

Multiple Agency Fiscal Note Summary

Bill Number: 2849 E S HB	Title: Commerce housing programs
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Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Department of Commerce	0	(1,750,000)	0	(3,500,000)	0	(3,500,000)
Department of Commerce	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Total \$	0	(1,750,000)	0	(3,500,000)	0	(3,500,000)

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	2.4	937,930	1,583,595	2.0	0	584,024	2.2	0	771,614
Department of Commerce	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total \$	2.4	937,930	1,583,595	2.0	0	584,024	2.2	0	771,614

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.
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Prepared by: Gwen Stamey, OFM	Phone: (360) 902-9810	Date Published: Final 2/29/2020
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Individual State Agency Fiscal Note

Bill Number: 2849 E S HB	Title: Commerce housing programs	Agency: 090-Office of State Treasurer
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Brandon Popovac	Phone: 360-786-7465	Date: 02/18/2020
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 02/19/2020
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 02/19/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/19/2020

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

ESHB 2849 creates the housing portfolio monitoring account, coupled with the general fund as the recipient of the earnings from investments under RCW 43.84.092(4).

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The section 3 estimated transfer amounts are currently unavailable.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Revised

Bill Number: 2849 E S HB	Title: Commerce housing programs	Agency: 103-Department of Commerce
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
Community and Economic Development Fee Account-State 263-1		(1,750,000)	(1,750,000)	(3,500,000)	(3,500,000)
Washington Housing Trust Fund-State 532-1		(2,731,884)	(2,731,884)	(6,120,018)	(6,995,018)
Housing Portfolio Management Account-State NEW-1		2,731,884	2,731,884	6,120,018	6,995,018
Total \$		(1,750,000)	(1,750,000)	(3,500,000)	(3,500,000)

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	4.7	2.4	2.0	2.2
Account					
General Fund-State 001-1	0	937,930	937,930	0	0
Housing Portfolio Management Account-State NEW-1	0	645,665	645,665	584,024	771,614
Total \$	0	1,583,595	1,583,595	584,024	771,614

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Capital Budget Impact:

Non-zero but indeterminate cost and/or savings. Please see discussion.

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☒ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Brandon Popovac	Phone: 360-786-7465	Date: 02/18/2020
Agency Preparation: Joyce Miller	Phone: 360-725-2710	Date: 02/28/2020
Agency Approval: Joyce Miller	Phone: 360-725-2710	Date: 02/28/2020
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/29/2020

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Differences between the SHB 2849 and ESHB 2849:

Section 5 changes the additional administrative costs limit from two percent to one percent of the Housing Trust Fund appropriation and requires the Office of Financial Management to notify the appropriate fiscal committees of the Legislature in writing ten days prior to authorizing additional expenditures under this subsection.

Summary of Engrossed Substitute House Bill 2849:

Section 1 states the intent of the legislation, that a significant investment of ongoing operating funding in addition to the underlying capital investment is needed.

Section 2 modifies and expands definitions in RCW 43.185A.010.

Contracted Amount means the aggregate amount of all state funding for which the department has monitoring and compliance responsibility.

Extremely Low-Income Household is defined as a single person, family, or unrelated persons living together whose adjusted income is either:

- Up to thirty percent of the median family income, adjusted for household size for the county where the project is located:
- Or
- Up to fifty percent of the median family income, adjusted for household size, for the county where the project is located, when the project is located in a rural area, as defined by the department.

The definition of first-time homebuyer is expanded to include an individual who meets any of the following criteria:

- An individual or their spouse who has had no ownership in a principal residence during the three-year period ending on 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 in 24 CFR, Section 93.2, or as defined in Rule by Commerce, and has only owned a home with a spouse.
- An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- An individual who has only owned a property determined by a licensed building inspector as being uninhabitable.

