

Deep Dive into State Funding for the Housing Trust Fund & State Policy Impacting the Cost of Building Affordable Homes.



Welcome to today's Zoom webinar!

- Due to the large number of registrations, everyone will be muted today.
- You can ask questions via the live chat or Q&A options. Ask questions throughout or save them for the end.
- If you have problems with the platform, we will try to help. Use the live chat to share any tech issues.

Deep Dive into State Funding for the Housing Trust Fund and State Policy Impacting the Cost of Building Affordable Homes.



Today's agenda

- Zoom technical tips
- 2019 Housing Trust Fund investments
- Overview of HB 1923/Fitzgibbon
- Overview of HB 1743/Ormsby
- Question and Answers

The Housing Trust Fund



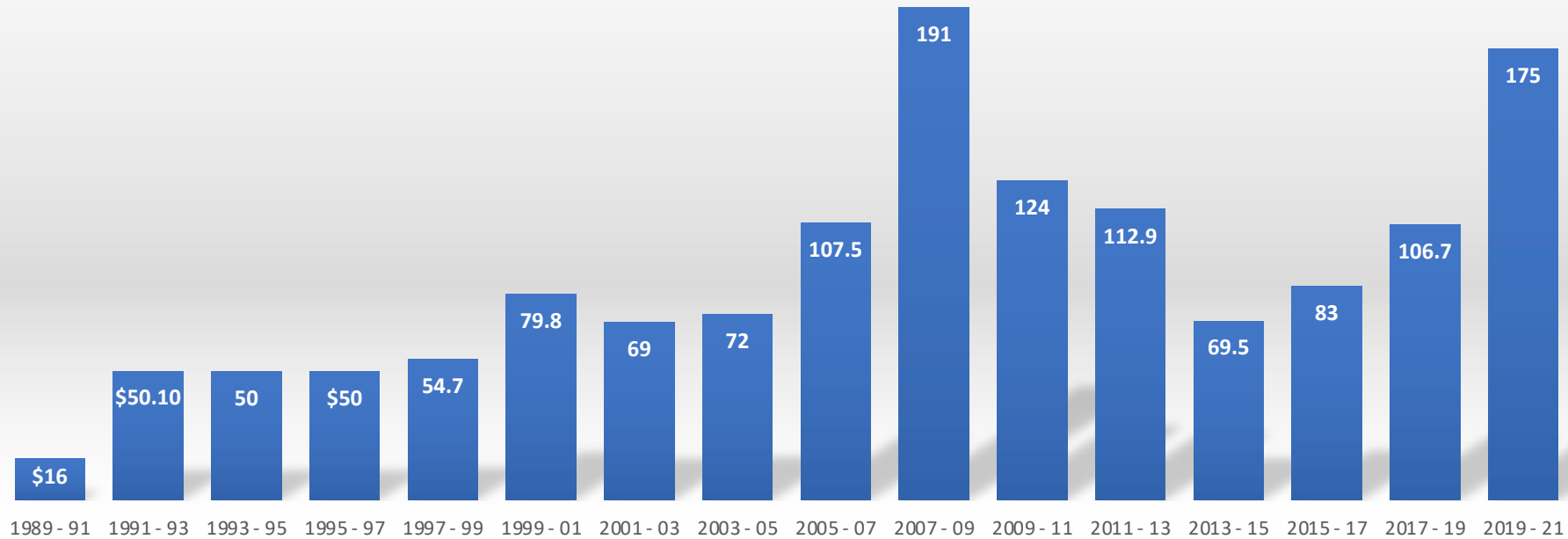
Quick overview:

- The Housing Trust Fund is funded through the state's Capital Budget.
- The funds are administered by the Department of Commerce and are used to build affordable housing across the state.
- The Housing Trust Fund is the most important investment that Washington State makes in safe, healthy, and affordable homes.
- This year's \$175 million investment is the largest biennial budget investment for the HTF in state history.

