



Department of Commerce
Innovation is in our nature.

2016 Supplemental Budget

Capital

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STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

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October 5, 2015

David Schumacher
Director
Office of Financial Management
Post Office Box 43113
Olympia, WA 98504-3113

Dear David:

On behalf of the Department of Commerce, I am pleased to present the 2015 Capital Budget Supplemental request. In putting together our proposals, we have been mindful of the limited funding available. However, within these constraints we are putting forward a set of budget and legislative packages that align with Governor Inslee's priorities under Results Washington. These proposals would move the state ahead by helping communities grow by improving jobs and provide critical services to businesses and local governments.

Thank you in advance for your consideration of our proposals. We look forward to working with the Governor and the OFM team as you put together the statewide budget recommendation.

Sincerely,

Brian Bonlender
Director

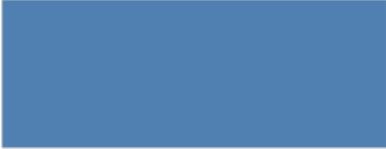


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Agency Budget Request Decision Package Summary

(Lists only the agency Performance Level budget decision packages, in priority order)

Agency: 103 Department of Commerce

Description

Starting Fiscal Year: 2016

Budget Period: 2015-17

Agency Priority: 1

Capital	
Decision Package	
Project Number	<u>Decision Package Title</u>

30000854	Public Works Board Emergency Funding Response Initiative
30000838	Weatherization Matchmaker Program
30000837	Housing Trust Fund Portfolio Preservation

103 - Department of Commerce
Capital Project Request
2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:34PM

Project Number: 30000854

Project Title: Public Works Board's Emergency Funding Response Initiative

Project Summary

Emergency Loan Funding (EFRI): Washington State is experiencing simultaneous catastrophic natural disasters from drought and wildfires. These disasters result in displaced residents, damaged local infrastructure and adverse effects to natural resources. Local governments often do not have sufficient resources or immediate access to state or federal funds to address the scope of these catastrophic natural disasters. This request would provide critical funding to assist communities that are in need of both bridge funding and direct resources, addressing multiple critical needs in the wake of the devastating fires this past summer. It will also support these same communities and others with potential flooding that normally follow fires due to the loss of ground cover and vegetation.

Project Description

What is the proposed project?

Provide a low-interest or interest free fund source to local governments to use to rebuild, repair, and/or restore infrastructure destroyed or incapacitated through unanticipated natural events. The Public Works Board's EFRI will provide the bridge funding for those projects that are either too large for the existing emergency funding programs, or are not covered by existing funding programs. These loans can be authorized on an as-needed basis rather than waiting for annual, or biennial funding cycles. Projects that meet these examples include public buildings and communities with a population greater than 10,000. Most local governments do not have robust natural disaster reserve accounts. The combined disasters of wildfire, drought, and landslides, have resulted in unprecedented demand for emergency funding sources. This initiative will help meet these demands.

What opportunity or problem is driving this request?

Approximately 1 million acres of Washington have burned, so far, in 2015. The Okanogan, Chelan, and Kettle Complex fires are still burning as are many others (Source: Incident Information System). All of Washington has been designated as a drought disaster area by the USDA (Source: www.USDA.gov). There is limited emergency funding available to meet public health and safety needs. That assistance, however, is targeted to extremely small and/or extremely financially disadvantaged communities. There is either lack of funding or insufficient funding for communities facing multiple replacements of systems and buildings simultaneously. This would also help resolve the issue with the timing of the disbursement of federal funds.

Also, there is no funding for publicly owned infrastructure needing repair or replacement due to natural disaster when the end user of the infrastructure is primarily a business or industry. This lack of emergency funding resources to support Washington's businesses creates the possibility of these businesses relocating permanently to other states.

How does the project support the agency and statewide results (Results Commerce and Results WA)?

EFRI supports Results Washington's goals of a Prosperous Economy and Healthy and Safe Communities. EFRI promotes a prosperous economy by offering fast, secure access to funding for the rebuilding and restoration of publicly owned infrastructure destroyed by natural disasters. Without water, electricity, roadways, and waste management, our state's businesses cannot operate and our economy suffers. It is key for the success of our economy to ensure that the unforeseen catastrophes caused by natural disasters are mitigated as soon as possible so as to cause the least amount of disruption. Also, EFRI supports healthy and safe communities by providing funding to quickly restore the community services that are necessary for public health and safety: drinking water, wastewater treatment, transportation, energy, fire protection, law enforcement, and other public facilities.