Section 3 amends RCW 43.185.030 establishing the Housing Portfolio Monitoring Account (HPMA) and requires an appropriation to spend from the account. The Department of Commerce is required to certify to the

State Treasurer's Office, on or before June 30th of each year, the amount needed for administrative costs for compliance and monitoring activities in the following fiscal year. This amount may not exceed one-quarter of one percent of the annual contracted amount of state investment in the Housing Trust Fund Program. On July 1 of each year, the State Treasurer's Office will transfer from the Housing Trust Fund Account to the Housing Portfolio Monitoring Account an amount equal to the amount certified by the Department of Commerce.

Section 4 amends RCW 43.185A.020 to update the name of the program authorized under the statute and to expand the purpose of the program to include preservation of affordable housing.

Section 5 amends RCW 43.185.050 requiring the Department of Commerce to include preservation in the financing of affordable housing projects serving low income households funded by the housing trust fund and other legislative appropriations.

Activities eligible to receive funding have been modified to include down payment or closing cost assistance for first time home buyers and reflect capital asset building activities, for the future development of affordable housing.

Preference for projects that include early learning facilities is removed from RCW 43.185.050 and added to RCW 43.185.070 in Section 6 of this legislation.

The Department of Commerce is authorized up to three percent of the Housing Trust Fund biennial appropriation, RCW 43.185.030(1), for the administrative costs associated with application, distribution, and project development activities necessary for the proper functioning of Housing Trust Fund programs. The department may spend up to an additional one percent of the Housing Trust Fund appropriation if the following criteria are met:

- 1) The department must submit spending plans to the Office of Financial Management and legislative fiscal committees detailing total anticipated administrative cost; and
 - 2) The Director of Office of Financial Management finds the spending plan exceeds the funding authorized in subsection (5) and the amount certified in RCW 43.185.030, (as recodified in this act) and provides written authorization for the department to spend up to an additional two percent of the Housing Trust Fund appropriation.
 - 3) The Director of Office of Financial Management must notify the appropriate fiscal committees of the legislature, in writing, ten days prior to authorizing additional expenditures under this subsection.
 - 4) The department's authority to charge fees pursuant to RCW 43.330.152 is prohibited for the purpose of funding administrative costs associated with Housing Trust Fund program administration, compliance, and monitoring activities authorized by RCW 43.185.050. See Part IIB-Cash Receipts and Part IIC-Expenditures for fiscal impact associated with this subsection of the legislation.
- Section 6 amends RCW 43.185.070 requiring the department to announce all funding opportunities on its website.

The department must give first priority to applications for projects and activities that increase the total number of

units of affordable housing in the state.

The department must use a separate application form for the applications to provide homeownership opportunities and evaluate homeownership project applications as allowed under RCW 43.185A.

The department must give preference for applications based on some or all of the criteria under this subsection. Amendments to the criteria are as follows:

Criteria added:

(4)(o) the degree of funding that has already been committed to the project by non-state entities; and
(4)(p) Projects that demonstrate a strong readiness to proceed to construction

(5) Preference must be given for projects that include an early learning facility

(6) The department must develop, with the advice and input from the Affordable Housing Advisory Board, established in RCW 43.185B.020, or a subcommittee of the Affordable Housing Advisory Board:

(a) Additional criteria to evaluate applications for assistance under this chapter; and

(b) Recommendations for awarding funds under RCW 43.185.050 (as recodified by this act) in a cost effective manner.

Section 7 amends RCW 43.185.110 removing the requirement for the advice provided from the Affordable Housing Advisory Board (AHAB) to the Director of Commerce to be consistent with behavioral health administrative services organizations and the developmental disabilities planning council.

Section 8 creates a new section in RCW 43.15A establishing the Preservation Program, authorizing the department to use funds in the Housing Trust Fund Account established under RCW 473.185.030, as recodified by this act, to award loans or grants to projects for major building improvements, preservation repairs, or system replacements.

