

Washington State Must Pass a Capital Budget as Soon as Possible.

There are grave consequences from the Washington State Legislature not passing a biennial Capital Budget during the 2017 legislative session, directly impacting the many Washington households in dire need of safe, healthy and affordable homes.

Households in rural Washington and in other communities lacking local resources are particularly impacted, as are extremely low-income households and individuals experiencing homelessness. The deadline to apply for federal low-income tax credits is looming, and time is of the essence in order to ensure that affordable housing projects planning to serve these populations can succeed. Passing the budget as soon as possible in the 2018 state legislative session will help mitigate the impact.

“There is a wait list of 150-175 youth and young adults who are currently homeless and on the street. Every day/month the budget is delayed means those youth continue to wait, experience trauma and will negatively impact Snohomish County by delaying crucial services necessary to our most vulnerable community members.” - Joe Alonzo, CEO, Cocoon House

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Background

The 2017 legislative session drew to an end on July 20th, 2017 without the passage of a biennial Capital Budget. The House of Representatives had passed a bipartisan Capital Budget on July 1st and sent it over to the Senate for passage. EHB 1075/Tharinger passed with 92 yes, 1 no, 5 excused. This budget, which was agreed upon by budget writers in both chambers after months of negotiations, included \$106.37 million for the Housing Trust Fund. Unfortunately, no senator was given an opportunity to vote on the budget bill because Senate Republican leadership refused to put the bill on the floor for a vote. This was the first time in Washington State history that the legislature failed to pass a biennial Capital Budget bill.

Washington's Capital Budget funds critical "bricks and mortar" projects across the state. Examples include affordable housing, shelters, rural home weatherization, food banks, senior and community centers, daycare facilities, accessibility improvements, energy efficiency improvements, environmental cleanup and habitat restoration. All these projects and more contribute to the ability of our state to ensure that everyone has the opportunity to live in safe, healthy, affordable communities with accessible, clean and vibrant public facilities. The lack of a 2017 Capital Budget most profoundly impacts Washington's lowest income households and rural Washington. If you are low-income and live in rural Washington the impact is compounded.

Rural Washington Impact

Most of Washington's rural communities don't have local resources for affordable housing and therefore rely more heavily on state capital investments. They can't use local funds to make up for a lack of state dollars. This is also true for some urban communities, including Tacoma/Pierce County and Everett/Snohomish County. Affordable housing projects in these areas of the state are at high risk of failing if the state doesn't pass the Capital Budget.

Additionally, many low-income rural Washington homeowners are in need of weatherization investments in order to ensure that their homes are safe and able to hold up to the more extreme weather that central and eastern Washington faces. The House passed Capital Budget bill included important weatherization and energy

investments, including \$5 million for the new Rural Low-Income Home Rehabilitation Revolving Loan Program created in 2017 by ESB 5647/Honeyford.

“The delay in funding the Capital Budget has severely reduced Okanogan County Community Action Council’s ability to protect the elders and families with small children who needed weatherization assistance. The Matchmaker program, funded in the negotiated Capital Budget, is a vital link preserving existing low-income homeownership and affordable housing countywide, while stemming the tide of increasing homelessness. Without repairs, simply turning up the heat for low-income families may not result in any additional warmth and often robs resources for other needs like food and medicine. Weatherization saves families dollars that could go back into the economy while protecting their health and preserving their homes. This program leveraged 4 times its funding to also repair homes through an additional grant. The actual dollars spent on homes provided jobs for contractors and revenue for local building supply firms are being lost. These are the unintended consequences of delaying critical funding for many of our states rural communities who do not have other resources to fill the void left by indecision. I urge the legislature to not leave our most vulnerable elders and small children out in the cold.” - Lael Duncan, Executive Director, Okanogan County Community Action Council

Impact on Washington’s Ability to End Homelessness

Affordable housing projects require an average of five funding sources in order to be viable. The two central funding sources are the Washington State Housing Trust Fund and the Low Income Housing Tax Credits distributed by the Washington State Department of Commerce, and the Washington State Housing Finance Commission, respectively. Affordable homes intended to serve our lowest-income households aren’t feasible without these two key funding sources, mainly because they will not have a rental income stream sufficient to pay off private debt.

