
Housing Committee

HB 2418

Brief Description: Increasing the availability of affordable housing.

Sponsors: Representatives Springer and Miloscia.

Brief Summary of Bill

- Provides for a \$25 million diversion of Real Estate Excise Tax revenue from the General Fund to the Housing Trust Fund and an appropriation in the same amount from the Housing Trust Fund for affordable housing projects each year for four years.

Hearing Date: 1/11/06

Staff: Robyn Dupuis (786-7166).

Background:

The State of Washington distributes funding for housing programs through the Department of Community and Economic Development's (DCTED) Housing Trust Fund. Housing projects must serve special needs populations and incomes at or below 50 percent of the median family income for the county or metropolitan statistical area where the project is located. Grants and loans are awarded on a competitive basis.

Total Housing Trust Fund Budget

The 2005-2007 budget includes a total appropriation of \$100 million for the Housing Trust Fund. \$33 million of that is designated for specific set asides.

Set Asides:

- | | | |
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| • Energy Matchmakers | \$9,000,000 | |
| • Housing for Developmental Disabilities | | \$5,000,000 |
| • Self-Help Housing Programs | | \$2,500,000 |
| • Housing for Domestic Violence Victims | | \$1,000,000 |
| • Emergency Shelters/Transitional Housing | | \$5,000,000 |
| • Farm worker Housing | \$8,000,000 | |
| • On-farm Infrastructure Loan Program | | \$2,500,000 |

Housing Trust Fund Back Log

According to the DCTED, housing projects representing requests for over \$45 million in Housing Trust Fund assistance are currently deemed eligible and await the availability of funding. These projects represent the potential development of approximately 2,300 units of affordable housing.

Homeless Families Services Fund

The Homeless Families Services Fund (also referred to as the Washington Families Fund) was established by the legislature in 2004 with an initial one time appropriation of \$2 million. This program is designed to leverage private dollars to provide long-term, stable funding for homeless services.

Real Estate Excise Tax

The real estate excise tax (REET) is imposed upon the sale of real property at the rate of 1.028 percent of the selling price. An amount equal to 6.1 percent of the proceeds are deposited into the public works assistance account and an amount equal to .6 percent of the proceeds are deposited into the city-county assistance account.

State Expenditure Limit

Initiative 601, enacted in 1993, established a state General Fund expenditure limit and restrictions on state fee and revenue increases. The State Expenditure Limit Committee (Committee) calculates the expenditure limit each November and projects an expenditure limit for the next two fiscal years. The Committee must make various adjustments to the state expenditure limit, including a downward adjustment when state program costs or moneys are shifted out of the General Fund to other dedicated accounts.

Summary of Bill:

An amount equal to 3.039 percent of the proceeds of the real estate excise tax revenues for the fiscal year ending June 30, 2005 (\$25 million), will be diverted from the General Fund and deposited into the Washington Housing Trust Fund for each of the next four fiscal years ending June 30, 2010 (a total of \$100 million).

Housing projects falling within the following categories will be funded with the corresponding specific amounts each year:

1. Washington Housing Trust Fund "Backlog" of Eligible Projects:	\$16,125,000
2. Energy Matchmakers Program:	\$1,125,000
3. Housing for Persons with Developmental Disabilities	\$1,250,000
4. Housing for Victims of Domestic Violence	\$500,000
5. Farm Worker Housing, including an on-farm housing loan program	\$4,000,000
6. Mobile Home Preservation	\$1,000,000
7. Homeless Families Services Fund	\$1,000,000

Total Annual Funds Distributed: \$25 million.

Total Funds Distributed over Four Years: \$100 million.

These additional one-time funds will be included in the calculation of annual funds available for determining administrative costs. This will result in an increase of \$1.25 million in administration costs each year for four years.

Funds will be distributed using the Department of Community Trade and Economic Development's current competitive process for the Housing Trust Fund except for the following:

- (a) Funds applied to the Homeless Family Services Fund, which will receive a direct transfer from the Housing Trust Account each year; and
- (b) Funds for grower-provided on-farm housing.

The state expenditure limit shall not be lowered to reflect the diversion of REET funds from the state General Fund to the Housing Trust Fund.

The Department of Community, Trade and Economic Development shall report to the House Housing Committee and the Senate Financial Institutions, Housing and Consumer Protection Committee by December 31, 2010 on performance measures to be determined by the department.

Appropriation: None.

Fiscal Note: Requested on January 4, 2006.

Effective Date: The bill contains an emergency clause and takes effect immediately.