The department must solicit and review applications and evaluate projects based on the following criteria:

(a) The age of the property, with priority given to buildings that are more than fifteen years old

(b) The population served, with priority given to projects serving persons or families with the lowest income;

(c) The degree to which the application demonstrates that the improvements will result in a reduction of operating and utility costs or both;

(e) Other criteria that the department considers necessary to achieve the purpose of the Housing Trust Fund Program.

The department must require an award recipient to submit a property capital needs assessment, in a form acceptable to the department, prior to contract execution.

Section 9 adds a new section to RCW 43.185A stipulating the following Reporting:

(1) Commerce must publish data annually on its website reflecting the projects funded under the homeownership and rental programs. The data for both programs must include the percentage of funds invested and number of projects awarded, and the total number of households served at up to eighty percent (80%) of the area median income (AMI), up to fifty percent (50%) of the AMI, and up to thirty (30%) of the AMI.

(2) All Housing Trust Fund loan or grant recipients are required to provide a certified final development cost report in a form acceptable to the department. The department must use these reports to inform the Housing Trust Fund cost containment strategy.

The department must report final cost data for each project funded through the Housing Trust Fund to the legislature on every odd number year starting December 1, 2021. The report must contain total development costs per unit for each project completed in the prior two fiscal years and descriptive statistics needed to improve cost controls and comprehension of development costs.

(3) The department must coordinate with the Housing Finance Commission to identify relevant development cost data and ensure that measures are consistent across relevant agencies.

Section 10 adds a new section to RCW 43.185A.

(2) The department is directed to fully defer loan payments for projects dedicating 50% or more of their units to very low-income (<50% AMI), homeless, or permanent supportive housing people. Loan payments must also be deferred for any and all projects that include low-income tax credits until the tax credit investor exits or the project is refinanced, but no less than 15 years. When the department provides a loan for a project that is not subject to deferred payments, the department must define cash-flow loan terms and conditions.

(3) With advise and input from the Affordable Housing Advisory Board, the department must develop recommendations for loan terms and conditions for projects not covered by subsection (2)(a) of this section. The department must submit a report containing these recommendations to the Governor and the Legislature by December 31, 2020.

Section 11 requires Commerce to adopt policies protecting the state's interest in projects financed wholly or in part under RCW 43.185.050, as recodified by this bill, by requiring payment to the state reflective of the state proportional investment in a project upon sale or change of use, requiring rental housing projects to remain as affordable housing for a minimum of forty (40) years, and requiring projects serving first-time homebuyers to remain affordable for a minimum of twenty-five (25) years.

Section 12 modifies RCW 43.185A.070 by limiting the monitoring of activities authorized by this statute to the extent funds are appropriated.

Section 13 abolishes the requirement that Commerce submit projects for funding consideration to the Real Estate Trust Account Board. The revenue source for funding is amended to reflect existing statute, RCW 18.85.285.

Section 14 amends RCW 18.85.285 to reflect statutory references recodified by this bill, and updates the department reference from the department from community, trade, and economic development to the department of commerce.

Section 15 amends RCW 18.85.311 to reflect statutory references recodified by this bill.

Section 16 changes the exemption in RCW 31.04.025(2)(h) from entities making loans under RCW 43.185, to entities making loans under RCW 43.185A.

Section 17 changes the exemption in RCW 39.35D.080 from projects funded in accordance to RCW 43.185 to projects funded in accordance to RCW 43.185A, and updates the department reference from the department from community, trade, and economic development to the department of commerce.

Section 18 changes the definition of eligible organizations in RCW 46.63A.680 (1) from organizations eligible for assistance from RCW 43.185 to RCW 43.185A.

Section 19 amends RCW 43.185C.200 to change the description of eligible organizations from those in RCW 43.185.060 to those described in RCW43.185A.040, and updates the department reference from the department from Community, Trade, and Economic Development to the Department of Commerce.

Section 20 amends RCW 43.185C.210 to change the description of eligible organizations from those in RCW 43.185.060 to those described in RCW43.185A.040, and updates the department reference from the department from Community, Trade, and Economic Development to the Department of Commerce.