EFRI promotes Commerce's Key Goals of Reliable and Sustainable Infrastructure, Growing Economies, and Vibrant Communities. It does this by providing key financial resources that will enable our communities return to normal operations as soon as possible after suffering a natural disaster.

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2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:34PM

Project Number: 30000854

Project Title: Public Works Board's Emergency Funding Response Initiative

Project Class: Grant

Description

What are the specific benefits of this project?

The initiative would provide the bridge funding for those projects in response to natural disasters that are either too large for the existing emergency funding programs, or are not covered by existing funding.

How will clients be affected and services change if this project is funded?

Local governments will continue to maximize the use of existing programs. This initiative will act as the "bridge" funding source providing funding that is not otherwise available. The large scale nature of the disasters facing our communities demands a comprehensive rebuilding strategy. The need is too great to approach each system individually. Communities have a unique opportunity in addressing the effects of natural disasters: the ability to tackle multiple issues at once in order to both save money and gain on economies of scale. Communities can partner with their neighboring governments and their counties to coordinate resource usage: both human and material resources.

EFRI can provide resources to support these projects, and Public Works Board and department staff can capitalize on well-established technical assistance and relationships to help these communities come together and move forward in the rebuilding process.

How will other state programs or units of government be affected if this project is funded?

There are currently not enough funds available to meet the broad range of need brought about by wildfire and drought; let alone the needs that will arise in the event of large scale landslides. Existing funding at the state level focuses on small, impoverished communities. This initiative would allow those capable of repaying a loan access to a funding source, thus freeing resources for the small communities that cannot afford an interest free loan. This funding will also be used to address those needs not covered by existing programs, such as public facilities and public projects that will mainly benefit a business or industry.

The Department of Health's Drinking Water Assistance program has approximately \$ 1.8 million available to loan in \$100,000 increments to water systems with less than 10,000 people – this would fund approximately 18 projects at the maximum loan amount.

[Source:

<http://www.doh.wa.gov/CommunityandEnvironment/DrinkingWater/WaterSystemAssistance/DrinkingWaterStateRevolvingFundDWSRF/EmergencyLoanProgram>] EFRI would complement the Drinking Water program by providing an additional resource tool for needy communities.

The Department of Ecology has \$16 million available in grants for local governments who can provide a 50% funding match, unless fiscally disadvantaged, in order to secure public drinking water supplies, livestock and agricultural irrigation, and to protect fish and wildlife. Most local governments do not have sufficient disaster reserve accounts to meet the 50% match requirement for a large scale project, such as if their entire water system was wiped out through fire.

The Community Development Block Grant Imminent Threat grant program has limited funding available to serve as a temporary hold while funding for a permanent fix is secured. EFRI funding would serve as the source for the permanent fix.

The US Department of Agriculture – Rural Development, the Rural Community Assistance Corporation, and Evergreen Rural Water of Washington all have limited small-scale emergency loan or grant funding programs. These programs are extremely small in scale and are generally limited to public health and safety threats. EFRI would complement these programs as well, by maximizing the use of these federal dollars.

Lastly, the Federal Emergency Management Agency (FEMA) has a Public Assistance Grant program that provides assistance to the state, tribal, local governments, and some private nonprofit organizations for communities to recover from major disasters. EFRI would act as bridge funding for local communities until the FEMA funding is released. The department and the Public Works Board have an existing policy covering the recapture of loan proceeds in the event that FEMA provides funding to the local government for the same issue. This policy is based on 43.155.065 RCW.

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Capital Project Request
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Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:34PM

Project Number: 30000854

Project Title: Public Works Board's Emergency Funding Response Initiative

Project Class: Grant

Description

What is the impact on the state operating budget?

None. Fund 355 money cannot be used for operations. The Public Works Board has served Washington local governments since 1985. Until 2010, the Public Works Board offered emergency loans to local governments on a monthly basis. The publications, framework, databases, and policies surrounding the effective issuance and management of an emergency loan program will require minor updating and can be done within existing staff and material resources.