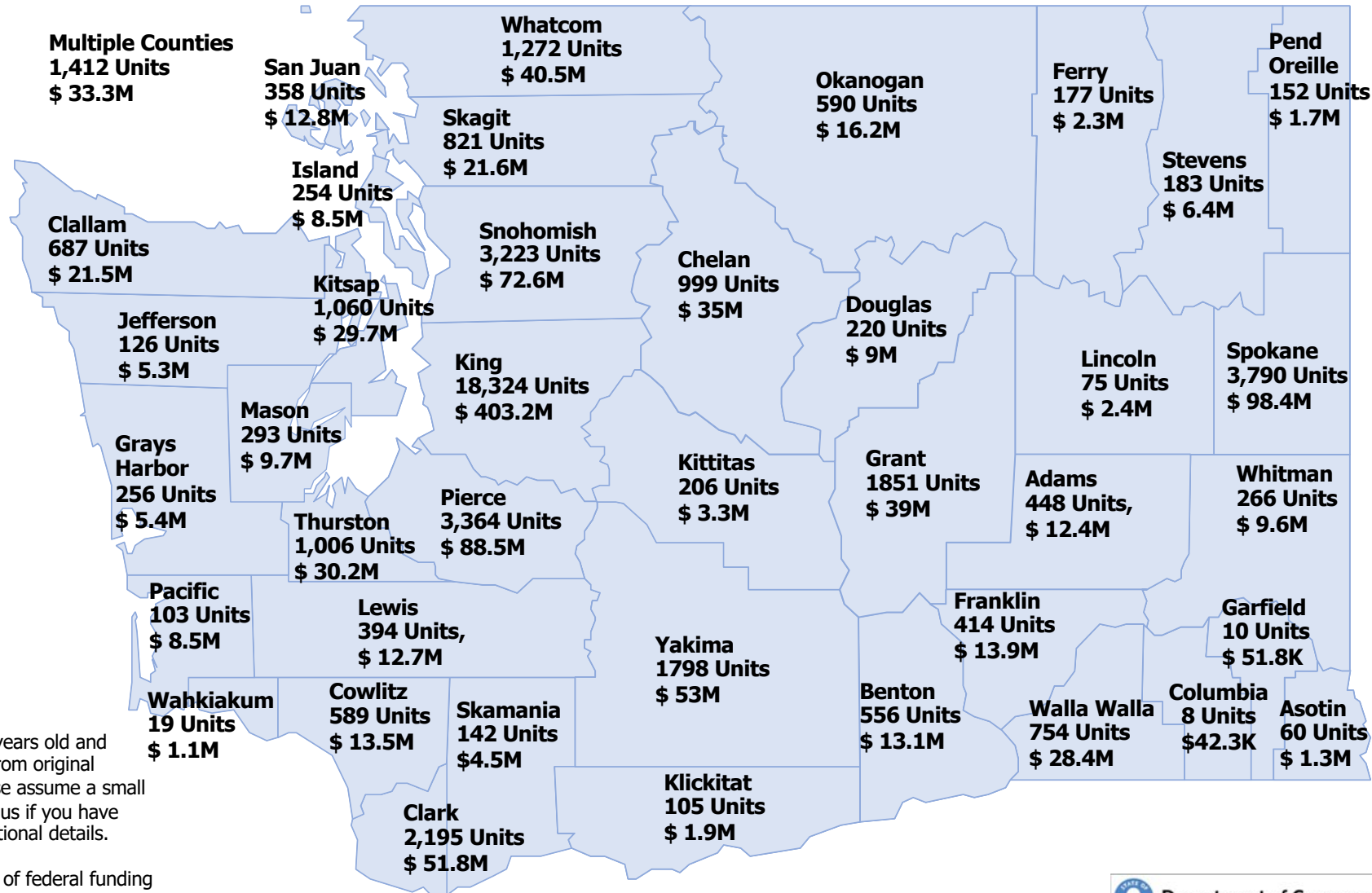
The Housing Trust Fund



Capital Budget Appropriations for the
State Housing Trust Fund (in millions)



Housing Finance Unit Investments: 1989-2018



Note: The portfolio is 30+ years old and some of the data is drawn from original applications/contracts. Please assume a small margin of error and contact us if you have questions or would like additional details.

*Totals include \$130 million of federal funding from HOME & National Housing Trust Fund

The Housing Trust Fund



2019/2021 Capital Budget (HB 1102) Housing Trust Fund Appropriation

\$175 million is split between buckets and direct earmarks, with \$37.05 million generally for low-income and special needs populations.

