

***“All of us basically want the same things: opportunity for our children, and prosperity for our families and communities.”***

***Christine Gregoire, Governor of Washington***

***“Bringing Washington Home”  
A Status Report on Housing Affordability in Washington State***

For several years prior to 2007, the Washington State Housing Finance Commission (the Commission), the Washington Low Income Housing Alliance (the Alliance) and the State Department of Commerce, Housing Division (Commerce) and other affordable housing advocates that engaged in policy discussions with the Washington State Legislature (the Legislature), had been requested to produce a “dashboard report” on the status of affordable housing in Washington.

The specific request was to provide information in an easily readable, graphic format that would track the progress being made to meet Washington’s affordable housing needs regarding rental housing and homeownership as well as our efforts to end homelessness. The Legislature also requested a report that was reflective of the different regions of the state using data from known and reliable sources. Finally, the snapshot or “dashboard report” had to provide data over multiple years.

In response to these Legislative requests, the Commission and the Alliance collaborated to create ***“Bringing Washington Home”***. This report provides the Legislature with an annual snapshot of the “status” of housing affordability in Washington to help legislators analytically anticipate, identify and prioritize policy and budget issues. The report is well received by Legislators and has been published and distributed with revisions every year since 2007. Since the report has proven beneficial to inform the Legislature, Commerce requested to become a partner in the preparation and production of the report in 2011, as reflected on the cover.

The first challenge to produce this report was to research the *data available on an annual basis* that would provide a reliable snapshot of the status of housing affordability in terms of rental housing, the ability to purchase a home and the effort to end homelessness in Washington. The Alliance researched commonly available data sets and determined that a combination of state and nationally generated data that was updated annually for counties could be used to compile the data for six regions identified by state government for planning and budgeting purposes. The data sets would reflect information about the cost of rental housing for low-income persons, the ability of low-income persons to buy a house and the number of homeless persons in the state demonstrated through a series of graphic charts for each region. The data could reflect at least three years of history.

**Washington State Housing Finance Commission  
Washington State Multi-Year Legislative Information Campaign**

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***“There’s No Place Like Home.... Because There’s No Place Like Washington”***

After the publication of ***“Bringing Washington Home”*** and the continued passage of both policy and funding legislation by the Washington Legislature, many legislators, legislative staff and advocates began to realize they were losing track of, and becoming confused about, the many affordable housing bills that had been passed by the legislature over the years. Recognizing a vital need for more in-depth information about historical housing legislation, the Executive Director of the Commission committed to produce a more informative document that would “track” the progression and trace the rich legacy of housing legislation produced by the state Legislature.

Another driver for creating a new document was the large turn-over of legislators in the early 2000’s, which meant that many of the new legislators that were sitting on legislative committees dealing with housing issues were unaware of the previous legislation that had been passed and were uninformed about the importance of this legislative history.

The January 2012 initial publication of ***“There’s No Place Like Home.... Because There’s No Place Like Washington”*** was distributed to legislators and staff members of the housing committees in both the House and Senate and was made available to advocates and lobbyists that work on housing issues. The publication was well received with positive comments and was immediately put to use as a reference guide to state housing legislation in many offices throughout the capital.

The 2013 edition of ***There’s No Place Like Home....”*** will include summaries of approximately 15 new pieces of significant housing legislation that were passed by the 2012 Legislature. Each year in the future, significant new housing legislation will be added as new legislation supporting Washington’s affordable housing efforts is incorporated in law.

**Outcomes of the Multi-year Legislative Information Campaign:**

No single effort can claim to be responsible for the outcome of legislation over a period of years. However, we know that when combined with lobbying, advocacy days, telephone calls and emails to legislators, personal testimony at hearings and support from legislative champions that use the materials furnished to them, this campaign has been partially responsible for a very impressive track record of significant housing legislation that has been passed since 2007. This track record includes:

- HB 1401, which created the Affordable Housing Land Acquisition Program (2007)
- HB 1359, the Affordable Housing for All Surcharge (2007)
- HB 1910, Increasing Affordability in the Multifamily Tax Exemption Program
- Increasing the state Housing Trust Fund to \$200 million (2007-2009 Capital Budget)
- HB 3142, the Rapid Response Loan Program (2008)
- HB 1621, Protecting Manufactured/Mobile Home Communities (2008)
- HB 2014, Protecting Apartment Dwellers from Condo Conversions (2008)

**Washington State Housing Finance Commission**  
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- HB 2279, Prohibiting Discrimination towards Affordable Housing Developments (2008)
- \$6 Million in Continued Funding for the WA Families Fund (2008 Supplemental Budget)
- Creating the \$10 Million Nonprofit Housing Equity Fund (2008 Supplemental Capital Budget)
- SB 5959, Creating the Transitional Housing Operating and Rent Program (2008)
- SB 5810, Requiring Negotiation Attempts Preceding Foreclosure
- HB 2331, Temporarily Increasing the Homeless Housing Document Recording Fee (2009)
- HB 2517, Concerning Public Housing Authorities (2010)
- HB 2753, Creating the WA Works Housing Act (2010)
- \$10 Million Capital Budget Proviso for the WA Works Program (2010)
- HB 1362, The Foreclosure Fairness Act (2011)
- HB 2082, Creating the Housing and Essential Needs Program (2011)
- SB 5289, Amending the B & O Tax for Nonprofit Property Managers (2011)

**In Conclusion:**

The **Washington State Multi-Year Legislative Information Campaign**, a partnership between the Commission, the Alliance and Commerce, has been a successful, yet simple effort to inform and educate legislators, legislative staff, housing advocates and the public about the progress (or lack of progress) Washington state is making to house our low-income residents and get them off the streets. It has fulfilled the direct requests from legislators for useful and reliable information in an easily understood format. It is replicable by other states and does not cost an arm and a leg to update annually. These simple, direct publications have been well received and highly regarded by their target audiences and have paid big dividends in terms of results, when combined with our other housing advocacy efforts.

***There's No Place Like Home....  
Because There's No Place Like Washington!***



***January 2012***

# *Because There's No Place Like Washington!*

## **Introduction**

Since the 1930s, the Washington Legislature has acted thoughtfully, decisively and progressively, with both empathy and practicality, toward the goal of ensuring that all Washingtonian's have decent, affordable housing. As a result of the Legislature's commitment and progressive actions, Washington State's housing programs are viewed with envy by other state governments and are often used as models for housing initiatives throughout the nation.

