

Individual State Agency Fiscal Note

Revised

Bill Number: 5301 SB	Title: Commerce housing programs	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost 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.

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Part II: Narrative Explanation

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

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

Section 1 updates household numbers from 120,000 to 150,000 and expenditure percentage of household income from over 30% to over 50%.

Section 2 removes requirements pertaining to the 2015-2017 biennium.

Section 3(5)(b) refines the wording for the requirements, directions and definitions for how assistance should be distributed and increases the administrative cap on compliance and monitoring activities from “up to 0.25%” to “up to 0.4%” of affordable housing programs.

Section 4 refines the wording for the requirements and directions for how assistance should be distributed. Sunset dates in the rules were removed to allow the programs to continue.

Section 5 removes the requirement to report to the broker's trust account board.

Section 6 removes the restriction from receiving funds from capital bonds proceeds. This section also adds more parameters to increase the accessibility to the assistance this bill allows.

Section 7 is the legislature’s declaration regarding the need for an affordable housing program.

Section 8 updates the definitions of terms used in the bill.

Section 9 adds wording to change developing affordable housing to developing and preserving affordable housing.

Section 10 updates the RCW referenced and added wording to specify the minimum length of time affordable housing must remain affordable housing.

Section 11 directs the department to monitor portfolio activities, and exempts personal identifying information from copying and inspection under section 12.

Section 12 exempts personal identifying information

Section 13 authorizes the department to make competitive awards to portfolio projects in need of repairs and preservation.

Section 14 directs the department to report data on its awards, and collect final development costs on project.

Section 15 updates the RCW referenced in this section.

Section 16 updates the RCW referenced in this section.

Section 17 updates the named agency from the department of community, trade and economic development to the department of commerce.

Section 18 updates the RCW referenced in this section.

Section 19 updates the RCW referenced in this section.

Section 20 updates the named agency from the department of community, trade and economic development to the department of commerce and the RCW referenced in this section.

Section 21 updates the RCW referenced in this section.

Section 22 updates the RCW referenced in this section.

Section 23 updates the named agency from the department of community, trade and economic development to the department of commerce and the RCW referenced in this section.

Section 24 updates the RCW referenced in this section.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

No cash receipts: This bill will not impact Housing Trust Fund loan repayment revenues.

Note: beginning with projects receiving funds from the 2021-23 capital budget, the department has no longer charged fees on its new contracts (1% for housing development and 1% for asset management).

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Impact of section 3(5)(b) increasing the cap on compliance and monitoring activities to 0.4% of the state investment in affordable housing programs. Operating expenditures at this time are indeterminate. The following is for illustrative purposes:

The Housing Trust Fund program uses operating funds to support two activities:

- (1) Administrative costs associated with portfolio compliance and monitoring activities that are necessary to maintain its affordable housing portfolio (“asset management”).
- (2) Community assistance activities which support the community via various contracts and grants and which are non-administrative in nature.

(1) The asset management staff are conducting compliance monitoring activities (such as desk reviews and site inspections, data collection and maintenance, and technical assistance for compliance) and conducting asset management activities (such as loan workouts, refinances, property sales or transfers, terminations, re-syndications) for over 1,400 long-term (40-50 years) contracts representing over 55,000 units of housing.

This bill increases the cap on administrative expenses associated with asset management and portfolio monitoring from “up to 0.25%” to “up to 0.4%”. The department will not exceed its actual administrative costs associated with compliance and monitoring activities that are necessary to maintain and ensure compliance within its affordable housing portfolio. Total expenditures depend on the size of the portfolio and will slightly increase as the portfolio continues to grow. The pace of such growth is determined by new projects being awarded and placed in service to serve the intended population.

Chronic staffing shortages have resulted in lower than anticipated asset management costs, keeping these costs to under 0.25% of the total portfolio in recent years. In future years, administrative expenses may slightly exceed 0.25% but are not anticipated to exceed the 0.4% threshold set in the bill. For example, if the portfolio doubles its size, asset management costs will also increase, but efficiencies of scale will be achieved (i.e., if the portfolio doubles in size the asset management costs will increase but not double).

For visualization purposes, the attached projections are provided. The planned asset management activities are anticipated to fall between 0.27% and 0.30% of the portfolio value, provided that the portfolio value increases by \$200 million by the beginning of FY24 and by another \$200 million by the beginning of FY25. These portfolio value predictions are estimates based on 125 new awards totaling \$375 million that the Housing Trust Fund recently made and is in current contract negotiations. An additional \$150+ million will be awarded to new projects (Rapid Capital, Homeownership, and Traditional wait-listed) in the next two months. All these new awarded projects are expected to be contracted and placed in service in the next 1-2 years.