Permanent Supportive Housing (PSH) projects are particularly at risk, which is concerning given the unprecedented numbers of people struggling to survive unsheltered homelessness. PSH is a housing and services model that connects people with disabilities who are experiencing chronic homelessness to affordable housing and to health services. This housing model has been proven to result in a significant return

on investment to the state that is greater than the cost of providing the housing and supportive services.

The impact on Permanent Supportive Housing threatens to also impact the state's ability to fully leverage federal Medicaid dollars slated for Permanent Supportive Housing services. This is a key component of the Medicaid Transformation Demonstration, which is a rare opportunity for Washington to benefit from increasingly scarce federal investments in homelessness. These investments will transform lives while saving the state money and could allow our state to bring PSH to scale if capital investments are made. The House passed Capital Budget included \$24.37 million specifically for PSH.

"Catholic Charities Housing Services has been working hard to build much needed Permanent Supportive Housing for Homeless Families with Children and other low income households in Wenatchee. This is an area of the state that is seeing skyrocketing rents and a surging need for affordable housing as evidenced by a 0.5% vacancy rate. This environment makes it extremely challenging for households of all income levels to obtain housing. This development would provide 80 households a safe, healthy and affordable home, but without a Housing Trust Fund this project is at risk of not being able to move forward. Further, we also need the Low Income Housing Tax Credits which is a struggle given our application won't be able to show an otherwise complete financing structure in time for the January tax credit due date. Please, pass a Capital Budget as soon as possible so this project which has been three years in the making can move forward for the people of Wenatchee." - Bryan Ketcham, Director, Catholic Charities Housing Services

If the Capital Budget isn't passed by early January, affordable housing projects reliant on tax-credits will be at risk.

The Low-Income Housing Tax Credit (LIHTC) is a significant source of financing for affordable multifamily housing in Washington State. It is used in cooperation with many other public funding sources, including the Washington State Housing Trust Fund. The housing tax credit is allocated each year by the Washington State Housing Finance

Commission, which conducts an annual competitive process to determine which housing projects receive the credit.

Housing tax credits are required to be the last-approved funding source in a housing project. Projects must be otherwise fully funded at the time of application for the credit. The funding schedule is coordinated between all public funders with local and state Housing Trust Fund applications rounds held in the fall, and with Low-Income Housing Tax Credit applications due in January. This schedule also takes full advantage of the building season so projects can start breaking ground in the year of allocation.

By law, tax-credit housing must be placed in service within 2 years of allocation (meaning that the doors are open and ready for people to move in). The later that tax credits are allocated in the year, the shorter the time frame for development and the higher the risk of losing the credits and not meeting the placed-in-service date. To date, Washington State has always successfully allocated all of its credit by May of each year. This has made the state eligible to receive additional federal resources from the national pool.

In sum, if a Capital Budget isn't passed as early as possible, affordable housing for our lowest-income neighbors and affordable housing in rural Washington will be gravely impacted.

Messages to Lawmakers from Affordable Housing Developers

"Lack of State funding will impact rural areas most, and the Non Metro LIHTC funds may go to for profit projects with much less affordability if the nonprofits cannot get State funds this year." [Non-metro LIHTC refers to Low Income Housing Tax Credit dependent projects outside of King, Clark, Pierce, Snohomish, Spokane, Whatcom Counties]

"The Housing Trust Fund and other Commerce Capital programs have in incredible impact on our communities. When we apply for these funds we are supposed to demonstrate readiness to proceed. When funding is uncertain, this puts us at risk of spending money on predevelopment for projects that can't proceed. This then impacts whether or not we apply for other local funds or low income housing tax credits."

“Every day that capital projects are not allowed to proceed, substantial increase in project cost is incurred, regardless of what is being built. You need to weigh the increase cost of inaction with your political leanings and attach a dollar cost. This is tax payer money and I do not like to see it wasted, because waste and bad decision making translates into increase taxes.”

“Winter is coming - we're talking about winter 2018-2019 when affordable housing projects from 2017 HTF round should be completed.”

“Please fund the capital budget as soon as possible. There are people without homes and decent shelter all across the state. Delaying the capital budget allocation only increases the length of time people will be homeless and increases the amount of cost to public funders to address the crisis.”

