of a housing project.
- Requires that rent and other housing project revenues collected by a property management services company from PHA tenants to pay its administrative operating and ordinary maintenance costs must be treated as private funds.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: Do pass as amended.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Cleveland, Lovelett, Salomon, Sefzik, Trudeau, Warnick and Wilson, J.

Staff: Brandon Popovac (786-7465)

Background: Public housing authorities (PHAs) are chartered under state law, and are an

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autonomous, non-profit public corporation. The 37 PHAs in the state work in conjunction with local governments and agencies to develop long-term housing strategies for communities, including building homes and administering a variety of housing programs for working families, children, seniors, veterans, and persons with disabilities.

PHAs are required to follow federal regulations and primarily serve as a conduit for federally funded housing programs, such as tenant-based vouchers and publicly owned housing. PHAs also own and operate other rental housing, such as emergency and transitional housing, senior housing, and properties funded through low-income housing tax credits. The PHAs have no taxing authority, and a majority of their funding is provided by the federal government.

All PHAs are subject to alternative public works contracting procedures and prevailing wage requirements for PHA public works under state law, except when federal law or regulations preempt such requirements or authorize alternative requirements or procedures.

Summary of Amended Bill: A PHA may contract with a property management services company to operate a housing project. Rental and other project revenues collected by a property management services company from the housing project's tenants and used to pay administrative operating and ordinary maintenance costs must be treated as private funds until net operating revenues are distributed to the PHA for its use and control.

"Ordinary maintenance" is defined as only including routine repairs related to unit turnover work, grounds and parking lot upkeep, and repairs and cleaning work needed to keep the property in a clean, safe, sanitary, and rentable condition that is customarily administered by residential property management services companies, and not including repairs considered replacement capital repairs or regularly scheduled maintenance work on plumbing, electrical, or HVAC/R systems or their components.

EFFECT OF HOUSING & LOCAL GOVERNMENT COMMITTEE AMENDMENT(S):

- Clarifies that rental and other housing project revenues collected by property management companies from project tenants and used to pay administrative operating and ordinary maintenance costs must be treated as private funds.
- Defines "ordinary maintenance" as only including routine repairs related to unit turnover, premises upkeep, and other work necessary to keep the property clean and rentable that is customarily administered by property management companies, and not including certain capital repairs or maintenance work on plumbing, electrical, or HVAC/R systems or their components.

Appropriation: None.

Fiscal Note: Not requested.

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 on House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: PHAs have found it efficient to contract out property maintenance on their properties and have done so for many years. There is an ambiguity in statute concerning what public works contracting is needed around PHA housing project maintenance work. Treating routine maintenance activities at housing projects as a public work, as applied to major construction projects, is not tenable or efficient. The bill provides a technical but critical fix, and clarifies how routine maintenance should be addressed by property management, allowing vacant units within housing projects to be turned over quickly. The bill codifies a longstanding process of PHAs contracting with property management services. The bill will allow PHAs to continue to provide workforce housing to those in need. A substantial portion of PHA inventory is apartment complexes that provide workforce housing and operate with a public subsidy, with rents between 50-80 percent area median income. PHAs essentially rely on property management companies to keep rents affordable. Without this bill, PHA relationships with property management service companies would end as well as acquisition and preservation programs. The bill applies only to unsubsidized rents collected by property management service companies to pay their operating costs. The state is rightly investing capital funds in certain housing projects for lowest income households. The bill allows housing project maintenance to be done in an efficient and timely manner. PHA properties receive no public subsidy to pay for maintenance work, but such work is often paid from rents and deposits collected from low-income tenants. Remaining funds after operating and maintenance costs from property management service companies are returned to PHAs.

Persons Testifying: PRO: Representative Sharon Wylie, Prime Sponsor; Brien Thane, Bellingham and Whatcom County Housing Authorities; Dan Watson, King County Housing Authority; Roy Johnson, Vancouver Housing Authority.

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