Housing is a complex issue; it's expensive, the financing is difficult, and the need is great. Despite the challenges and the seemingly overwhelming need, the Washington Legislature has demonstrated throughout the past century its belief that housing is a basic necessity: it is critical to the health of families, communities and the state economy, and it's a formidable challenge that must be met through a multi-faceted collaborative approach. With this belief, the Legislature approached the issue with determination and committed funds and established policy positions toward that end. As a result, the Legislature inspired and enabled community groups, business interests, and individuals to join the effort and contribute to the solution.

Washington's investment in affordable housing has been driven by good legislative decisions, a strong business interest in creating and maintaining an adequate stock of affordable housing throughout the state and a highly effective public-private partnership. Strong, sound policies and partnerships have resulted in the production of tens of thousands of units of affordable housing for all income and age groups, as well as for persons of all abilities, and they have also created thousands of jobs to support this important segment of the real estate industry.

The state's investment in affordable housing spurs a huge investment by the private sector through developers, lenders, syndicators, tax credit investors, building owners and landlords. Factor in the architects, engineers, carpenters, electricians, furniture makers, apartment managers and the hundreds of other suppliers that provide materials and services to the real estate industry and one can quickly see why affordable housing not only meets an obvious social need, it also creates and supports thousands of private sector jobs in all parts of the state.

Another significant fact is that employers want to invest in a state where their employees can find adequate, affordable housing to purchase or rent. Research has established the obvious: a lack of affordable housing is a disincentive to business investment and has a negative impact on the economy. Finally, affordable housing near places of employment alleviates traffic on our already crowded roads, mitigates the environmental impact of people driving to work, and enables families to spend more time together and less time commuting. The availability of adequate, affordable housing is key to Washington's future and to our quality of life.

In addition to taking strong, sound housing policy seriously and backing up its commitment through funding and financing mechanisms, the Legislature has demonstrated its progressive nature by providing a variety of innovative tax incentives and document recording fee surcharges to encourage and fund the development and preservation of affordable housing throughout the state.

In this document you will find a brief timeline highlighting significant legislative actions responsible for earning Washington its reputation as a national housing leader. Such actions began with the Legislature's authorization of public housing authorities at the local level, but progressed quickly past reliance on federal funds to include investments in local homeless shelter operations, the creation of the Washington State Housing Finance Commission, the Affordable Housing Advisory Board and the Housing Trust Fund.

The Legislature has recognized and continues to demonstrate that enabling access to affordable housing is a wise investment in the future of our state and its residents. The Legislature and its constituents should be proud of the well deserved recognition Washington has earned at the national level for its housing efforts.

# A Timeline of Significant Washington Housing Legislation

**1939**

**RCW 35.82**

## **Washington Authorizes the Creation of Public Housing Authorities**

In the late 1930s and early 1940s, Washington responded to the call of the federal government for states to take greater action to give individuals and families access to affordable housing by authorizing the creation of public housing authorities. Washington has become known for its high quality, progressive and forward-thinking public housing developments and, through state resources such as the Housing Trust Fund, continues to preserve its public housing stock. In addition to making state investments of funds available to maintain and renovate federally-funded housing, Washington recently received \$135 million dollars of Hope VI project funds (HUD) to renovate and revitalize four of its early public housing developments and create more mixed-income communities that integrate stronger services to help individuals and families achieve economic self-sufficiency.

Today, Washington housing authorities provide over 43,000 units of rental vouchers (previously known as Section 8 vouchers) to house low-income households. These vouchers provide a direct subsidy of approximately \$250 million a year to private rental housing owners and landlords. In addition, public housing authorities house approximately 75,000 households in units they developed and own. Washington's network of public housing authorities – large, medium and small – are considered some of the best in the country.



*Valle Lindo Homes, Built by the Walla Walla Housing Authority in 2011; 60 units plus a community building funded by the Housing Trust Fund, Housing Tax Credits and private debt. "We are so grateful to be in this new home. It means a lot to live in a place like this for our family and we really appreciate the housing authority for working with us to make this happen." - Jose & Maria*

## 1982

### **Operating Budget**

#### **Washington Creates and Supports Homeless Shelters**

The first commitment of public funds for housing in Washington State by the Legislature consisted of a \$1 million dollar appropriation for operating support of homeless shelters. The Legislature consistently continues to support homeless shelters through funding sources including the Emergency Shelter Assistance Program (ESAP), Emergency Shelter Homeless Prevention (ESHP) and Overnight Youth Shelter (OYS) programs.

## 1983

### **SB 3245, RCW 43.180**

#### **Washington creates the Washington State Housing Finance Commission**

The Washington State Housing Finance Commission was created by the Legislature in 1983 to encourage the private sector's involvement in affordable housing development through tax exempt bond financing and other financing programs. The Commission is a self-supporting agency which achieves its social and economic objectives at no cost to the taxpayers of our state. Rather, the HFC acts as a financial conduit which, without lending the credit of the state, can issue non-recourse revenue bonds; participate in federal, state, or local housing programs; and, make additional funds available at affordable rates to help provide housing throughout the state.

The Commission is authorized to provide construction and permanent financing for low- and moderate-income housing, nonprofit facilities, capital equipment, beginning farmers and ranchers, energy efficiency and energy production within the state. The Legislature has continued to periodically increase the Commission's debt limit over the years in response to the organization's growth and its proven ability to successfully finance more and more affordable housing. Currently the Commission's debt limit sits at \$6 billion dollars.

Since its formation, the Housing Finance Commission has:

- Helped 43,909 households purchase their first home;
- Provided 8,283 households with down-payment assistance to purchase their first home;
- Financed the development of 88,915 apartments, including 19,361 units or beds for seniors;
- Completed 21 loans worth \$4.7 million in 13 counties for beginning farmers and ranchers;
- Financed 143 community facilities owned by nonprofit organizations; and
- Contributed about \$42.5 billion in wages and material purchases to the economy generated 237,622 full-time equivalent jobs (according to the WA Center for Real Estate Research at WSU)

## 1983

### **Amended RCW 35.82**

#### **Public Housing Authorities**

The amendment provided terms for the form and sale of bonds.