Section 21 amends RCW 47.12.063 to change the description of eligible organizations from those in RCW 43.185 to those described in RCW43.185A.

Section 22 amends RCW 59.24.060 to reflect the recodified citation for the establishment of the Housing Trust Fund from RCW 43.185 to RCW43.185A, and updates the department reference from the department from Community, Trade, and Economic Development to the Department of Commerce.

Section 23 amends RCW 82.14.400 to reflect the recodified citation for the establishment of the Housing Trust Fund from RCW 43.185 to RCW43.185A, updates the terminology describing individuals experiencing chronic mental illness, and updates the department reference from the department from Community, Trade, and Economic Development to the Department of Commerce.

Section 24 amends RCW 82.45.100 to reflect the recodified citation for the establishment of the Housing Trust Fund from RCW 43.185 to RCW43.185A.

Section 25 Recodifies RCW 43.185.010, 43.185.030, 43.185.050, 43.185.070, 43.185.074, 43.185.080, and 43.18.140 as Sections in RCW 43.185A.

Section 26 Recodifies RCW 43.185.110 as a Section in RCW 43.185B.

Section 27 Repeals RCW 43.185.015, 43.185.020, 43.185.060, 43.185.076, 43.185.090, 43.185.100, 43.185.120, 43.185.130; RCW 43.185A.030, 43.185A.050, 43.185A.090, 43.185A.100, 43.185A.110, 43.185A.120, 43.185A.900, and 43.185A.110.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The department cannot accurately estimate the revenue impacts associated with loan deferrals on new Housing

Trust Fund projects. Additionally, projects currently making loan repayments that meet the thresholds under Section 10(2)(a) may request payment deferrals in response to this legislation; the related revenue impacts are potentially significant but cannot be determined at this time.

Section 3 amends RCW 43.185.030 establishing the Housing Portfolio Monitoring Account (HPMA) and on July 1 of each year the State Treasurer's Office will transfer from the Housing Trust Fund Account to the Housing Portfolio Monitoring Account an amount equal to the amount certified by the Department of Commerce. The department assumes up to an additional one percent from Section 5(5)(c) can be used to supplemental the activities outlined in this section.

The department assumes that the HTF portfolio will continue to increase based on future capital budget appropriations (estimated to be \$87,500,000 each fiscal year). For the purpose of this analysis, the department also assumes that the current level of loan repayments on current obligations will remain stable. Based on these assumptions, the following revenue is being expected to transfer to the new account:

FY21: \$2,731,884 (\$1,092,753,490 portfolio value x 0.25%)
FY22: \$2,950,634 (\$1,180,253,490 portfolio value x 0.25%)
FY23: \$3,169,384 (\$1,267,753,490 portfolio value x 0.25%)
FY24: \$3,388,134 (\$1,355,253,490 portfolio value x 0.25%)
FY25: \$3,606,884 (\$1,442,753,490 portfolio value x 0.25%)

Section 5(5) is amended stating department's authority to charge fees pursuant to RCW 43.330.152 is prohibited for the purpose of funding administrative costs associated with Housing Trust Fund program administration, compliance, and monitoring activities authorized by RCW 43.185.050. This equates to a reduction in Fund 263-Community and Economic Development Fee Account of (\$1,750,000) each fiscal year.

This section further states the department may spend up to an additional one percent of the Housing Trust Fund appropriation, pending spending plan approval by Office of Financial Management. This one percent set-aside from the HTF appropriation, combined with the removal of the Department's ability to administer fees (described above), results in a net reduction in revenue of \$875,000 each fiscal year.

Section 8(1) authorizes the department to make grants and loans to projects in order to maintain long-term viability of affordable housing. It is unknown which projects will seek funding for housing preservation and whether those projects will receive funding in the form of a grant or a loan that could impact debt services.

The impact on cash receipts is indeterminate due to insufficient data to estimate the amount of grants and loans for preservation and the amount of loan repayments.

