



State of Washington

AFFORDABLE HOUSING ADVISORY BOARD

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Faith Pettis
Board Chair

Peter Orser
Residential Construction Industry

Shannon Affholter
Residential Construction Industry

Bryan Friend
Mortgage Lending Industry

Michael O'Rourke
Mortgage Lending Industry

Vijya Patel
Real Estate Sales Profession

Connie Devaney
Apartment Management & Operation
Industry

Joel Ing
For-Profit Housing Development

Kevin Grossman
For-Profit Rental Housing

Tory Laughlin Taylor
Non-Profit Housing Development

Paula Lonergan
Homeless Shelter Operations

Shaw Seaman
Special Needs Populations

Joe Ingram
Low Income Housing

Mike Adolfae
At-Large/General Public

Christina Pegg
Public Housing Authorities

Obie O'Brien
Counties, Eastern WA

Andree Harland
Counties, Western WA

Teresa Overhauser
Cities, Eastern WA

Lauren Walker
Cities, Western WA

David Stillman
Ex-Officio, Dept. of Social & Health
Services

Kim Herman
Ex-Officio, Housing Finance Commission

Diane Klontz
Ex-Officio, Dept. of Commerce

BOARD MEETING SUMMARY

Tuesday January 26 2015, 1:00pm to 3:00pm

Department of Commerce

ATTENDANCE

M.A. Leonard, Lauren Walker, Shannon Affholter, Shaw Seaman, Vijya Patel, Tory Laughlin Taylor, Christina Pegg, Bryan Friend, Michael O'Rourke, Paula Wallace Lonergan, Joseph Ingram, Joel Ing, Obie DJ O'Brien, Andree Harland, Diane Klontz

COMMERCE STAFF

Cary Retlin, Corina Grigoras, Tedd Kelleher, Graham Parrington, Meredith Randell.

GUESTS

Rich Zwicker, Housing Finance Commission
Theresa Slusher, DSHS Economic Services Administration
Faith Pettis, Pacifica Law Group
Jeanette McKague, Washington REALTORS
Michele Thomas, Washington Low Income Housing Alliance
Robin Koskey, City of Seattle
Madeline Cavazos, Representative McBride's Office

INTRODUCTIONS

MA Leonard

M.A. Leonard was introduced as the recently appointed as the board Chair of AHAB. She was appointed by the Governor in January, 2016. M.A. acknowledged that she is excited to join the Board and looking forward to currently reaching out to board members to get their perspectives on issues that AHAB should be addressing.

This was the last meeting for Bryan Friend, Joe Ingram, and Lauren Walker. They were acknowledged and thanked for their participation and contribution to improving housing affordability in the State.

Michael Adolfae and Kevin Grossman, who are also recently completed their terms on AHAB, were not present at the meeting, but were acknowledged and thanked for their participation.

Faith Pettis provided a brief update, pointing out that the main activity was appointment of the new Chair, and expressing her excitement about M.A.'s leadership and the connections she brings to the Board. Faith and Tedd Kelleher

recently spoke at a Housing Finance Commission meeting and discussed housing needs in Washington and the needs study, and how they correlate with upcoming bills this session. The Needs study-gave an overview translating to AHAB needs, and discussion of the bills that are coming forward.

LEGISLATIVE SESSION 2016

MICHELLE THOMAS

Michelle presented two bills to the board: a bill to prohibit discrimination based on renters source of income; and supplemental funding for the Trust Fund.

The first discussion was about a bill introduced last legislative session. Senator Miloscia has decided to champion this bill again this session. What this bill would do is make it illegal for a landlord to categorially deny an applicant based on the use of a subsidy or un-earned income to help pay their rent. Many cities have enacted this in their areas, but the intent is to enact it throughout the state. The bill had a hearing last week with all participants weighing in as pro except for one person that signed in with concerns. It is under the Residential Tenant Act; there is no fiscal note on it. Enforcement provisions in the bill are: trouble damages, attorney fees, and court costs. Michelle said in order to get through the Senate, she anticipates removing damage provisions, but attorney fees will stay in. This is an important provision in the bill because many people facing the discrimination are extremely low income, and should a situation arise that requires representation, they will need to have assistance with legal fees available. This bill would make it illegal to run ads that say “no Section 8.” The bill does not protect applicants from being rejected because of past rental history, credit history, or evictions. The Governor’s supplemental capital budget proposal created two new programs to speak to the concerns of housing quality inspections and repairs, and potential damages from Section 8 tenants.

First, the Rapid housing improvement fund is a fund where landlords could draw upon it to use to pay for the repairs. The benefit/exchange is that they are earmarking the unit for Section 8 tenants for a certain period of time and

The other program is the Mitigation Fund. Landlords could draw from it in the scenario that a tenant caused damage to a property beyond what they could pay for in repairs.