## 1986

### **E2SSB 4626, RCW 53.185 & 43.185A**

#### **The State Housing Trust Fund is Created**

The Housing Trust Fund was established in statute in 1986 and the Housing Assistance Program was created “to assist low and very low-income citizens in meeting their basic housing needs.” In 1991, the Housing Trust Fund was expanded to include the Affordable Housing Program, serving households at or below 80% of area median income and creating down payment assistance opportunities. Opened with a mere \$1 million dollar investment in 1986, the Washington Housing Trust Fund (HTF) has become the primary vehicle for the state's direct investment in affordable housing.

The HTF supports the construction, acquisition or rehabilitation of more than 4,500 units every two years when fully funded; creates rental and homeownership opportunities in every region of the state for low-income people (more than 70% of units serve extremely low-income people); and supports special needs housing for clients of the Department of Social and Health Services and the Department of Health. Given that the investment by the state through the HTF returns four dollars for every dollar the state invests and given the fund's proven track record of providing quality homes that allow people to improve their lives, reducing or eliminating their need for social services, the Legislature continued to invest in the HTF even in difficult economic times.

Recognizing the significant return on investment, in the 2005-2007 biennium, the Legislature increased the HTF to \$121 million and in the 2007-2009 biennium it was again increased to \$200 million. In 2009-2011, an additional investment of \$100 million was combined with \$30 million for new affordable housing programs. The tough economic times restricted the Legislature's 2011-2013 appropriation to \$50 million. These investments are helping to build homes and stimulate Washington's local economies.

Since 1989, the HTF has invested more than \$850 million in the acquisition, construction, or rehabilitation of more than 36,000 units of affordable housing, creating rental and homeownership opportunities in every region of the state for low-income households and people with special needs. More than 70% of units created serve extremely low-income people (at or below 30% of area median income). These investments have leveraged more than \$3 billion in private and public sector support, created thousands of jobs, and generated millions of dollars in state and local tax revenues.

## 1993

### **SB 5584, RCW 43.185B.020**

#### **The Housing Policy Act and the Affordable Housing Advisory Board**

In the 1993 landmark Housing Policy Act, the Washington Legislature established the policy base for the state's involvement in housing and created the Affordable Housing Advisory Board (AHAB) to advise the Department of Commerce on housing policy issues. AHAB's board of 19 represents a broad range of public and private housing interests which come together in a spirit of collaboration to study housing issues and recommend solutions. Included on the board are persons representing the construction industry, mortgage industry, real estate, apartment management, nonprofit housing developers, public housing authorities, and local governments. AHAB has wrestled with issues such as housing for migrant and seasonal farm workers, the increasing cost of liability insurance for housing developers and the creation of additional subsidy programs to support local affordable

housing development. Their recommendations have become the basis for countless pieces of successful housing legislation.

## 1993

### **HB 2073, RCW 84.36.041**

#### **Broadening the Eligibility of Nonprofit Homes for the Aging for Exemption from Property Taxation**

Nonprofit homes for the aging are residential housing facilities for persons at least 62 years of age. The 1993 bill HB 2073 expanded the number of such homes that are eligible for a full property tax exemption to include homes subsidized by HUD, homes financed with tax-exempt bonds requiring low income set asides and homes in which at least 50% of tenants are below the income threshold of 80% of the county median income. Other homes, serving low income persons are eligible for a partial exemption.

## 1995

### **Amended RCW 35.82**

#### **Public Housing Authorities**

The amendment enhanced provisions for housing authorities to issue bonds.

## 1995

### **2SSB 5387 (updated in 2007 with E2SHB 1910), RCW 84.14.020**

#### **Property Tax Exemption Supports Urban Housing Projects**

In response to a request from the City of Tacoma for tools to help revitalize the downtown area and waterfront, the Legislature granted a 10-year property tax exemption for urban housing preservation and renewal projects in locally designated areas. (This statute was amended in 2007 with E2SHB 1910 to encourage more affordable housing.) The tax exemption created an incentive for housing developers to acquire and rehabilitate abandoned buildings or construct new apartments in dilapidated urban centers, bringing residents back downtown. This exemption is an economic development tool used by local governments to attract multifamily rental and ownership housing in neighborhoods targeted for growth. The program was offered to cities with populations above 50,000 (in 2007 the Legislature expanded the availability of the program to cities with populations above 15,000).

## 1995

### **HB 2778, RCW 82.08.02745**

#### **Sale and Use Tax Exemption for Farmworker Housing**

Agriculture is the largest employment sector in Washington. Crop production alone contributed \$7.9 billion to the state's economy in 2010. With over 35,000 farms, Washington's agricultural industry is one of the largest users of migrant and seasonal farm workers in the nation. Like any industry, agriculture must compete for a workforce. An employers' ability to recruit and retain qualified, productive workers is paramount. Affordable housing provides a significant incentive to recruit and retain an agricultural workforce, however securing and maintaining decent housing for workers and their families has been a constant challenge in Washington. A recent statewide survey of farm workers found that 91% said that more and better housing would encourage them to

continue working in Washington agriculture.

In 1995, the Legislature undertook its first major initiative in recognition of the importance of decent housing for the state's agricultural workers by exempting labor and services rendered in constructing, repairing, decorating, or improving new or existing buildings or other structures used as agricultural employee housing from sales tax. Sales of materials that become components of new or existing agricultural employee housing is also exempt from sales tax. These exemptions apply to year round housing that is used for at least five years to house agricultural workers.

## 1997

### **Amended RCW 69.50.435 Public Housing Authorities**

The local housing authority has the ability to designate a public housing project as a drug-free zone and fines are doubled for offenders.

## 1998

### **Amended RCW 35.82 Public Housing Authorities**

The board composition of housing authorities was revised to address the board composition of the Thurston County and Seattle housing authorities.

## 1999

### **Amended RCW 35.82 Public Housing Authorities**

The amendment expanded the membership of the board of a public housing authority to six if the membership of the board was required to have one member who was directly assisted by the authority.