Please refer to the attached working paper that illustrates the impact to Fund 263-Community and Economic Development Fee Account, Fund 532-Washington Housing Trust Fund Account and New Housing Portfolio Management Account.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

For the purposes of illustrating fiscal impacts in this fiscal note, the department assumes an annual capital appropriation level of \$87,500,000 (based on the 2019-21 capital budget appropriation level). With this

assumption there is no change in Grants, Benefits, and Client Services. The department assumes the same amount of funding will be appropriated and only the type of project will change.

Currently the program is projected to be overspend compared to the Housing Trust Fund administrative maximums stated. The department estimates to be overspent by approximately \$938,000 for the biennium.

The Portfolio Monitoring & Asset Management activities, under current law are estimated to cost the following:

FY21: \$3,225,437

FY22: \$3,322,200

FY23: \$3,421,866

FY24: \$3,524,522

FY25: \$3,630,258

16.50 FTE's for the following Job Classifications:

0.48 FTE Office Assistant 3

0.49 FTE Administrative Assistant 3

0.40 FTE Budget Analyst 4

1.28 FTE Commerce Specialist 1

2.08 FTE Commerce Specialist 2

7.94 FTE Commerce Specialist 3

3.08 FTE Commerce Specialist 5

0.60 FTE WMS Band 2

0.15 FTE EMS Band 3

Section 1-Rulemaking-One-time Cost:

Per the intent outlined in this section, the department estimates it will take approximately one year to undertake the rule-making, with advice and input from the Affordable Housing Advisory Board. Rule-making will need to repeal current WACs and replace them in accordance with the amended RCW resulting from this bill. This may cover selection criteria, recommendations for funding considerations, development of new application materials, securitization documents, loan/grant terms, program requirements, policies, procedures, guidelines and monitoring activities.

To accomplish those tasks the department based staffing assumptions utilizing the Housing Unit Blueprint (HUB) manual, which is the internal procedural manual used by the Housing Finance Unit to administer affordable housing projects. The HUB identifies the positions responsible for performance tasks, verifying and approval of work, as well as establishing when the timeline to accomplish the workload.

0.5 FTE Administrative Assistant 3 (1,044 hours) to provide administrative support coordinating meetings, scheduling of meetings, managing document workflow, maintain meeting minutes, meeting outcomes and maintain meeting tasks assignments.

0.5 FTE Commerce Specialist 3 (1,044 hours) to identify, research and develop all Washington Administrative Codes that require updating. To develop and construct the preservation and homeownership capacity around

solicitation, origination, management and the monitoring of projects. Compliance may include site visits and corresponding compliance reporting, this position will be responsible to establish those guidelines, policies, and procedures. Assist senior management with drafting legislation, presenting the department at stakeholder meetings, and coordinating the state's role with respect to the implementation of the new program.

0.1 FTE Commerce Specialist 5 (209 hours) to hire staff and provide day-to-day direction of staff upon hiring. This includes providing support work for rule-making, policy and procedure development. Advanced technical business information will be coordinated between this position and the WMS Band 2.

0.5 FTE WMS Band 2 (1,044 hours) to provide leadership, oversight, supervision, rules coordination and decision making over all elements of the program. Staff provide expert policy advice or consultation on a range of issues specific to the program and to areas that may have agency wide implications.

Salary and Benefits:

FY21: \$173,724

Goods and Services, Travel and Equipment:

FY21: \$111,134

Based on historical expenditures, within the Housing Finance Unit, the department estimates approximately 300 hours of the Attorney Generals time will be needed to assist with rulemaking. This is included in the Goods and Services, Travel and Equipment funding in the fiscal year above.

Travel:

The department estimates six meetings with the Affordable Housing Advisory Board (AHAB) and the Policy Advisory Team (subcommittee of AHAB) will be needed to accomplish the tasks outlined in this section. The department assumes the meetings will be held throughout the State of Washington and will require travel for at least four of the six meetings. The department assumes three meetings will be held in Western Washington and three meetings held in Eastern Washington.

