

# SENATE BILL REPORT

## ESHB 2368

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As of February 27, 2014

**Title:** An act relating to a surcharge for local homeless housing and assistance.

**Brief Description:** Concerning a surcharge for local homeless housing and assistance.

**Sponsors:** House Committee on Community Development, Housing & Tribal Affairs (originally sponsored by Representatives Sawyer, Walsh, Gregerson, Jinkins, Orwall, Robinson, Bergquist, Reykdal, Hansen, Van De Wege, Goodman, Sullivan, S. Hunt, Pettigrew, Ryu, Kagi, Lytton, Tarleton, Freeman, Ormsby, Walkinshaw, Morrell, Pollet, Appleton and Riccelli; by request of Washington State Department of Commerce).

**Brief History:** Passed House: 2/13/14, 62-36.

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/25/14.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Alison Mendiola (786-7483)

**Background:** Homeless Housing and Assistance Act (Act). The Legislature enacted the Act in 2005, with the goal of reducing homelessness by 50 percent statewide and in each county by 2015. The Department of Commerce (Commerce), with the support of the Interagency Council on Homelessness and the Affordable Housing Advisory Board, is responsible for preparing and publishing a ten-year homeless housing strategic plan with statewide goals and performance measures, and providing biennial progress reports to the Governor and the Legislature. Local areas must also have ten-year plans that are substantially consistent with the state plan.

The \$40 surcharge for local homeless housing and assistance was originally authorized in 2005 as a \$10 surcharge under the Act. Of the \$40 surcharge, the county auditor retains 2 percent; 60 percent goes to the county for homeless housing and assistance, of which 6 percent may be used by the county for administrative costs; and the remaining funds are deposited into the Home Security Fund account. Commerce may use 12.5 percent for administrative fees and the remaining 87.5 percent is to be used to provide housing and shelter for homeless people and fund the homeless housing grant program.

The local homeless housing and assistance surcharge applies to certain documents relating to real property specified in statute including deeds, mortgages, community property

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agreements, leases, and other documents related to property ownership, as well as other documents pertaining to real property as determined by Commerce. The surcharge specifically does not apply to assignments or substitutions of previously recorded deeds or trusts, or any documents exempt from a recording fee by state law.

The local homeless housing and assistance document surcharge is currently \$40 per recorded document, but is scheduled to drop to \$30 in 2015, and to \$10 in 2017.

Data Sharing and Reporting on the Recording Surcharge. Local governments that issue housing vouchers using funds from housing and homeless assistance surcharges must collect data and report to Commerce each year on the number of vouchers used in the public, private, and nonprofit housing markets. Commerce may use a sampling methodology if the county's data is not readily available. Commerce also must report to the Legislature each year on the uses of the surcharge money, including the amount expended, the number of vouchers issued in each market, the number of households that received vouchers, the amount spent on eviction prevention, and the amount spent on tenant rent assistance services.

Commerce must work with local governments, interested landlord groups, and housing service agencies to identify successes, barriers, and improvements in how housing vouchers are used with money from surcharges. Any local government receiving more than \$3.5 million per year from all surcharges for housing and homeless assistance must apply to the Washington State Quality Award Program, or similar assessment organization, for assessment of its management practices. The data collecting and reporting requirements expire in 2017.

**Summary of Bill:** The local homeless housing and assistance document recording surcharge is \$40. The sunset provisions reducing the surcharge to \$30 in 2015, and to \$10 in 2017 are removed.

Added to the list of documents excluded from the local homeless housing and assistance surcharge include documents recording a state, county, or city lien, or satisfaction of a lien.

At least 45 percent of the state's share of the surcharge revenue must be used for private rental housing payments. If Commerce fails to comply with the reporting requirements on the use of the surcharge revenue, the Office of Financial Management must withhold the allotment of such funds until it determines that Commerce is meeting the reporting requirements.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2015.

**Staff Summary of Public Testimony:** PRO: This bill represents good public policy as the recording fee surcharge is the number one source of funds used to prevent homelessness. If the surcharge had a sunset date, it would be hard for local governments and nonprofit

housing providers to make their budgets as the budget year is the calendar year, not the fiscal year. In the grand scheme of things, a \$40 surcharge is a nominal fee to pay for an investment in providing for the homeless. No general fund dollars are used, and there is no better source of funding. The nexus of having a recording fee surcharge on real estate transactions and funding homeless housing with the surcharge revenue is that by reducing homelessness, property values increase; it helps the real estate market and keeps people out of jail and emergency rooms. There is concern about using the term voucher as it triggers other requirements like housing inspections. The funds really promote a private-public partnership. The best judgment of society is how it takes care of those that are less fortunate.

CON: The definition of private rental housing payment needs to say voucher so the landlords understand where the money is coming from. A surcharge on real estate transactions is not the appropriate way to fund housing for the homeless. Commerce is not meeting their reporting and funding requirements. Funds are not being used for private rental subsidies in all counties. For example, we are unable to locate any rental subsidies in Mason County. Perhaps a third party should do the reporting requirements.

**Persons Testifying:** PRO: Nick Federici, WA Low Income Housing Alliance; Liz Mills, YWCA Seattle King Snohomish, Advocacy and Policy Director; Flo Beaumon, Catholic Community Services of Western WA, Associate Director; Dave Finet, Opportunity Council, Executive Director; Nick Federici, WA Low Income Housing Alliance; Dan McConnon, Commerce; Amy Reynolds, SHARE, Director of Programs; Abby Murphy, WA State Assn. of Counties; Mike Fisher, citizen.

CON: Bob Mitchell, WA REALTORS; Terry Kohl, WA Apartment Assn.; Kyle Woodring, Doug Neyhart, Rental Housing Assn. of WA.