## 1999

### **Housing Trust Fund Invests in Farmworker Housing**

In 1999, the Legislature took another dramatic step toward supporting the development of farmworker housing in Washington. Recognizing that state funding toward affordable housing leverages private capital and provides flexibility the federal programs do not, the Legislature responded to Washington farmers' needs by providing \$8 million for a Farmworker Housing Program within the state Housing Trust Fund. Since that time, the Housing Trust Fund has invested more than \$84 million towards the development of community-based housing for migrant and seasonal workers, including 1,332 year-round housing units for approximately 6,660 farmworkers and dependents, and 2,222 seasonal-occupancy beds. This housing is operated by local nonprofits and public entities.

In 2000, a \$2 million federal grant was used to establish an on-farm housing loan program for agricultural employers. From 2005 to 2011 the Legislature appropriated an additional \$12 million in state funds to the program, creating or preserving a total of 7,028 grower-owned, on-farm beds. Today's agricultural employer needs the ability to house a locally-derived workforce or, when required,

H2A (guest) workers from abroad. Washington State's Housing Trust Fund allows an investment in housing that can serve either local or guest workers, as demands change. As a result, Washington is currently a leader in the provision of living quarters for migrant and seasonal farm workers. On-going appropriations to the Housing Trust Fund are essential if the state is to continue making progress in housing its workforce due to the lack of local funds in rural communities, low incomes of farm workers and global competition for agriculture. State funds are also critical to leveraging federal funds and private investment. Many local jurisdictions do not have adequate provisions in either city or county zoning to support affordable housing, including farmworkers, as required by the Growth Management Act.



*East Oroville Harvest Park - 10 units of seasonally-occupied farmworker housing in Oroville, Washington, can accommodate up to 76 people. Owner: Oroville Housing Authority. Developer: Office of Rural and Farmworker Housing (Completed in 2011)*

## 1999

### **HB 1245, RCW 84.36.560**

#### **Nonprofit Multifamily Low-Income Rental Properties Exempt from Property Taxes**

At a time of rapidly rising operating costs which many Housing Trust Fund projects could not afford because of low rents, the Legislature adopted a tax exemption for nonprofit owned multifamily rental properties serving very low-income persons. This exemption is extremely significant to the affordable housing community as it currently represents a savings between \$12 and \$16 million dollars each year in operating costs. The exemption allows the Housing Trust Fund to invest in projects serving lower income families and individuals, and enables the properties to be financially viable and well maintained. 565 properties have benefited in part or whole from this exemption.

## 2002

### **Amended RCW 35.82**

#### **Public Housing Authorities**

The amendment authorized housing authorities to contract with a public authority or corporation,

created by a county, city or town under RCW 35.21.730 through 35.21.755, to act as the developer for new housing projects or improvements of existing housing projects.

## 2002

### **Increased Housing's Share of the State Bond Cap from 25% to 32%**

Increasing the housing sector's share of the bond cap to 32% originally represented an increase of \$32 million each year. It now represents an increase of \$45.8 million each year towards the issuance of tax exempt bonds to finance affordable housing.

## 2002

### **Amended RCW 35.81 Community Renewal Law**

The amendment provided housing authorities flexibility to serve as community renewal agencies on behalf of cities or counties.

## 2002

### **HB 2060, RCW 36.22.178 Low Income Housing \$10 Surcharge - The Affordable Housing for All Surcharge**

Recognizing the need for additional housing resources, and also understanding that affordable rents for extremely low-income people are not sufficient to cover the cost of building operations and maintenance, in 2002 the Legislature established a \$10 document recording fee to support both the development and operation of affordable housing. At the county level, this funding supports a variety of affordable housing needs for households at or below 50% of area median income. At the state level, fees are used to provide Operating and Maintenance (O&M) grants to subsidize the cost of serving households at or below 30% of area median income. O&M funds are also essential for seasonal-occupancy farmworker housing to cover fixed operating costs in the off-season. O&M funds have been critical to the successful operation of projects serving some of the most vulnerable populations, including homeless persons, persons with disabilities, and migrant farmworkers.

This surcharge was renamed in 2007 (E2SHB 1359) as the Affordable Housing for All Surcharge. This surcharge represents approximately \$18 - \$20 million dollars each year in additional funding for low income housing. In its current state, the county may keep up to 5 percent of the \$10 surcharge for the collection, administration, and local distribution of the funds. Of the remaining funds, 40 percent is transmitted into the Affordable Housing for All Account (created in RCW 43.185C.190) to provide housing and shelter for extremely low-income households, including but not limited to grants for building operation and maintenance costs of housing projects or units within housing projects that are affordable to extremely low-income households that require supplemental rent income to cover ongoing operating expenses. The remaining funds are retained by the county and its cities and used for housing activities that serve very low income households with incomes at or below 50% of the area median income.

Eligible housing activities on the county level include acquisition, construction, or rehabilitation of housing projects or units; supporting building operation and maintenance costs of housing projects or units; rental assistance vouchers; and operating costs for emergency shelters and licensed overnight youth shelters. This recording fee surcharge served as the basis, and inspiration, for future surcharges to support homeless and other affordable housing programs which continue to

provide critically needed financial resources to help the state of Washington and its many nonprofit partners provide safe, appropriate housing for individuals and families.

With the precipitous decline in fee revenues resulting from current economic conditions, the availability of these resources has been drastically reduced and the sustainability of the program is threatened.

## 2004

### **Operating Budget Appropriation, R.C.W 43.330.167**

#### **Washington Creates the Washington Family Fund (WFF)**

In 2004, the Washington Legislature allocated \$2 million dollars to the Washington Families Fund which then became the nation's first reliable, long-term source of funding for support services to homeless children and their families. A nonprofit organization, Building Changes, leads the Washington Families Fund, a public-private partnership between the state of Washington and 25 private and philanthropic funding partners including the Bill and Melinda Gates Foundation, the Boeing Company, Microsoft, and the Paul G. Allen Family Foundation. The fund now totals over \$29 million dollars. The Washington Families Fund fills an acute need—stable, long-term funding for services linked to affordable housing. To date, the Fund has distributed grants to 48 nonprofit programs in 19 counties.