Equipment:

The department estimates \$5,000 associated with building a standard workstation, providing a computer, monitors and cell phone for the new position.

*Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

On-going Preservation and Homeownership Program:

The fiscal impact of managing preservation and homeownership projects is dependent upon the amount appropriated for these purposes in the capital budget, the number of applications received and projects placed under contract. These projects are expected to vary and to be assumed within the current workload.

Section 5

The department will have a negative fiscal impact associated with this change. This section states the department may spend three percent and up to an additional one percent of the Housing Trust Fund appropriation.

Currently, the three percent is funded out of Fund 532-Housing Trust Fund in the Operating Budget. Under this legislation, the funding will be from the Capital appropriation. The transfer from Operating to Capital for current activities will be as follows:

Resource Allocation & Underwriting Reduction:

FY21: (15.45 FTE) (\$2,860,293)

FY22: (15.45 FTE) (\$2,946,102)

FY23: (15.45 FTE) (\$3,034,485)

FY24: (15.45 FTE) (\$3,125,519)

FY25: (15.45 FTE) (\$3,219,285)

Section 9-New Annual Report:

The department is required to produce two reports:

An annual report on the agency website with the number of homeownership and multifamily rental projects that were funded; and the percentage of funding allocated to homeownership and multifamily rental projects.

All Housing Trust Fund loan or grant recipients must provide certified development cost reports. The reports must be used by the department to inform its cost containment policy and relevant cost data, to be determined in coordination with the Washington State Housing Finance Commission. Information must be reported to the legislature on every odd-numbered year starting December 31, 2021.

1.0 FTE Commerce Specialist 2 (2,088 hours) FY21-FY25 to establish the process to collect, review, analyze and format rental and homeownership projects data points. This position will compile, create illustrative statistical information, and write the report for the certified development cost data due to the legislature.

0.25 FTE Administrative Assistant 3 (522 hours) in FY21-FY25 to provide administrative support to coordinate outreach, manage document workflow, and report publications.

Salary and Benefits:

FY21-FY25: \$108,718 each fiscal year

Goods and Services, Travel and Equipment:

FY21: \$48,851

FY22-FY25: \$43,851 each fiscal year

Equipment:

The department estimates \$5,000 associated with building a standard workstation, providing a computer, monitors and cell phone for the new full time position.

*Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

Section 10 One-time Costs in developing recommendations:

The department does not anticipate fiscal impact resulting from the implementation of the loan terms defined in section 10, other than for convening stakeholders and making recommendations for loan terms per subsection (3).

0.5 FTE WMS Band 2 (1,044 hours) FY21 to work with an independent contractor to assist in convening stakeholders, AHAB, for the purpose of developing and establishing recommendations for loan terms and conditions for projects not covered by subsection (2)(a) of this legislation.

Salary and Benefits:

FY21: \$74,706

Professional Services Contract:

FY21: \$100,000

To assist in the development and establishment of the loan terms and conditions.

Goods and Services, Travel and Equipment:

FY21: \$28,532

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Total Cost of One-Time:

FY21: \$488,096

Total Ongoing Cost:

FY21: \$157,569

FY22: \$279,512

FY23: \$304,512

FY24: \$385,807

FY25: \$385,807

Total Combined Cost:

FY21: \$ 645,665

FY22: \$ 279,512

FY23: \$ 304,512

FY24: \$ 385,807

FY25: \$ 385,807

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	0	937,930	937,930	0	0
NEW-1	Housing Portfolio Management Account	State	0	645,665	645,665	584,024	771,614
Total \$			0	1,583,595	1,583,595	584,024	771,614

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		4.7	2.4	2.0	2.2
A-Salaries and Wages		600,186	600,186	224,990	270,746
B-Employee Benefits		217,624	217,624	82,094	96,102
C-Professional Service Contracts		264,171	264,171	155,000	260,000
E-Goods and Other Services		395,650	395,650	121,940	144,766
G-Travel		17,113	17,113		
J-Capital Outlays		28,255	28,255		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		60,596	60,596		
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	1,583,595	1,583,595	584,024	771,614