- \$35 million is solely for Permanent Supportive Housing
- \$10 million is solely for modular housing
- \$10 million is solely for a state match on private contributions for the production or preservations of affordable housing.
- \$10 million is solely for housing preservation grants or loans.
- \$7 million is solely for loans or grants to design and construct ultra-high energy efficient affordable housing projects.
- \$45.95 million is earmarked for specific housing projects.

The Housing Trust Fund



- \$57.05 is solely for affordable housing projects that serve and benefit low-income and special needs populations:
 - i) \$5 million is solely for housing for veterans,
 - ii) \$5 million is solely for housing serving people with developmental disabilities,
 - iii) \$5 million is solely for housing that serves people employed as farmworkers,
 - iv) \$5 million is solely for housing projects that benefit homeownership.
- \$37.05 million is left in this category, not tied to any specific bucket or project other than for “low-income and special needs populations.”

Special thanks to the many people who came to Olympia to testify on the Capital Budget this year!





HB 1102 CAPITAL BUDGET 2019-2021
HEARING



HB 1102 CAPITAL BUDGET 2019-2021
CYNTHIA STEWART
LEAGUE OF WOMEN VOTERS OF WASHINGTON
HOUSE CAPITAL BUDGET COMMITTEE



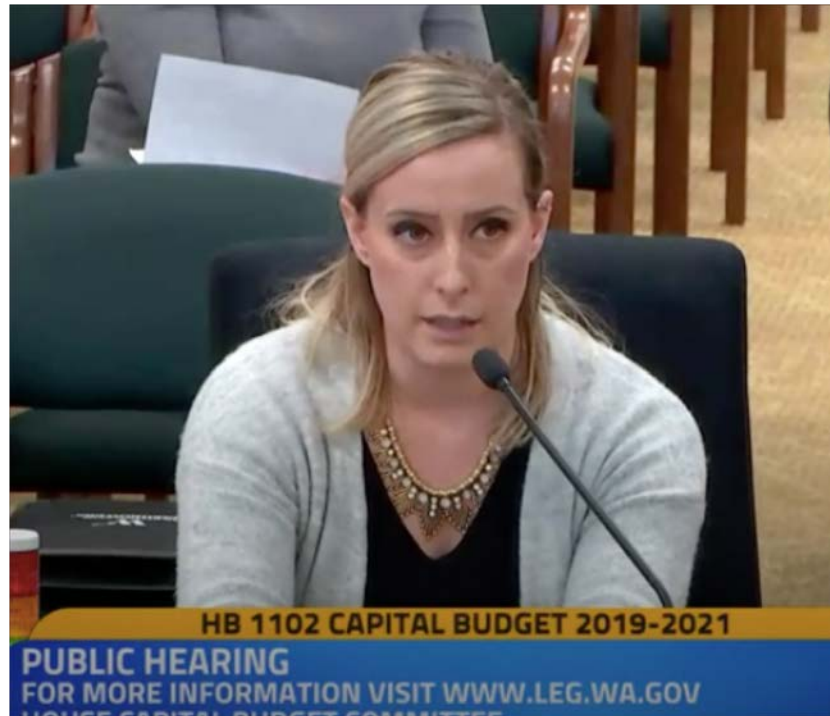
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CAREY MORRIS
WA STATE COALITION AGAINST DOMESTIC VIOLENCE
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HB 1102 CAPITAL BUDGET 2019-2021
JEFF DELUCA
WA STATE COMMUNITY ACTION PARTNERSHIP
HOUSE CAPITAL BUDGET COMMITTEE

Impediments & Cost Drivers of building affordable homes



Quick overview:

- HB 1743/Ormsby adjusts the prevailing wage rate methodology for affordable housing, domestic violence and homeless shelters, and weatherization programs.
- HB 1923/Fitzgibbon addresses cost drivers and impediments. Prevents cities from requiring parking if housing is for seniors or people with disabilities.
- HB 1923/Fitzgibbon also establishes a permanent fund source for the operations and maintenance costs of permanent supportive housing and affordable housing for very low income households.

HB 1923/Fitzgibbon



Big picture:

- Balances the density and supply side conversation with an emphasis on affordable housing, including permanent supportive housing. This is critical to prevent gentrification and displacement.
- Negotiations involved a broad range of interests including affordable housing and environmental stakeholders, for-profit developers, realtors, state agencies, and cities.
- Housing Alliance work was informed by our survey in summer of 2018 on impediments and cost-drivers of affordable housing.