## 2003-2004

### **Increase in Housing Trust Fund to \$80 million**

The Legislature maintained the existing Housing Trust Fund at \$78 million in 2003, a very difficult economic time, then increased its funding to \$80 million in 2004.

## 2005

### **Increase in Housing Trust Fund to \$100 million**

For the 2005-2007 biennium, the Legislature increased the HTF to \$100 million.

## 2005

### **HB 1074, RCW 43.185.050**

#### **Housing Trust Fund Administrative Cap Increased**

Statutes limited the Department of Commerce's administrative costs for the Housing Trust Fund program to four percent of the annual funds available to the program. With a rapidly growing portfolio of projects, the Department of Commerce needed to increase its capacity to ensure that projects comply with state requirements and are able to remain affordable and sustainable over the long-term. Recognizing this need, in 2005, the Legislature increased the administrative allowance to five percent. Administrative costs are paid for with revenues from HTF loan repayments and fees. Commerce currently oversees a portfolio of over 1,200 projects.

**2005**

**E2SHB2163, RCW 43.185C**

**Homeless Housing and Assistance Act**

The goal of the landmark Homeless Housing and Assistance Act is to reduce homelessness by 50 percent statewide and in each county by July 1, 2015. This goal is to be achieved through the creation of state and local plans to address the causes of homelessness and the implementation of solutions to homelessness through state and county homeless housing programs. The Department of Commerce administers the program and thirty-seven counties participate.

The Homeless Housing and Assistance Program is funded by a \$10 surcharge for certain documents recorded by the county auditor. The Homeless surcharge generates around \$16 million each year to support programs. Of that \$10 surcharge roughly 60% remains at the county level and 40% are deposited into the state Home Security Fund. The Department of Commerce uses these funds to create the statewide homeless housing strategic plan, administer the Homeless Housing and Assistance program, measure program performance, provide technical assistance to local governments, and manage the homeless housing grant program. Currently over 74,000 individuals are provided homeless housing each year through rent assistance, emergency shelter and transitional housing. Despite the lagging economy, the incidence of homelessness has been reduced 16% overall and 52% for unsheltered families.

**2005**

**SB 5577, RCW 59.18.085**

**Tenant Relocation Assistance**

The Legislature strengthened the Residential Landlord Tenant Act in 2005 by requiring relocation assistance to tenants forced to leave substandard buildings. If a tenant has to move because a building is going to be condemned or is uninhabitable due to health and safety violations, the landlord must provide tenants with relocation assistance of \$2,000 per dwelling unit or three times the monthly rent, whichever is greater. A local government may advance assistance to tenants if a landlord does not comply within seven days and the local government can assess a penalty of \$50 dollars per day for each tenant to which assistance has been advanced. Displaced tenants are also entitled to recover any actual damages that exceed the relocation assistance payments, as well as court or arbitration costs and reasonable attorneys fees incurred.

**2005**

**SB 5509, RCW 39.35D.080**

**Green Building Standards Required for Affordable Housing**

In its continued effort to establish environmentally sound policies in Washington, in 2005, the Legislature mandated that the Department of Commerce adopt and administer a sustainable building program for affordable housing. In response, the Evergreen Sustainable Development Standard (ESDS) was developed by Commerce and has been required of all projects funded through the Housing Trust Fund since July 2008. The ESDS contains 79 criteria that safeguard health and safety, increase durability, promote sustainable living, preserve the environment, and increase water and energy efficiency. In addition to complying with all mandatory provisions, new construction projects must achieve 50 points from the optional criteria, and rehabilitation projects must achieve 40 points from the optional criteria. Commerce contracts with a third-party verifier to ensure all identified ESDS measures are complied with during construction. Since its adoption in 2008, 47

Housing Trust Fund projects have been developed under ESDS. Since 2009, the Housing Finance Commission has required projects which it finances to meet the ESDS standards as well.

## 2007

### **Increase in Housing Trust Fund to \$200 million**

The Legislature increased the Housing Trust Fund to \$200 million for the 2007-2009 biennium.

## 2007

### **E2SHB 1910, RCW 84.14.020**

#### **Increasing Affordability within the Multifamily Tax Exemption Program**

In 2007, the Legislature amended the multifamily tax exemption program in two important ways. First it expanded the number of cities eligible to participate to those with populations above 15,000 (close to 100 cities qualify). Second, the Legislature added an incentive for developers to provide more affordable housing by providing a longer term for the property tax exemption (12 years) if a development includes 20% affordable housing and only 8 years for the exemption if the development consists of market rate housing. Only Seattle requires affordable housing for all exempt properties and as a result, 26% of the units in tax exempt Seattle properties are affordable.

The rationale for providing the shorter term exemption for market rate housing is to encourage in-fill development in blighted urban areas and encourage more downtown redevelopment in aging city centers. Benefits of this revised program include assisting with development in areas where the market is soft and a financial incentive is needed, and also encouraging the creation of some affordable units in strong markets where rents are high.

Recent Annual Report summaries for the period 2007 through 2010 show that 10 cities have issued 193 tax exemption certificates during the reporting period and they covered 6,326 housing units, of which 1,625 units are considered affordable housing.

## 2007

### **ESHB 1359, RCW 36.22.1791**

#### **Affordable Housing for All Surcharge**

The 2007 Affordable Housing for All bill added an additional \$8 document recording fee surcharge to support low-income housing projects. Counties must use their funds (90% of the total funds collected) for housing activities which directly accomplish the goals of the county's local homeless housing plan. The portion of revenue due to the state (10%) is remitted to the Home Security Fund and the Department of Commerce uses these funds to provide housing and shelter for extremely low-income households and for program administration, housing and shelter assistance for homeless persons, and the Homeless Housing Grant Program. Currently over 74,000 individuals are provided housing each year through rent assistance, emergency shelter and transitional housing.

## 2007

### **2SHB 1401, RCW 43.185A.110**

#### **Affordable Housing Land Acquisition Program**

The Legislature, in 2007, responded to the challenge low-income housing developers expressed in



obtaining funds quickly enough to purchase and hold land for future affordable housing development in a fast paced real estate market. The Affordable Housing Land Acquisition Program (LAP), appropriated to the Department of Commerce to be administered by the Washington State Housing Finance Commission (HFC), was created as a revolving loan fund to meet this need. The Legislature appropriated \$1 million dollars for this purpose, but the HFC has leveraged an additional \$10,500,000 for this program. For every one dollar of LAP an additional \$1.90 in additional acquisition funds have been secured.