Why is this best option or alternative?

Washington has a number of programs offered by the state or federal governments to address the routine repair, replacement, installation, and improvements of various infrastructure systems. While these programs have developed over the years, the amount of funding for emergencies has remained very small and the timing of fund disbursements are not flexible to meet imminent demands.

In the response above, impacts to other programs if this initiative is funded, the other state, federal, and private funding sources for emergency infrastructure needs are identified. The Public Works Board EFRI program will fill gaps that existing programs do not cover. While there are a lot of programs to help with water and wastewater challenges, there are very few that cover non-water related issues, and none that assist local governments with infrastructure damaged by an emergency when the infrastructure will primarily benefit business and industry. Available and limited resources are being used now to address the summer issues. Looking to the future, there will be emergencies that arise in the winter as a direct result of fire damage (landslides, groundwater contamination, etc.) as well as drought (flooding, groundwater contamination, land movement due to lowered aquifer levels, etc.)

What is the agency's proposed funding strategy for the project?

The department and the Public Works Board propose funding for this package to come from Fund 355, State Taxable Building Construction Account.

Location

City: Statewide

County: Statewide

Legislative District: 098

Project Type

Grants

Grant Recipient Organization: Recipients will be determined through a competitive process.**RCW that establishes grant:** N/A**Application process used**

The Public Works Board will accept monthly application submissions for funding; the funding program will be developed to maximize the use of federal funds and minimize challenges local governments face when addressing large scale disaster recovery. Technical assistance by existing board staff will be key to the success of this program.

Growth Management impacts

None.

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Capital Project Request
2015-17 Biennium**

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:34PM

Project Number: 30000854

Project Title: Public Works Board's Emergency Funding Response Initiative

Project Class: Grant

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reappropriations	New Appropriations
057-1	State Bldg Constr-State	60,000,000				12,000,000
355-1	St. Bld Const Acct-State	40,000,000				8,000,000
	Total	100,000,000	0	0	0	20,000,000

		Future Fiscal Periods			
		2017-19	2019-21	2021-23	2023-25
057-1	State Bldg Constr-State	12,000,000	12,000,000	12,000,000	12,000,000
355-1	St. Bld Const Acct-State	8,000,000	8,000,000	8,000,000	8,000,000
	Total	20,000,000	20,000,000	20,000,000	20,000,000

Operating Impacts

No Operating Impact

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Capital Project Request
 2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:40PM

Project Number: 30000838

Project Title: Weatherization Matchmaker Program

Project Class: Grant

Description

Starting Fiscal Year: 2016

Agency Priority: 2

Project Summary

The Weatherization Matchmaker Program (Matchmaker Program) represents an intelligent, statewide investment in clean energy and affordable housing. The Matchmaker Program matches funds and resources from utilities, rental owners, and other sources dollar-for-dollar to provide local energy efficiency improvements. The requested funding exceeds available match and will incentivize additional investment and new funding partnerships. This creates prevailing wage construction jobs, reduces home utility bills and improves Washington's energy security. The Matchmaker Program extends the useful life of affordable housing stock by improving a home's building envelope, energy efficiency, health, and safety. Many of our state's most vulnerable people—including seniors, families with young children, people with disabilities, and veterans—live in deteriorating, energy inefficient, and unhealthy housing. The Matchmaker Program helps create healthy, efficient homes where families grow and age in place, reducing the risk of absences from schools and jobs or trips to the emergency room associated with unhealthy living conditions.

Project Description

What is the proposed project?

The department is requesting an additional \$5 million to continue the Matchmaker Program's statewide investment in clean energy and affordable housing. At this time, the department estimates investment will leverage approximately \$5 million in private utility funding for a total investment of \$10 million. Full funding will encourage a full dollar-for-dollar match. In Washington, more than 250,000 households live under the federal poverty level. Many live in energy inefficient and unhealthy housing, facing high energy and medical bills as well as absences from work and school.