“Our organization and community continues to feel the pressure of the housing crisis in the King County area - the most recent Point in Time count found more than 11,000 people living without adequate shelter in the King County region. This delay in determining the budget leaves all those without shelter in their current situation for even longer amounts of time.”

“Pass the Capital Budget now. Without it, the loss of potential build-ready affordable housing developments will occur.”

Appendix: Housing Trust Fund Stage Two Applicants and Application Information

In August, 2017 the Washington State Department of Commerce announced that they were soliciting “stage two” applications for state Housing Trust Fund dollars. State two applications are expected to represent projects that are further along in the development process. Often the stage two applications are ready to go, but for state funds and low-income housing tax credit funds. Commerce’s announcement explained their decision to move forward with the stage two applications, despite the lack of a Capital Budget:

Aug. 8, 2017

Commerce Solicits Applications for Projects that Create Affordable Housing Units

OLYMPIA, WA – Today, Washington State Department of Commerce’s Housing Finance Unit published a statewide solicitation for applications proposing new affordable housing projects through the Washington State Housing Trust Fund (HTF) and two small federal programs: HOME and National Housing Trust Fund. Commerce has no state funds to award at this time because state legislators have not yet passed a capital budget. The solicitation was issued to acknowledge the need for affordable housing developers and other public funding entities to continue planning.

In many cases, HTF dollars are a critical part of a project’s financing that allow projects to move forward. A relatively small investment from the HTF can be multiplied as many as 15 times – or more – by providing security private investors need to support a project.

Once the Legislature passes a capital budget, Commerce wants to be able to act quickly to allow projects needing HTF funds to secure commitments from other local and private sources, including the low-income housing tax credits needed by many of these projects. To make responsible decisions, Commerce needs to maintain as much as possible its proven funding cycle timeline.

“The affordability of housing is currently the largest controllable threat to Washington’s economy and our quality of life.” said agency director Brian Bonlender. “With escalating housing costs driven by demand outpacing supply, our Housing Trust Fund is all the more important to provide affordable housing options for some. We need a capital budget passed quickly so we can continue to do this important work,” he said.

On October 19th, 2017 the Department of Commerce announced their stage two applications:

The Washington State Department of Commerce (Commerce) has received 76 Stage 2 applications to the State Housing Trust Fund (HTF) for affordable housing projects across the state, as follows:

57 applications for multifamily rental projects requesting a total of \$120,659,028, proposing to develop 2,876 affordable housing units and 502 beds, and

19 applications for single-family homeownership projects requesting a total of \$8,395,100, proposing to create 210 homes for low-income first-time homebuyers.

The proposed projects intend to serve a wide variety of low-income and special needs populations, including persons with chronic mental illnesses, persons with disabilities, veterans, seniors, homeless families with children, homeless youth, and farmworkers.

The list of Stage 2 applications received can be viewed by navigating to the "[Applying to the Housing Trust Fund](#)" webpage on Commerce's website, or by simply clicking [here](#).

As of today's date, a Capital Budget has not been passed by the Legislature, with the consequence that Commerce remains in the position of not having funding available to make awards. We will nevertheless proceed with preliminary review of the applications received, with the intent of being positioned to act quickly when funds become available. In the absence of a Capital Budget, and given that Commerce temporarily suspended its requirement of applicants to provide third-party studies containing information critical to making final decisions, Commerce will not be publishing any lists of preliminary rankings or award decisions.

When a Capital Budget is passed and enacted, and funds therefore made available, Commerce will initiate an "update" period. At that time, applicants will be invited to submit—in the least amount of time practicable—the necessary third-party studies, along with any additional information needed or required by the budget. Should timelines prove difficult, Commerce reserves the right to discuss options with applicants.

Department of Commerce Stage Two Housing Trust Fund Application Timeline

Stage 2 Housing Trust Fund Applications Solicited	August 8, 2017
Stage 2 Applications Due	October 9, 2017, by 5:00 p.m.
List of Stage 2 Applications Received Published on Commerce's HTF Website	October 23, 2017
Final Funding Decisions and Awards	To be determined after a 2017-2019 Capital Budget is passed by the Legislature and enacted by the Governor. Note that no final funding decisions or awards will be made for any state HTF funds unless and until a 2017-2019 Capital Budget is passed by the Legislature and enacted by the Governor.

Department of Commerce Information Regarding Stage Two Applications Received

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