Loan interest rates do not exceed 1 percent and forty percent of loans must be made to eligible applicants operating homeownership programs for low-income households. Although nonprofit developers can hold on to the land for a period of time before development, they must present a plan to the HFC and housing or a related community facility must be placed into service within eight years of loan receipt. Resulting housing developments are subject to a minimum of 30 years of affordability. Land Acquisition Program funding has constituted approximately 47% of the funding for the purchases of the property it has supported, this is a strong loan to value ratio. As of December 31, 2010, the Commission has approved 13 land acquisition loans for a total of \$7,356,175.



*"The Riverbend Glen site was the only remaining downtown undeveloped property adjacent to the Spokane River. The LAP program enabled Spokane Housing Ventures to bank the land and wait for the site to become accessible via the new planned Martin Luther King Jr. Way. With the downtown employment center being within walking distance from this site, affordable housing is a perfect fit. The fact that the land adjoins a major arterial will also lend itself well for future commercial development on the ground floor, allowing for support for the ongoing affordability. Without LAP funds, the ability to bank this land would not have happened." - Helen Stevenson, Manager Acquisitions and Development, Spokane Housing Ventures*



*"LAP funds were an indispensable part of getting the San Juan Community Home Trust's new neighborhood of sustainable and forever affordable homes off the ground. With the five-acre parcel that was purchased for Sun Rise, we will be able to build two more phases of homes in addition to the 14 units that were completed this year (2011). Land and infrastructure costs are always much greater for the first phase of development, which is when we needed the extra help from the LAP program. The 14 homes in Sun Rise Phase 1 have come to life with new families, and are setting a new standard of quality and sustainability for affordable home ownership." - Nancy DeVaux, Executive Director, San Juan Community Trust*



*"The Land Acquisition Program (LAP) allowed the Vancouver Housing Authority to take advantage of an opportunity to acquire land at a time when VHA was not prepared to do a full scale development. The LAP provided very affordable financing so that VHA could jump on the opportunity to acquire land that we expect to have terrific transit oriented development potential with the anticipated bridge replacement and rail to Portland. If we had waited to acquire the property in 5 years, the cost would have been out of reach and the opportunity to create affordable housing at this important location would have been lost forever. The only downside to the program is that there are not more funds available." - Roy Johnson, Executive Director, Vancouver Housing Authority*

2008

**EHB 3142, RCW 43.185A.120**

**The Rapid Response Loan Program**

Accumulating enough funds to quickly acquire property in rapidly gentrifying neighborhoods for affordable housing development or to prevent loss of community facilities serving low-income persons was almost impossible for nonprofit organizations given multiple grant and loan cycles on which they depended for funds. To help these organizations quickly respond to market opportunities and to conditions that threatened affordable housing and low-income communities, the Legislature appropriated \$10 million dollars to the Department of Commerce to create a Rapid Response Loan Program (RRP) administered by the Washington State Housing Finance Commission.

RRP is a streamlined loan program able to quickly assist Washington nonprofit organizations purchase real property (including land, buildings or mobile home parks) for the preservation or development of affordable housing and community facilities. The Commission and its financing partners, the Department of Commerce, Impact Capital and the Washington Community Reinvestment Association (WCRA) were able to coordinate and streamline a process that resulted in the ability to meet nonprofit applicants' short timelines. Applicant properties must be located in rapidly gentrifying or redeveloping areas, or in communities with a significant low-income population that is threatened with displacement. All housing developed with RRP funds targets populations at or below 80% of the area median income and is subject to a minimum of 30 years of affordability.



*"Serving a population that is exclusively made up of people who have experienced significant trauma (domestic violence survivors) presents many challenges; many of these challenges were mitigated by having healing, private, soothing, beautiful spaces. The difference it has made to go from a communal living shelter in an old building that was never intended for that purpose, to a new building that was specifically designed for that purpose, is that our shelter is now truly a refuge, not just a roof. Clients tell us that they feel at peace for the first time in years; staff report that they are able now to spend time doing actual advocacy and support, not just refereeing arguments over communal living issues. Our average length of stay is up by 10 days in the first year." - Karen White Tautfest, Deputy Director of the YWCA in description of its domestic violence housing project, the Wilsonia Apartments*

**2008**

**E2SHB 1621, RCW 59.20.300**

**Protecting Manufactured/Mobile Home Communities**

In the mid 2000's the Legislature took note of the high number of manufactured housing communities sold for other private development purposes. In 2007 alone, 17 communities closed displacing 533 households and, according to the Department of Commerce, there were approximately 1,000 communities 'at risk' given their location in valuable urban growth areas. Between 2008 and 2012, twenty-three parks have closed or have given the Department of Commerce notice of closing, impacting 837 households. The Legislature responded with a landmark bill to protect community tenants and to encourage the preservation of this generally affordable style of housing.

E2SHB 1621 requires landlords to alert the Department of Commerce and the community's tenants if their community is for sale. The bill also requires that landlords negotiate in good faith either with a tenant organization, a nonprofit organization, local government or Indian tribe interested in preserving the property for manufactured housing. The Legislature went further to incentivize landlords to consider such a sale by exempting sales to these groups from the state and local Real Estate Excise Tax (REET). When a park cannot be preserved, at the very least, the Department of Commerce's Office of Mobile/Manufactured Home's Relocation Assistance program is alerted early-on regarding the sale and the potential number of displaced tenants who may require financial assistance.

**2008**

**SHB 2014, RCW 64.34.440**

**Protecting Apartment Dwellers in the Event of "Condominium Conversions"**

Due to the hot real estate market of the mid 2000s, many affordable rental properties were converted into upscale condominiums, displacing thousands of individuals and families who could not afford to purchase a condo and who had trouble finding substitute rental property given the low rental vacancy rates. The Legislature, recognizing the right of property owners to convert properties, yet seeking to balance the well-being of the existing tenants, passed SHB 2014 requiring landlords to give existing apartment tenants 120 days notice in the event of a condominium conversion. Furthermore, the Legislature declared tenants should be able to remain in their home throughout that 120 day period and their right of quiet enjoyment in the space should not be disturbed. The Legislature authorized local governments to require property owners pay relocation assistance to low-income tenants.