HB 1923 regulates parking requirements


HB 1923 Removes Barriers to Building Affordable Housing

Posted April 16, 2019 - 4:27pm

Bill Rumpf, President of Mercy Housing Northwest

*Mercy Housing Northwest is a nonprofit affordable housing developer operating throughout Washington. Bill Rumpf recently presented in a **work session** for the Senate Housing Stability and Affordability Committee on the impediments to building affordable housing.*

As a nonprofit housing developer, I'm often asked how we can speed up the timeline or lower the cost of creating much-needed affordable homes. The reality is it can be difficult when operating under tight restraints. Local policies are a key factor in this, and **HB 1923/Fitzgibbon** represents an opportunity to spur more affordable housing by removing some of the key impediments and increasing local government planning capacity.



Parking requirements are costly, often unnecessary and use up land that would be better used for housing.

*“Municipalities don't realize that structured parking is SO expensive so the more onsite parking that is required, it just eats away at your developable land. And if you don't get additional height and density to compensate, you have a **REALLY inefficient project with higher expenses per unit.**” - Housing Alliance survey respondent*

HB 1923/Fitzgibbon



Key sections for affordable housing:

- **Housing Action Plan, Section 1 (2)**
Cities planning under the Growth Management Act may adopt a housing action plan which will include strategies to encourage construction of additional affordable and market rate housing.
- A city seeking to develop a housing action plan is eligible to apply for a planning grant of up to \$100,000.

HB 1923/Fitzgibbon



A Housing Action Plan must:

- Quantify existing and projected housing needs for all income levels, including extremely low-income households,
- Include strategies to increase the supply of housing where a need is identified,
- Consider strategies to minimize displacement of low-income residents,
- Review & evaluate the current housing element in the city's comp plan,
- Provide for participation and input from certain sectors including nonprofit housing advocates and,
- Include a schedule of actions to implement the recommendations in the plan.

HB 1923/Fitzgibbon



Key sections for affordable housing:

- Section 2: Adds definitions for affordable housing, permanent supportive housing, extremely low-income household, very low-income household and low-income household.
- Section 3: Requires the Washington Center for Real Estate Research at the University of Washington to produce a report every two years that compiles housing supply and affordability metrics for each city planning under RCW 36.70A.040 with a population of 10,000 or more, and requires them to collaborate with the WSHFC to set metrics relevant to assessing housing supply and affordability for all income segments, including the percentage of cost-burdened households

HB 1923/Fitzgibbon



Key sections for affordable housing:

- Section 5: Restricts parking requirements that cities can impose on affordable housing.
 - For housing units that are affordable to very-low income or extremely low-income individuals and that are located near transit, minimum residential parking requirements may be no greater than one parking space per bedroom or .75 space per unit.
 - For housing units that are specifically for seniors or people with disabilities that are located near transit, a city may not impose minimum residential parking requirements for the residents of such housing units, although they may require parking for staff and visitors, or may require minimum parking requirements if the city otherwise finds certain problems with on-street parking.

HB 1923/Fitzgibbon



Transit proximity means:

Housing units that are located within one-quarter mile of a transit stop that receives transit service at least four times per hour for twelve or more hours per day.

HB 1923/Fitzgibbon



Key sections for affordable housing:

- Sections 9 and 10 specify that a city may not prohibit permanent supportive housing in areas where multifamily housing is permitted.
- Section 11 establishes a new two dollar and fifty cent document recording fee to be used as follows:
 - Until June 30, 2024 funds will be used for planning grants for cities,
 - Beginning July 1, 2024 sufficient funds must be used for the University of Washington's reports (required under this act) and the remainder must be deposited into the Home Security Fund to be used for the maintenance and operation costs of permanent supportive housing and affordable housing for very-low and extremely-low income households.
 - Funds may only be expended in cities that have taken action under section 1 of this act.

HB 1743/Ormsby



Quick overview:

- HB 1743/Ormsby adjusts the prevailing wage rate methodology for affordable housing, domestic violence and homeless shelters, and weatherization programs.
- This was required because SB 5493, which passed in 2018, changed the methodology for commercial prevailing wage rates and unintentionally included residential rates.

HB 1743/Ormsby



Key components:

- Included an emergency clause and went into effect April 17th, 2019.
- Established an interim methodology in order to correct wages immediately. These will be in effect until L&I is able to implement the permanent methodology.
- The permanent methodology is going back to the wage and hour surveys which were in place before SB 5493.
- L&I estimates that they will be able to publish new wage rates based on the wage and hour surveys near February of 2020.