With \$10 million invested, the Matchmaker Program will improve the energy efficiency, health, and safety of approximately 1,433 low-income households living in energy inefficient and unhealthy housing. Based on annual evaluations, the Weatherization program's historical average cost per unit is \$6,070. The units estimated to be completed using Matchmaker funds account for 13 percent in administrative costs (three percent for the Department of Commerce and ten percent for local agencies). After subtracting administrative costs, the remaining funds are divided by the per-unit average to determine the number of units to be funded by the program ($\$10,000,000 \times 0.87$)/\$6,070 per unit = 1,433 units.

What opportunity or problem is driving this request?

The enactment of the Healthy Housing Bill (HB 1720) in 2015 expanded eligible activities for the Matchmaker Program to include lead hazard control, remediation of asthma triggers, reduction in exposure to radon and other toxic chemicals and prevention of injuries caused by dilapidated housing. This additional funding will allow the state to fully implement HB 1720 and better leverage the U.S. Dept. of Energy Weatherization Plus Health Initiative by integrating healthy housing activities with weatherization. Each biennium the Matchmaker Program leverages \$18-20 million in utility and other matching fund sources for low-income weatherization.

The capital funds available do not fully leverage potential funding from private utilities each biennium, leaving these valuable resources untapped. The additional state funding will allow the department to fully leverage local public resources and private investments from utilities and other private sources and create new incentives for these entities to increase their funding. Without the state's investment, the number of housing units preserved and weatherized will be reduced substantially across the state. The lack of state investment in weatherization will reduce utility investments in energy efficient retrofits, which has proven to be an effective means for Washington to invest in rapid growth of the state's "clean tech economy."

The flexibility of the Matchmaker Program adds value by maximizing a local agency's ability to customize the delivery of services for each home in order to save energy, increase health and safety and preserve affordable housing as circumstances require. Matchmaker Program funding is a vital four-way partnership among state, federal, local agencies, and private utilities that creates and sustains jobs, saves energy, reduces bills, and improves health and safety. Weatherization has proven to be a cost-effective means to reduce utility bills and energy consumption, helping move low-income and vulnerable families to self-sufficiency.

Capital Project Request

2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:40PM

Project Number: 30000838

Project Title: Weatherization Matchmaker Program

Project Class: Grant

Description

Additional capital funding for the Matchmaker Program will sustain jobs, as well as enable the state to fulfill more of the need to upgrade and preserve low-income housing through energy conservation and repair measures. These energy-efficiency improvements meet the economic, environmental, and social needs of citizens by saving energy, reducing low-income household's utility costs, improving sustainability, and lowering the ongoing operating costs of weatherized homes over the long term.

How does the project support the agency and statewide results (Results Commerce and Results WA)?

The Matchmaker Program supports the Governor's Results Washington Goal 3 by prioritizing Sustainable and Clean Energy through energy efficient buildings. In addition, the program supports Healthy and Safe Communities by improving Stability and Self-Sufficiency by reducing low-income household utility bills and preserving affordable housing. Reducing the utility-related cost burden for low/moderate income households improves quality of life and supports the creation of Vibrant Communities. The program also supports Commerce's key goal of Vibrant Communities and contributes toward achieving three outcomes: Build and Maintain Local Capacity, Equitable Resources for Disadvantaged Areas and Populations, and a Decreased Carbon Footprint.

What are the specific benefits of this project?

The Matchmaker Program directly encourages job growth and economic development by weatherizing low-income households. The total Matchmaker investment of \$5 million plus \$5 million in leverage would fund approximately 1,433 units (\$8.7M/\$6,070 per unit), with 40 jobs created, according to OFM's forecasting model estimates. Commerce's American Recovery and Reinvestment Act of 2009 (ARRA) job reporting showed one job created per \$96,000 in funding. At the ARRA jobs calculation rate, this project will create approximately 104 jobs.

In addition, this project will preserve affordable housing stock and reduce energy costs for approximately 1,433 households through weatherization improvements, which include energy efficiency, health, safety, and durability measures. Commerce allocates the appropriation statewide, serving a broad spectrum of vulnerable Washington households including families with young children, farm workers, seniors, individuals with special needs, and homes with high energy use or a high energy burden.

How will clients be affected and services change if this project is funded?

Approximately 1,433 additional households will receive weatherization program benefits. Services will not change.