**2008**

**SHB 2279, RCW 36.130.005**

**Prohibiting Discrimination of Affordable Housing Developments**

In response to complaints by nonprofit housing developers that some local governments were imposing additional permitting requirements on their projects that were not normally imposed on similar developments, costing the affordable housing developers time and money, the Legislature passed SHB 2279 which simply states local governments may not place requirements on affordable housing developments which are different than requirements imposed on other housing developments unless those requirements are conditions of financing or other incentive programs benefitting the affordable housing. However, local governments are not prohibited from extending preferential

treatment to affordable housing developments. Rural nonprofit developers report that this legislation has been useful in avoiding adverse land-use decisions in response to local opposition.

## 2008

### **Continued Funding for the Washington Families Fund Program**

In 2008, an additional \$6 million was appropriated to support the work of the Washington Families Fund, a stable, long-term source of funding for support services to homeless children and their families.

To date, the program has accomplished the following for moderate-needs families:

- Increase in employment among heads of households: 50%
- Increase in average earned income: 32%
- Decrease in families receiving TANF: 30%
- Improvement in school stability for kids: 80%

## 2008

### **Supplemental Capital Budget The Nonprofit Equity Fund**

Understanding the critical need for more workforce housing, the Legislature created the Nonprofit Equity Fund and designated \$10,000,000 to be awarded to the Department of Commerce. The program was administered through a contract with the Washington State Housing Finance Commission which passed the funds along to eligible projects in order to demonstrate that with an investment of equity capital from the state, nonprofit housing developers could use tax exempt bond financing to develop workforce housing in Washington. Two projects were awarded funds, the Walton Place II development in Whatcom County created 40 units of additional affordable housing and, in Seattle, 71 units were constructed for the Rose Street apartment development.

## 2008

### **ESSB 5959, RCW 43.185C.210**

### **Transitional Housing Operating and Rent Program Created in Statute**

The "THOR" program, within the Department of Commerce, has been helping homeless individuals and families secure and retain safe, decent and affordable housing since 1999, but the Legislature decided in 2008 to formalize the program in statute. The Department provides grants to eligible organizations to operate the program and grantee organizations may use the funds to provide things such as rental assistance, case management services designed to help the client move toward self-sufficiency and operating expense subsidies for transitional housing facilities that serve homeless families with children. The program serves families with children who have household income at or below 50% of the area median income and individuals or families without children who have household income at or below 30% of the area median income, including persons at risk of becoming homeless who have a family member with a chemical dependency or is an offender released from confinement within the past 18 months.

The Department of Commerce awards THOR funds to local agencies throughout the state using a formula allocation. In the 2011-2013 Biennium, \$7.5 million is appropriated for rent assistance, operating subsidies for transitional housing facilities, case management, and administrative costs. THOR has served an average of 1,485 households over the last three years.

**2009**

**ESB 5810, RCW 61.24.031**

**Requiring Negotiation Attempts Preceding a Foreclosure**

Deeds of Trust are different from mortgages in that they do not require a judicial foreclosure process. If a homeowner defaults on the loan, the trustee may foreclose on the property. As foreclosures in Washington began to rise in 2008, the Governor and Legislature sought a way to encourage greater negotiation between parties to avoid foreclosure. ESB 5810 requires a beneficiary to contact a borrower by letter and telephone 30 days before issuing a notice of default in order to assess the borrower's financial situation. The beneficiary must give the borrower information for housing counseling agencies and must inform the borrower that he or she can request a subsequent meeting with the beneficiary to explore options to avoid foreclosure. This is referred to as the "meet and confer" requirement. This statute was strengthened in 2011 in the Foreclosure Fairness Act (2SHB 1362).

**2009**

**HB 2331, RCW 36.22.179**

**Temporarily Increasing the Homeless Housing and Assistance Act Document Recording Fee**

Through HB 2331, the Legislature increased the document recording surcharge collected by county auditors under the Homeless Housing and Assistance Act of 2005 from \$10 to \$30. The \$20 portion of the fee expires on June 30, 2015, and currently funds 52% of state and local homeless housing efforts. Without that funding there will be at least 28,534 more people who are homeless each biennium. These additional funds are used to support Department of Commerce homeless programs which were previously funded through the general fund. These programs include The Emergency Shelter and Housing (ESHP), the Transitional Housing Operating and Rent (THOR) program, as well as a program for runaway youth operated by DSHS. This temporary surcharge, combined with the \$8 Affordable Housing for All Surcharge, results in approximately \$48 million dollars a year with roughly 65% remaining at the county level and 33% remitted to the state's Home Security Fund account.

**2010**

**SHB 2517**

**Public Housing Authorities**

The bill exempted housing authorities from certain state requirements when certain federal law requirements are applicable.

**2010**

**ESHB 2753 (& Capital Budget Proviso), RCW 43.180.160**

**Washington Works Housing Act**

Administered by the Washington Housing Finance Commission, the Washington Works housing program encourages more nonprofit organizations and public agencies to use tax exempt bond financing to develop workforce housing. The Legislature appropriated \$25 million dollars to the Department of Commerce to provide equity investments to nonprofit organizations using tax exempt bonds issued by the Commission to finance affordable housing primarily for low-income

working households. Up to \$1 billion dollars of the Commission's debt authority can be used to finance workforce housing under the program.

To be eligible, at least 51% of the units in a participating project must be occupied by low-income families. Once the debt is paid off, the rents are adjusted to cover expenses so the maximum number of low-income persons can be served in the project. The Washington Works program invested the \$25 million in ten projects located in seven communities throughout the state. These ten projects will provide 460 units of workforce housing in rural, urban and suburban communities. The Washington Works investment leveraged a private investment of just over \$38.6 million through the sale of tax exempt bonds to private investors.