Depending on the level of appropriations in the capital budget over the next several biennia, the speed at which projects are contracted and placed in service, and the resulting increase in asset management activities, the Housing Trust Account (Fund 532) may not be able to support asset management activities in the long-term. Fund 532 may not receive sufficient loan repayment revenues to cover the department’s asset management expenses in future biennia, however, this is not likely to occur in the 2023-2025 biennium.

(2) The community assistance is not included in the percent calculation for the asset management cap, but is included in the department’s operating budget authority. The anticipated expenses are shown in the attached table. They will support:

- Development and maintenance of the Web Based Annual Reporting System, in which Housing Trust Fund portfolio projects report their compliance data every year. WBARS’s costs are shared with the Housing Finance Commission, and together the two state agencies provide full access to multiple other public funders (e.g., Seattle, King County, Spokane County, Snohomish County, Tacoma, ARCH) at no cost to them or the property owners.
- A grant to Chelan County to offset its operation and maintenance costs for operating Monitor Park, a seasonal farmworker trailer camp. Commerce owns the trailers; the county owns the land.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

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

III. B - Expenditures by Object Or Purpose

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

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals 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

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

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

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Capital expenditures, including the portion for program administration at this time are indeterminate. The Housing Trust Fund will use up to 3% of the capital budget appropriation for its administrative costs associated with application, distribution, and project development activities (aka “Housing Development” activities). Following the current statutes, rules, regulations, and guidelines governing the Housing Trust Fund, the department’s anticipated housing development activities assume 150-175 new contracts would result from an estimated \$400 Mil. capital budget appropriation in the 2023-25 biennium.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Asset Management (Operating Budget)					23-25 Total
	FY22 Actuals	FY23 Actuals + Projected*	FY24	FY25	
FTE	15.01	18.90	25.25	27.25	26.3
Salary	1,131,208	1,478,277	2,124,737	2,290,529	4,415,266
Benefit	379,318	518,782	726,902	784,076	1,510,978
Prof. Svc. Contracts	39,120	70,000	250,000	25,000	275,000
Good & Services	291,874	204,024	416,079	441,157	857,236
Equipment	3,545	14,377	28,000	10,000	38,000
Travel	8,927	27,053	29,000	35,000	64,000
Grants	19,000	-	-	-	-
Indirect	498,413	615,405	938,189	1,011,545	1,949,734
Total	2,371,405	2,927,918	4,512,907	4,597,307	9,110,214

Community Assistance (Operating Budget)					23-25 Total
	FY22 Actuals	FY23 Actuals + Projected	FY24	FY25	
FTE	0.1	-	-	-	-
Salary	7,394	-	-	-	-
Benefit	2,394	-	-	-	-
Prof. Svc. Contr	769,291	738,587	500,000	500,000	1,000,000
Good & Service	2,531	-	-	-	-
Equipment	-	-	-	-	-
Travel	-	-	-	-	-
Grants	90,611	171,637	150,000	150,000	300,000
Indirect	3,279	-	-	-	-
Total	875,500	910,224	650,000	650,000	1,300,000

Housing Development (Capital Budget)					23-25 Total
	FY22 Actuals	FY23 Actuals + Projected	FY24**	FY25**	
FTE	16.89	27.83	34.25	34.25	34.3
Salary	1,249,277	1,907,014	2,839,711	2,839,711	5,679,422
Benefit	411,504	683,419	979,202	979,202	1,958,404
Prof. Svc. Contracts	-	900,000	1,000,000	1,000,000	2,000,000
Good & Services	179,436	221,819	529,471	529,471	1,058,942
Equipment	19,213	7,905	28,000	-	28,000
Travel	1,057	16,734	17,000	17,000	34,000
Grants	19,125	-	-	-	-
Indirect	511,621	852,252	1,256,422	1,256,422	2,512,844
Total	2,391,233	4,589,143	6,649,806	6,621,806	13,271,612

	Actual	FY24 Estimated	FY25 Estimated	FY26 Estimated	FY27 Estimated
Portfolio value at start of FY23	\$ 1,325,837,624				
Awards from 2021-23 bien. NOT contracted as of 7/1/23 (\$375 + 150M)		\$ 200,000,000	\$ 200,000,000	\$ 125,000,000	
Future awards from 2023-25 biennium (\$400M)		\$ -	\$ -	\$ 200,000,000	\$ 200,000,000
Estimated Portfolio Value	\$ 1,325,837,624	\$ 1,525,837,624	\$ 1,725,837,624	\$ 2,050,837,624	\$ 2,250,837,624
AM as % of portfolio	0.22%	0.30%	0.27%	n/a	n/a

*Under Asset Management, FY23 Projected FTEs are 24 FTE (filled positions) on June 30, 2023. 18.8 FTEs represents the average for the FY.
** Under Housing Development, FY24 and FY25 FTE estimates are based on a \$400 Mil. capital budget appropriation for 2023-25 biennium.