HB 1743/Ormsby



Key components:

- The new methodologies only apply to residential prevailing wages rates for affordable housing, homeless and domestic violence shelters, low-income weatherization and home rehabilitation programs.
- Fixes a long-term problem of on-site offices for service delivery or community rooms causing the entire affordable housing project to be considered commercial rather than residential. The bill specifically includes those under the residential definition.
- Includes homeless and domestic violence shelters under the definition of residential construction.

HB 1743/Ormsby



New definition of residential construction

- “Residential construction” means construction, alteration, repair..... In the following categories:
 - (i) Affordable housing, including permanent supportive housing and transitional housing, which may include common spaces, community rooms, recreational spaces, a management office, or offices for the purposes of service delivery;
 - (ii) Weatherization and home rehabilitation programs for low-income households; and
 - (iii) Homeless shelters and domestic violence shelters.
- “Residential construction” does not include the utilities construction, such as water and sewer lines, or work on streets, or work on other structures unrelated to the housing.

HB 1743/Ormsby



L&I published the interim rates on May 3rd and they are effective for projects bid on or after June 3rd. Residential rates for each trade are available at <https://fortress.wa.gov/lni/wagelookup/>

Publication Correction Notification

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State of Washington
Department of Labor & Industries
Prevailing Wage Section - Telephone 360-902-5335
PO Box 44540, Olympia, WA 98504-4540

Washington State Prevailing Wage

The PREVAILING WAGES listed here include both the hourly wage rate and the hourly rate of fringe benefits. On public works projects, workers' wage and benefit rates must add to not less than this total. A brief description of overtime calculation requirements are provided on the [Benefit Code Key](#).

Wage rate corrections to multiple Residential trades throughout Washington.

Changes to the journey level wages also impact apprentice wages. Use the [apprentice wage rates lookup page](#).

Publish Date: 5/4/2019

Effective Date: 6/3/2019

[Back](#)

HB 1743/Ormsby



Interim methodology

- HB 1743 returns the residential prevailing wage to the pre-SB 5493 wage and adjusts them with an inflation factor. The inflation increase is justified because many wages had not been adjusted for years.
- The inflation factor is based on the United States Bureau of Labor Statistics' state and area employment, hours and earning estimates.
- The percentage change is based on the inflation factor between the last time the wage was updated and 2019.

HB 1743/Ormsby



Permanent methodology

- HB 1743 returns the residential prevailing wage to the pre-SB 5493 wage determination methodology of wage and hour surveys.
- L&I will now be required to update the wages with new surveys each 5 years.
- If L&I determines that there is insufficient data from surveys to determine the prevailing rate of pay, they must employ other methods to determine the rates. This addresses concerns about scenarios in which a limited number of surveys are turned in.
- It is a good idea for affordable housing developers to encourage or require your contractors to answer the L&I surveys. This will help ensure accurate information is transmitted to L&I.

HB 1743/Ormsby



Additional resources:

- Prevailing wage rates
<https://fortress.wa.gov/lni/wagelookup/>
- When do prevailing wage rates apply to affordable housing? Housing Trust Fund Handbook:
<https://deptofcommerce.app.box.com/s/f89ytc0qtime7dl6wpqke5h2zl1jwzlm>
- Prevailing Wage laws RCW 39.12
<https://app.leg.wa.gov/rcw/default.aspx?cite=39.12>

Questions?

Implementation



- We must make use of the HTF appropriation. As one key staffer noted, “If you can use the whole \$175 million in this budget cycle, it could become the new normal level of appropriation.”
- Work with your cities to get them to do the Housing Action Plan included in HB 1923.
- Meet with your lawmakers during the interim to educate and motivate! The Housing Alliance can help!

What's next for 2020?



- Housing Alliance listening tours during the interim! We will be in touch to hear from you!
- Meet with your lawmakers during the interim to educate and motivate! The Housing Alliance can help!
- Watch up for upcoming webinars and federal action alerts
- Watch for an important action opposing the proposed HUD rule that will separate or evict families if any member doesn't have certain documentation.
- Save the date for the annual Conference on Ending Homelessness November 6 – 7th in Spokane!