The Trust Fund:

The Trust fund is the mechanism for the state to invest in affordable housing. This year we are asking for another \$10 million investment in the supplemental capital budget. The Governor’s overall capital budget allows for \$11.5 million this year. This is an unprecedented percentage. The capacity of the capital budget is \$115 million, so the Governor is allowing for close to 10% to go to affordable housing. We would like \$10 million to go towards the Trust Fund. Because it is a supplemental year, it is assumed that the \$10 million would be added to the existing proviso. This \$10 million will build about 280 additional homes. This is needed to reach the goal of 2400 homes that the proviso asked Commerce to fund with the original allocation.

An important thing to note is that the Trust Fund builds homes that are affordable for 40 years. Providing affordable, permanent homes is far less expensive than rental assistance.

Questions:

There was discussion regarding Section 8 tenants and data showing that those tenants are worse than other tenants. Michelle said that there is no data to substantiate claims that Section 8 tenants have worse track records than other tenants.

Shannon Affholter asked how you define discrimination. Michelle said landlords are required to state their criteria. If the landlord can prove something in a reference check didn’t meet their criteria- it would be alright to deny occupancy to that applicant.

Chris Pegg asked how the trust fund is shaping up this year. Michelle said it is a tough year budget wise and that advocacy is desperately needed. Cuts are anticipated to many things, so it is very important to be persistent and discuss the need. The Alliance is hoping to secure something close to \$10 million. The board motioned and voted in favor to support the Trust Fund with the quest to get an additional \$10 million.

The board motioned and voted in favor to support the income discrimination bill.

ROBIN KOSKEY:

HB 2544 and SB6239:

Robin discussed the Preservation Tax Exemption bill at the last AHAB meeting in December. Since then, quite a bit of work has been done. This is a tax exemption to be used in the private market, primarily aimed at slightly older buildings. It is a 15 year tax exemption in exchange for a landlord exempting at least 25% of their units for at 50-60% Area Median Income (AMI). There is a lot of flexibility in the design of the bill to adapt to local communities state-wide, not just Seattle. Both bills are waiting to be passed to the financial committees in their respective houses. Changes made to date as the bills have evolved, include:

- Counties now have the ability to opt-in. So if a community adopts the program, they will need to go to the county to ask permission to exempt the county's portion of the taxes.
- In response to some property owner concern regarding language about housing quality standards, a sentence was added to the bill stating that if there is an existing inspection program that is similar to the inspection specifications referenced in the bill, then they can use that program.
- There is a portion that allows for a waiver of some housing quality standards that do not impact the health or safety of tenants. Language was added to clarify that waiver may only to apply to items specifically enumerated in a rehabilitation plan, and not all housing quality standards. The intent of the waiver is to allow property owners to use the financial resources from the tax exemption to make building repairs, instead of raising rents to generate income to make repairs. The waiver is voluntary - cities may opt to require landlords to make repairs before the tax exemption is granted. .

The bills have received broad support from property developers, property owners, and non-profit organizations.

Shannon Affholter asked if Robin could explain what the average homeowner would pay. Robin said it was complex, particularly based on a statewide basis, because it is dependent on several factors, including the number of units to be developed and assessed property values in the particular community. Based on calculations done for Seattle, the owner of a median priced home, or \$427K in Seattle, the cost in additional taxes would be \$12 per year to preserve 3,000 affordable units in Seattle.

Shannon Affholter pointed out that that the decrease in taxes for these owners would be absorbed by other property owners. Robin agreed, indicating that it is a shift in property taxes. The taxing jurisdictions still collect the same amount of taxes.

Paula Wallace Lonergan asked - if you live in the city, and the city decided to opt-in, if the county decides to also opt-in, would it be subject to everyone outside the city? Robin said the taxes for the county portion would be shifted over the entire county if the county decided to adopt it. In King County the shift would be about \$1 per year, if Seattle preserved 3,000 units.

Faith Pettis expressed her support for the bill. There are many apartment buildings that are being sold and the rents are raised, or sometimes the buildings are demolished, both of which lead to displacement of lower income tenants. This bill gives a benefit in exchange for stability.

Shannon Affholter inquired about the market for the program and the adequacy of the incentive. Robin said based on the research they have done, the city thinks it will be attractive enough for owners to participate. The flexibility each city would have will allow them to flex the program to local conditions, and changing market conditions. She thinks in other communities where the rents are not as high as

Seattle the program may also find it useful, particularly in communities with existing affordable housing with health and quality improvement needs, but that it will be their option to utilize this tool.

M.A. asked to motion.

Tory Laughlin Taylor - moved that AHAB endorse the bill.

Joel Ing- second.