How will other state programs or units of government be affected if this project is funded?

Commerce will maintain an administrative and compliance role in the program, however the bulk of Matchmaker Program funds pass through to local agencies administering the program. Local agencies grant Matchmaker Program weatherization funding to eligible households who receive upgrades and repairs from trained and certified contractors and staff.

What is the impact on the state operating budget?

A state investment of \$5 million will increase state tax revenue by approximately \$348,550.

$(\$5,000,000 \times 0.065) = \$325,000$ in state sales tax generated

$(\$5,000,000 \times 0.00471) = \$23,550$ in state B&O tax generated

There is no operating impact to Commerce.

Why is this the best option or alternative?

Funding the Matchmaker Program creates clean technology jobs and improves the homes of Washington's most vulnerable people. The design of the Matchmaker Program utilizes existing partnerships and delivery systems to minimize costs, leveraging both federal weatherization funding and match from local utility partners. The program facilitates the preservation of affordable housing, balancing the needs of multiple funders to save energy, increase health and safety and preserve housing through cost-effective repairs.

What is the agency's proposed funding strategy for the project?

The department proposes that funding for this package come from Fund 057, State Taxable Building Construction Account.

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Capital Project Request
2015-17 Biennium**

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:40PM

Project Number: 30000838

Project Title: Weatherization Matchmaker Program

Project Class: Grant

Description

Location

City: Statewide

County: Statewide

Legislative District: 098

Project Type

Grants

Grant Recipient Organization: Various

RCW that establishes grant: 70.164

Application process used

Funds will be distributed as grants. \$5 million in Matchmaker funds will generate leveraged funds from utilities and other private partners. Grants will be provided to 25 community-based nonprofit agencies that have the technical expertise to make cost-effective energy conservation improvements to qualifying low income households statewide.

Growth Management impacts

None.

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reapprops	New Approps
057-1	State Bldg Constr-State	57,000,000				5,000,000
	Total	57,000,000	0	0	0	5,000,000
			Future Fiscal Periods			
			2017-19	2019-21	2021-23	2023-25
057-1	State Bldg Constr-State	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
	Total	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000

Operating Impacts

No Operating Impact

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Capital Project Request
 2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:45PM

Project Number: 30000837

Project Title: Housing Trust Fund Portfolio Preservation Program

Project Class: Grant

Description

Starting Fiscal Year: 2016

Agency Priority: 3

Project Summary

Since 1989, the Housing Trust Fund (HTF) has invested more than \$1 billion in the development of more than 42,000 units of affordable housing. Projects are required to remain affordable to the target population for 40 years. Due to the extremely low incomes of households served, projects may not generate sufficient cash flow to cover major capital improvements and system replacements that become necessary as buildings age. Preserving more existing affordable housing is one of many efforts that potentially help mitigate homelessness and the displacement of vulnerable families and adults. The department is requesting \$10 million to create a program to support the preservation of existing HTF projects that are at risk due to critical capital needs.

Project Description

Project description:

What is the proposed project?

The department requests \$10 million for the HTF Portfolio Preservation Program. The program will provide support to existing HTF projects that require additional public investment in order to remain viable for the remainder of their contract term. Funding priorities and criteria will be established for the allocation of funds. At a minimum, applicants will be required to develop a portfolio preservation plan for their affordable housing properties and demonstrate sufficient capacity to effectively implement the plan. Availability of funds will be contingent on the accomplishment of identified benchmarks and milestones. Funds are expected to be expended in Fiscal Year 2017, with an ongoing need in future years as well.

What opportunity or problem is driving this request?

Recent capital budget provisions limit HTF funding to a specific list of new project types or target populations identified by the Legislature with the sole purpose of adding additional units to the housing stock. Applying those capital funds to re-investment in existing HTF projects has not been allowed. As a result, the HTF does not have funds available to address the emergent capital needs of existing projects in the HTF portfolio. Affordable housing needs to be recapitalized periodically and does not have the same degree of access to private capital that market-rate housing enjoys.