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
Administrative Assistant 3	47,568		0.8	0.4	0.3	0.3
Administrative Services-Indirect	69,552		1.3	0.7	0.4	0.4
Commerce Specialist 2	64,008		1.0	0.5	1.0	1.0
Commerce Specialist 3	74,196		0.5	0.3		
Commerce Specialist 5	86,064		0.1	0.1		
WMS Band 2	111,060		1.0	0.5	0.3	0.5
Total FTEs			4.7	2.4	2.0	2.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

IV. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

Non-zero but indeterminate cost and/or savings. Please see discussion.

The Capital Budget fiscal impact is indeterminate due to unknown future levels of capital appropriations. For the purposes of illustrating fiscal impacts in this fiscal note, the department assumes an annual capital appropriation level of \$87,500,000. With this assumption there is no change in Grants, Benefits, and Client Services. The department assumes the same amount of funding will be appropriated and only the type of project will change.

Section 5

This section states the department may spend three percent and up to an additional one percent of the Housing Trust Fund appropriation. Currently, the three percent is funded out of Fund 532-Housing Trust Fund in the Operating Budget. Under this legislation, the funding will be from the Capital appropriation.

The transfer from Operating to Capital for current activities is as follows:

Resource Allocation & Underwriting Reduction:

FY21: 15.45 FTE \$2,860,293

FY22: 15.45 FTE \$2,946,102

FY23: 15.45 FTE \$3,034,485

FY24: 15.45 FTE \$3,125,519

FY25: 15.45 FTE \$3,219,285

15.45 FTE's for the following Job Classifications:

0.50 FTE Office Assistant 3

0.48 FTE Administrative Assistant 3

0.60 FTE Budget Analyst 4

0.90 FTE Commerce Specialist 1

2.65 FTE Commerce Specialist 2

4.27 FTE Commerce Specialist 3

4.58 FTE Commerce Specialist 5

1.37 FTE WMS Band 2

0.10 FTE EMS Band 3

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Please refer to expenditure assumptions related to section one in Part 2 of the fiscal note. The department anticipates one-time costs in FY21 related to rulemaking.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2849 E S HB	Title: Commerce housing programs
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Part I: Jurisdiction—Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☒ Special Districts: Housing authorities and some public development corporations
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Number and size of awards to local governments developing housing

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 02/21/2020
Leg. Committee Contact: Brandon Popovac	Phone: 360-786-7465	Date: 02/18/2020
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/21/2020
OFM Review: Myra Baldini	Phone: (360) 902-0525	Date: 02/21/2020

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

CHANGES FROM PREVIOUS BILL VERSION:

The additional amount the Department of Commerce (Commerce) may spend if certain conditions are met is reduced from two percent to one percent. Those conditions determining when Commerce may spend extra money for program administration are amended.

SUMMARY OF CURRENT BILL VERSION:

The Housing Assistance Program and the Affordable Housing Program are combined into the Housing Trust Fund (HTF) Program.

The definition of "first-time home buyer," the Housing Preservation Program, and the reporting requirements from the 2019-21 Capital Budget are added to the HTF statute.

The Housing Portfolio Monitoring Account is created in the State Treasury. The Department of Commerce (Department) is directed to certify the administrative costs needed for compliance and monitoring activities. The State Treasurer is directed to transfer the certified amount from the HTF account on July 1 of each year. Compliance and monitoring activities are subject to amounts appropriated.

The Department may spend up to 3 percent of the HTF appropriation for administrative costs associated with application, distribution, and project development activities.