*Columbia City Station Apartments: 52 units of New Affordable Workforce Housing with a "live/ work/ play" design, located at a transit and pedestrian oriented site (to be completed in August 2012)*

## 2010

### **ESHB 2753, RCW 39.86.100**

#### **Facilitating Bond Cap Recapture**

In a savvy move, the Legislature changed the 'recapture date' for unused bond cap for tax exempt bonds from September 1st to July 1st which means bond cap not used in other eligible categories by July 1st can be accessed by the Washington State Housing Finance Commission and Housing Authorities earlier in the year in order to finance more affordable housing. The amount of bond cap available will vary year to year but this simple date change could result in as much as \$90 million or more of bonding authority each year for affordable housing. The bill also updated other section of the Bond Cap Allocation program.

## 2011

### **2SHB1362, RCW 61.24.005**

#### **Foreclosure Fairness Act**

Like the rest of the country, Washington is experiencing high unemployment and foreclosure rates. The state ranks 17th in the nation for new foreclosure rates with Pierce County reporting the highest rate of 1 in every 450 homes in foreclosure. Foreclosures of deeds of trust can be accomplished non-judicially if the borrower defaults on the loan obligation. Concerned with the high rates of such foreclosures, the Legislature passed 2SHB 1362 which extended the time period during which

beneficiaries are required to meet with borrowers, the "meet and confer" requirement, to 60 days if the borrower responds to a beneficiaries' letter of notice within the first 30 days. In such instance, a notice of default cannot be issued until the 60 day "meet and confer" period has lapsed and during that time, borrowers have a right to a face to face meeting with beneficiaries. If a borrower struggling with a loan contacts a housing counselor, that counselor must work in good faith to reach a resolution before the end of the "meet and confer" period.

The Legislature also established a foreclosure mediation process, administered by the Department of Commerce, to which borrowers can be referred by a housing counselor or an attorney. Both borrowers and beneficiaries are required to participate in the mediation in person and must act in good faith. This program is funded by the very beneficiaries who issue notices of default. The funds (\$250 per property for which a notice of default has been issued) pays for housing counselors and for related programs by the Office of the Attorney General, Office of Civil Legal Aid, Department of Financial Institutions and the Department of Commerce to assist homeowners prevent foreclosure. As of December 13, 2011, the Department had doubled the number of counselors in the state, received 799 referrals to mediation, had 226 mediations scheduled and had received 60 certifications of mediation results.

## 2011

### **ESHB 2082, RCW 74.62.005**

#### **The Housing and Essential Needs Program is Established**

In 2011, the Legislature passed ESHB 2082 and created the Housing and Essential Needs program to help low-income individuals without dependents who are elderly or cannot work due to an incapacity or disability. Administered by the Department of Commerce through grants with its current network of homeless and housing service providers, the Housing and Essential Needs program provides non-cash housing and other assistance for some recipients of state-funded Medical Care Services (MCS). The program is up and running in every county providing rent assistance to thousands of people who would otherwise be homeless. The grant has further cemented the linkages between DSHS and local housing providers, who are working together to assist the eligible population of people who are unable to work and have no income. During the 2011-2013 biennium, the funding for housing support is to be used solely for clients who are homeless or who are at substantial risk of losing stable housing. After July 2013, priority will continue to be serving this population. The Housing and Essential Needs program is proving that limited resources can be maximized by focusing assistance toward people at imminent risk of homelessness and leveraging the innovation of local partnerships.

## 2011

### **SB 5289**

#### **Amendment to the Business and Occupation Tax Provisions**

A Business and Occupation (B&O) tax deduction is permitted for amounts that (1) a nonprofit property management company receives for compensating on-site employees from the owner of the property; from a housing authority; or from a limited liability company or limited partnership of which the sole managing member or sole general partner is a housing authority.



## Summary

Through thoughtful, innovative and progressive action, the Washington Legislature has made great strides towards its goal of providing opportunities for Washingtonians to access decent affordable housing. The members clearly understand the importance of state involvement through the Housing Trust Fund and other development and funding mechanisms.

The Legislature also clearly sees the benefit in encouraging the participation of private sector development of affordable housing through tax incentives at the local and state level and through Housing Finance Commission programs.

Washington also has one of the largest and most effective nonprofit housing industries in the nation thanks to supportive programs including the Housing Trust Fund, the Land Acquisition program, and the variety of private and public financing mechanisms for nonprofit organizations.

In addition to facilitating the development of tens of thousands of new affordable housing units each year, the Legislature has demonstrated over the last two decades an acute understanding regarding the importance of preserving Washington's existing housing stock. This has been accomplished through investments of the Housing Trust Fund and financing of redevelopment projects by Washington's public housing authorities. In a study of the preservation efforts in Washington to preserve HUD and Rural Development projects across the state, public funds allocated by the state had helped preserve 3 of every 4 "at risk" units in the state. While no updated study has been completed, the preservation of both federal and state funded affordable housing remains a high priority for public funders in recent years.

The impact of the state's investment in affordable housing goes far beyond the sticks and bricks results. Affordable housing developments spur huge investments by the private sector, create and support thousands of private sector jobs, help mitigate traffic issues on our state roads and improve the quality of life for individuals and families throughout the state. ***In fact, the combined financing programs of the Housing Trust Fund and the Washington State Housing Finance Commission have contributed an estimated \$45 billion in wages and materials to the economy since they were created and have supported more than 281,000 full-time equivalent jobs.***

The Washington Legislature has much to be proud of regarding its housing work over the past decades and recognizes that there is much yet to accomplish. As a national housing leader, the country's eyes are on the state of Washington. The Legislature's actions today and in the future are bound not only to solidify and improve the fabric of our communities and the lives of our residents, but also to serve as models for programs in other states and will impact and improve the lives of people throughout the nation.

**Looking for Additional Information?**

Bill numbers have been provided where possible for easy reference to legislative analysis such as bill reports. RCWs have been included where possible as well for additional detailed information.

This document was researched and written by Robyn Denson, a former House legislative staff member, under contract with the WA State Housing Finance Commission. The document was edited by Kim Herman, Executive Director of the Commission. Any omissions, corrections or additions to the document should be brought to the attention of Mr. Herman at 206-287-4427 or [Kim.Herman@wshfc.org](mailto:Kim.Herman@wshfc.org). The Commission is financially self-sufficient. All operating expenses are paid from program or contract revenues. No taxpayer dollars were used to produce this document.

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