The HTF portfolio consists of more than 1,300 projects, with more than 42,000 units statewide. Projects are contractually required to remain affordable to the target population for 40 years or longer. One third of existing HTF projects, approximately 430 developments, are more than 20 years old and will require some degree of rehabilitation within the next five years. With roughly 70 percent of HTF units occupied by households with incomes below 30 percent of area median income, many projects are unable to generate sufficient cash flow to adequately fund replacement reserves and pay for major capital improvements. Reductions in federal rent and operating subsidies have further reduced the cash flow of many projects. Without adequate resources for ongoing operations and maintenance, major repairs, and system upgrades, the long term viability of many HTF projects is at risk. The viability of non-profit housing providers may also be jeopardized as project costs place an increasing financial strain on these organizations.

How does the project support the agency and statewide results (Results Commerce and Results WA)?

This request supports the Governor's Results Washington Goal 4: Healthy and Safe Communities by helping the most vulnerable people become independent and self-sufficient. Affordable housing also promotes Goal 2: Prosperous Economy by generating quality jobs and creating vibrant communities. To date, the HTF has invested more than \$1 billion statewide in 1,300 projects. The portfolio of 42,000 units consists of multi-family residences, shelters and farmworker sites that provide access to safe and affordable housing to an estimated 70,000 households per year. The HTF has a responsibility to ensure units are preserved and appropriately maintained throughout the 40 year term of commitment.

The availability of safe, decent, affordable housing helps protect vulnerable families and individuals, attract businesses, and generate revenue for the local economy. Additionally, access to stable housing has been shown to improve job stability, increase educational attainment and reduce health problems.

What are the specific benefits of this project?

The Portfolio Preservation Program directly supports job growth by generating construction activity through the rehabilitation of affordable housing projects. With \$10 million in requested funding, the Housing Trust Fund Portfolio Preservation Program will

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Capital Project Request
2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:45PM

Project Number: 30000837

Project Title: Housing Trust Fund Portfolio Preservation Program

Project Class: Grant

Description

support an estimated 430 jobs in the construction industry. This estimate is based on data from a 2009 National Association of Home Builders report. These assumptions and calculations used to arrive at the job creation estimate, as well as other economic outcomes, are included in the attached HTF Rehab Jobs Calculator. Per OFM's forecasting model, jobs created are estimated to 85 in FY17. With \$10 million in requested funding, state investments of \$10,000 per unit will be used to protect approximately 50 projects supporting 1,000 units of affordable housing that are at least 20 years old and have substantial unmet capital needs.

The program will seek housing preservation solutions utilizing loans and grants. Loan awards are necessary to provide the opportunity for projects seeking Low Income Housing Tax Credits to leverage HTF funding with private investor dollars for recapitalizing projects. Such transactions are debt driven and require a loan structure from the HTF to help boost the losses that private investors are seeking. Recent HTF awards for new projects have typically leveraged \$2-3 dollars in private equity for every HTF dollar lent. Grant awards are necessary for HTF projects that cannot support the debt required for a Tax Credit transaction or otherwise lack local funding alternatives. Such projects typically serve the most vulnerable populations and/or are located in rural communities.

How will clients be affected and services change if this project is funded?

Through the preservation of existing units, low income households will be able to remain in affordable housing and not be displaced. Nonprofit housing providers will be better equipped to maintain their affordable housing portfolios over the long term, ensuring that units remain available and affordable to very low income households.

How will other state programs or units of government be affected if this project is funded?

Other public funders at the local, state, and federal level have also recognized the growing need to sustain their affordable housing portfolios. There is mounting tension between the need to invest limited resources to develop new units or preserve existing units. The HTF will coordinate with other public funders to target resources in a strategic manner that will maximize resources and achieve the greatest long term return on investment while addressing local priorities. Local jurisdictions will benefit from the preservation of units, since this will reduce the need for new development and will prevent low income households from potentially being displaced and becoming homeless. Agencies such as the Departments of Social and Health Services, Veterans Affairs, and Health will also benefit in that their clients will continue to have access to housing and services, providing greater stability to those clients and reducing strain on the limited resources of those agencies

What is the impact on the state operating budget?

The HTF Portfolio Preservation Program will increase state tax revenues by an estimated \$432,000, making more funds available for the state operating budget. This investment will also generate an estimated \$2.94 million in revenue to local governments through construction related activities. The assumptions and calculations used to arrive at these estimates are included in the attached HTF Rehab Jobs Calculator. There is no operating impact to the Department of Commerce.