The Department of Commerce (Department) may spend up to an additional 1 percent from the Housing Trust Fund appropriation if the following conditions are met:

- a spending plan of total anticipated administrative costs is submitted to the Office of Financial Management (OFM) and the appropriate fiscal committees of the Legislature.
 - the Director of the OFM (Director) finds that the spending plan exceeds the funding available and provides written authorization for the Department to spend up to an additional 1 percent.
 - the Director notifies the appropriate fiscal committees 10 days prior to authorizing the additional expenditures.
- the Department may not charge additional fees for HTF administrative costs.

The Department is required to defer loan payments for projects with at least half of the units or beds serving households:

- under 50 percent of the area median income;
- experiencing homelessness; or
- in need of permanent supportive housing.

For all other loans, the Department must define cash flow loan terms and conditions. "Permanent supportive housing" is defined as subsidized, leased housing with no limit on length of stay, paired with on-site or off-site voluntary services designed to support a person living with a disability to be a successful tenant in a housing arrangement, improve the resident's health status, and connect residents of the housing with community-based health care, treatment, and employment services. For projects that receive a Low-Income Housing Tax Credit (LIHTC), the loan payment may not start until the LIHTC investor exits or the project refinances, but in no case before the end of the initial 15-year compliance period.

The Department is directed to submit a report to the Governor and Legislature by December 31, 2020, with recommendations for loan terms and conditions for projects not subject to loan deferral.

The Department must implement policies that require projects to remain as affordable housing for a minimum of:

- 40 years for multifamily rental projects; and
- 25 years for homeownership projects.

Eligible activities of the HTF Program are amended to include those funded out of the HTF capital budget appropriation. Priority is given to projects that increase the total number of affordable housing units, instead of to existing privately owned housing stock and then to publicly owned housing stock. Nonstate funding sources and project readiness are added as application evaluation criteria. The requirement that the advice from the Affordable Housing Advisory Board be consistent with the plans and policies developed by the Behavioral Health Administrative Services Organizations and the Developmental Disabilities Planning Council is removed.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACTS FROM PREVIOUS BILL VERSION:

The changes in this bill version would not alter the indeterminate impacts of this bill on local governments.

SUMMARY OF EXPENDITURE IMPACTS FOR THIS BILL VERSION:

This legislation would have indeterminate impacts on expenditures for affordable housing projects constructed by local housing authorities and local public development authorities, such as Capital Hill Housing.

Changes in expenditures by local governments that develop housing are expected to generally match awards received from the Housing Trust Fund at Commerce for project development even in projects that receive deferrals. The number and size of awards is not known and will vary from year to year. The costs of repayment of loans could vary depending upon the scope of projects that receive funding. For qualified housing projects that serve income-qualified households or provides permanent supportive housing within the required guidelines, payments could be altered and would change short-term expenditures. The number and size of awards to these projects cannot be predicted in advance. Therefore, the impact of this bill on local government expenditures is indeterminate.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

CHANGES IN REVENUE IMPACTS FROM PRIOR BILL VERSION:

Reductions in the extra amount Commerce may retain for administration may result in a slight increase in the amount of funds available to be awarded to affordable housing projects. The impact on local government revenue remains indeterminate.

SUMMARY OF REVENUE IMPACTS OF THIS BILL VERSION:

This legislation would result in indeterminate impacts on local government revenues related to funding awards for affordable housing projects constructed for local housing authorities and public development authorities, such as Capital Hill Housing, through grants or loans from the Housing Trust Fund.

Impacts are uncertain for several reasons. First, it is unknown if the adjustments to allocation preferences as a result of this legislation would influence the ratio of projects that are awarded to nonprofit entities versus local government recipients. This amount already varies by applications cycle and thus cannot be predicted with any certainty. In addition, changes to the requirements governing the repayment or deferral of loans will impact the amount of funds obtained through repayment that would be available for distribution to new applicants. Changes in the amount of initial allocations that are used for program administration by Commerce would also change and could influence the amount of funds available for distribution to applicants. As a result, the impact of this legislation on future funding awarded to local governments cannot be predicted.

SOURCES:

Department of Commerce