Shaw Seaman indicated that he doesn't understand all the implications and is concerned that the shift would be to a majority of the homeowners that wouldn't be landlords, and that it mostly benefits investors, not landlords. He also asked about other areas beyond Seattle and the impacts of the tax shift.

Chris Pegg indicated she had some concern that the increasing rents are based on 2 year old data. The data does not accurately reflect what they are seeing in the affordable housing market. Voucher payments are too low and she is seeing a growing number of families with vouchers that are expiring because they cannot find rental units. They do not want to lose vouchers because of no availability of rentals that fall within the rent limits.

Lauren Walker said that in all likelihood, the tool would only initially be used in King County and that King County would be a good guinea pig, and that it may help with figure out how the tool can be used to get more affordable housing in other areas.

M.A. - called for a vote.

All were in favor but two.

There was one abstention.

FAITH PETTIS:

Rent Control

Although there is not a rent control proposal currently before the Legislature, but there has been talk about a bill being dropped, or about the City of Seattle supporting a measure that would change the state law to allow jurisdictions to impose rent control. Rent control is currently banned statewide. Although there has been a lot of discussion around this topic, nothing has come to fruition. Faith thought that with the ongoing discussions swirling around rent control, she should raise the issue with AHAB since it is a policy making board. AHAB should be knowledgeable about the different types of rent control proposals and the information that is available, so that the board is poised to take a position on rent control proposals if need be.

Faith provided the board with some handouts and literature about the subject. She also raised the question if it is time to do a study. Rent control is a hot topic, and while it is not anticipated to go anywhere with the current legislature, if introduced it could potentially detract from other bills that have more potential to move through. It is important, however, for the board to stay informed on the subject.

M.A. proposed that AHAB establish a policy committee this year, to review legislation in this session, and prepare for 2017. The goal would be to look comprehensively at issues and bills that can or could influence housing affordability. Even though it is a short session this year, there are several bills that revolve around housing and homelessness. Cary Retlin provided AHAB with a draft list of current bills affecting housing and homelessness. There are a few bills of which would be interest to the board:

SB 6518

This bill came up over the weekend. The bill would create a new Department of Housing. It would essentially take the Housing Trust Fund and the Housing Assistance Unit out of Commerce and begin a new department. Commerce is working on a fiscal note that is due Thursday, and they will be participating in any hearings or work sessions that come up.

Another bill that is in the works is SB 6422- the Affordable Housing for All bill. This bill will change reporting requirements in AHAB's statute, including requirements around reports. It also adds reporting responsibilities for counties, and adds requirements for collecting and analyzing data at Commerce. It is a

lengthy bill and Commerce is still working on a fiscal note for it. Commerce is also doing a full bill analysis, and will send it out to the board when it is done.

Faith said that this bill would change AHAB duties and responsibilities. For a volunteer advisory board, this bill would impose far too much work, and would require additional resources to implement. A very similar bill was introduced a number of years ago and did not go anywhere. This year Senator Miloscia is sponsoring the bill and it is hoped this it doesn't move forward. The fiscal note will help clarify the implications of this proposal.

TEDD KELLEHER 1115 WAIVER

Tedd explained the Medicaid Wavier, indicting it essentially involves asking the federal government for a waiver from the normal Medicaid rules. The goal of the pilot waiver is to demonstrate that there is a net reduction in spending of from Medicaid when housing with permanent supportive services is provided. Offering services and preventative care to high need/high risk people reduces the amount of hospital visits that Medicaid ends up paying in the long run.

The waiver starts in April and then we have 5 years to get 3000 people that are living outside into the program. At the end of 5 years they hope to show the cost savings and the program will be implemented on a permanent basis.

BOARD BUSINESS

M.A. asked if everyone had a chance to look at the proposed meeting dates and locations and if there were major conflicts. Corina Grigoras pointed out that the October PAT and AHAB meetings were proposed for the same day and asked about coordination of the two. The board agreed that the March and July dates look good and agreed on those dates, and staff will come back with recommendations for the full schedule. Cary Retlin will send out the revised proposed dates to the board.

Vacancies and Re-appointments were discussed. Current vacancies include:

- Washington Association of Cities
- At-large, general public
- Low income person- may be a consumer (present or past)
- For-profit rental association
- Home mortgage lending profession

M.A. indicated that she has gathered quite a few recommendations, but she encouraged the board to reach out to people and send her their recommendations. She also encouraged the Board to think about how to include perspectives that may be underrepresented.

Shannon Affholter- encouraged the board to stay balanced in both private and public perspectives.

Lauren Walker said having someone with fair housing knowledge- especially with the upcoming legislation, would be beneficial.

M.A. indicated this will be discussed and an update provided at the March meeting. She also said she looks forward to working with everyone, and she plans to reach put to individuals in the upcoming weeks.

MEETING ADJOURNED 3:02 p.m.