Why is this best option or alternative?

The HTF portfolio of low income housing stock is in jeopardy. The preservation of existing units is more cost effective than developing new ones. Preservation also reduces the impact on low income households by preventing their displacement. The HTF Portfolio Preservation Program will have established preferences and criteria that ensure long term benefits for these investments. The HTF is a proven program with a reputation for making effective funding decisions that prioritize serving households with the greatest needs. In addition, The HTF program coordinates with other funders to maximize available resources and to address local, state, and federal priorities. Without a dedicated source of funds to address this growing need, the risk of losing projects from the affordable housing portfolio will continue to grow.

What is the agency's proposed funding strategy for the project?

The department proposes \$5 million in funding for this package come from Fund 355, State Taxable Building Construction to allow loan awards for the opportunity to leverage private equity. An additional \$5 million in funding from Fund 057 State Building Construction is proposed to fund grant awards to protect the housing of the state's most vulnerable populations.

Location

City: Statewide

County: Statewide

Legislative District: 098

**103 - Department of Commerce
Capital Project Request
2015-17 Biennium**

Version: C1 FY16 Supplemental Request

Report Number: CBS002

Date Run: 10/6/2015 1:45PM

Project Number: 30000837

Project Title: Housing Trust Fund Portfolio Preservation Program

Project Class: Grant

Description

Project Type

Grants

Grant Recipient Organization: Recipients will be determined through a competitive process.

RCW that establishes grant: RCW 43.185 and 43.185A

Application process used

Recipients will be determined through a competitive process of Grant and Loan Applications. At a minimum, applicants will be required to develop a portfolio preservation plan for their affordable housing properties and demonstrate sufficient capacity to effectively implement the plan. Availability of funds will be contingent on the accomplishment of identified benchmarks and milestones. Loans will be awarded from Fund 355 to projects that can support debt and serve household AMIs ranging from 50-80%. Such a loan can typically leverage \$2-3 dollars in private funding for each HTF dollar lent. Grants will be awarded from Fund 057 to projects that cannot support debt and/or serve household AMIs below 50%.

Growth Management impacts

None.

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reapprops	New Approps
057-1	State Bldg Constr-State	25,000,000				5,000,000
355-1	St. Bld Const Acct-State	25,000,000				5,000,000
532-1	Wa Housing Trst Ac-State					
	Total	50,000,000	0	0	0	10,000,000
Future Fiscal Periods						
		2017-19	2019-21	2021-23	2023-25	
057-1	State Bldg Constr-State	5,000,000	5,000,000	5,000,000	5,000,000	
355-1	St. Bld Const Acct-State	5,000,000	5,000,000	5,000,000	5,000,000	
532-1	Wa Housing Trst Ac-State					
	Total	10,000,000	10,000,000	10,000,000	10,000,000	

Operating Impacts

Ten Year Fund Summary by Project Class
2015-17 Biennium

Version: C1 FY16 Supplemental Request

Report Number: CBS011

Date Run: 10/6/2015 3:19PM

<u>Appropriated Funds \ Agency</u>			<u>Estimated Total</u>	<u>Prior and Current Expenditures</u>	<u>Reapprop 2015-17</u>	<u>New Approp 2015-17</u>	<u>Estimated 2017-19</u>	<u>Estimated 2019-21</u>	<u>Estimated 2021-23</u>	<u>Estimated 2023-25</u>
Project Class: Grant - State										
057-1	State Bldg Constr	State	142,000,000			22,000,000	30,000,000	30,000,000	30,000,000	30,000,000
355-1	St. Bld Const Acct	State	65,000,000			13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Project Class: Grant - State Total			207,000,000			35,000,000	43,000,000	43,000,000	43,000,000	43,000,000
Agency Account Summary										
057-1	State Bldg Constr	State	142,000,000			22,000,000	30,000,000	30,000,000	30,000,000	30,000,000
355-1	St. Bld Const Acct	State	65,000,000			13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
	Version Total		207,000,000			35,000,000	43,000,000	43,000,000	43,000,000	43,000,000