



Department of Commerce

Stakeholder Discussion of Long-Term Funding Strategies for Homeless Housing Programs

As required by RCW 43.185C.240(1)(c)(ii)

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Report to the Legislature
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Acknowledgements

Washington State Department of Commerce

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Table of Contents

Executive Summary.....	1
Stakeholder Meeting Summary	5
Stakeholder Feedback on Report.....	7
Appendix A: Housing Stakeholder Meeting Attendees	8
Appendix B: Stakeholder Survey Responses	9

Executive Summary

Overview

In 2014, the Washington State Legislature directed the Department of Commerce (Commerce) in RCW 43.185C.240(1)(c)(ii)¹ to:

“...convene a stakeholder group...consisting of landlords, homeless housing advocates, real estate industry representatives, cities, counties, and the department to meet to discuss long-term funding strategies for homeless housing programs that do not include a surcharge on document recording fees.”

Stakeholders were encouraged to submit funding ideas in an online survey, and were invited to an Oct. 26, 2016 discussion of funding ideas. Eight stakeholders submitted written feedback. Thirty-three people attended the stakeholder meeting and 10 attendees spoke. Feedback was received from all of the stakeholder types listed in the statute.

This report was submitted in advance of the Dec. 1, 2017, deadline to ensure the Legislature has information necessary for potential funding discussions during the 2017 legislative session.

Summary of Stakeholder Feedback

- Most stakeholders who offered an opinion expressed support for homeless programs.
- Many stakeholders stated that the housing supply was inadequate. This impacts both the housing development industry and the affordable housing community.
- Most stakeholders favored maintaining the current document recording fee that partially funds homeless housing programs; some recommended making the fee permanent.
- Some stakeholders asked for further discussion about how funding was being spent; a number of people pointed to the importance of a homelessness strategy that included strong public-private partnerships.
- Some stakeholders suggested policy approaches that did not have a fiscal component to increase the housing supply, such as lowering regulation and increasing buildable lands.
- Tapping into the general fund and raising the 1 percent property tax levy limit were discussed as alternative funding options.
- A real estate excise tax was mentioned; a number of industry stakeholders argued against it.

¹ Washington State Legislature, RCW 43.185C.240, <http://app.leg.wa.gov/rcw/default.aspx?Cite=43.185C.240>

Stakeholder Convening Process

Background

Homeless Housing and Assistance Act

The Legislature enacted the Homeless Housing and Assistance Act in Chapter 43.185C RCW² in 2005. There are four primary goals of the act:

- The collection and rigorous evaluation of homeless data.
- A search for and implementation of best practices.
- A systematic measurement of progress.
- Ending homelessness.

Commerce, along with the Interagency Council on Homelessness and the Affordable Housing Advisory Board, are responsible for the state's homeless strategic plan and for developing annual progress reports.

Document Recording Surcharges

The Homeless Housing and Assistance Act also created a surcharge on the recording of certain documents filed with county auditors, to be allocated specifically to homeless housing efforts. The Legislature modified statutes related to document recording surcharges several times since 2005.³ Currently, two surcharges dedicated to homelessness are authorized under Chapter 36.22 RCW, and total \$48.

- The surcharge under RCW 36.22.1791⁴ is \$8, with 90 percent staying with local governments, and 10 percent remitted to the State Home Security Fund, which is a significant source of funding for homelessness services.
- The surcharge under RCW 36.22.179⁵ is \$40, 2 percent of which is retained by county auditors who collect the surcharge. Of the remaining 98 percent, local governments retain 60 percent, and 40 percent is remitted to the State Home Security Fund. Under current law, this surcharge is reduced from the current level of \$40 down to \$10 in July 2019.

If the surcharge under RCW 36.22.179 is not renewed at the current level, the total document recording surcharges dedicated to homelessness will be reduced to \$18 in July 2019.

² Washington State Legislature, *Chapter 43.185C RCW*, (2005), <http://app.leg.wa.gov/rcw/default.aspx?Cite=43.185C>

³ Washington Low Income Housing Alliance, "Overview of Washington State Document Recording Fees," (2016), <http://wliha.org/sites/default/files/DRF%20history%20updated%204.2016.pdf>

⁴ Washington State Legislature, *RCW 36.22.1791*, <http://apps.leg.wa.gov/rcw/default.aspx?cite=36.22.1791>

⁵ Washington State Legislature, *RCW 36.22.179*, <http://apps.leg.wa.gov/rcw/default.aspx?cite=36.22.179>

Recent Statutory Changes

In 2014, the Legislature amended the fee under RCW 36.22.179 to require Commerce to set aside 45 percent of the state's contracted document recording fee funds to be used for private for-profit rental housing.

In 2014, the Legislature also amended RCW 43.185C.240⁶ to require Commerce to convene a stakeholder group to discuss long-term funding options for homeless housing programs that do not include document recording surcharges. The amended statute specified that Commerce convene the stakeholder group by March 1, 2017, and submit a report to the Legislature no later than Dec. 1, 2017.

This report was submitted in advance of the Dec. 1 deadline to ensure the Legislature has information necessary for potential funding discussions during the 2017 legislative session.

Stakeholder Outreach

In September 2016, Commerce sent a calendar appointment invitation and email notification to 84 stakeholders regarding an Oct. 26, 2016, meeting to discuss long-term funding strategies for homeless programs. The stakeholders were identified as homeless advocates, affordable housing advocates, builder associations, realtor associations, county officials, city officials, housing authorities, and low-income advocates. The message included references to RCW 43.185C.240(1)(c)(ii),⁷ explaining the impetus for the meeting. This message also specifically asked participants to:

1. Provide written suggestions for long-term funding strategies through an online survey tool by Oct. 17. The message also indicated that there would be time available during the meeting to discuss additional ideas.
2. If applicable, prepare to share background information with the convening group on taxes and fees that would inform the process.
3. Help Commerce identify critical stakeholders missing from the meeting invitation. It also clarified that the meeting was public and that Commerce would accommodate anyone who was interested in attending.

The invitation email identified the survey⁸ as the method for stakeholders to share their ideas for long-term homeless housing funding strategies. The survey provided unlimited space for the submission of these strategies, as well as contact information for the stakeholder.

⁶ Washington State Legislature, RCW 43.185C.240, <http://app.leg.wa.gov/rcw/default.aspx?Cite=43.185C.240>

⁷ Washington State Legislature, RCW 43.185C.240, <http://app.leg.wa.gov/rcw/default.aspx?Cite=43.185C.240>

⁸ Department of Commerce, *Homeless Programs Stakeholder Convening Survey*, (2016), <https://www.surveymonkey.com/r/X2L9PLX>

Stakeholder Survey Feedback

Commerce received nine responses to the survey, though one respondent wished to remain anonymous. Most responses were comments on the existing document recording fee, and did not include specific proposals for alternative funding sources. One response was anonymous, and the remainder were identifiable by name and organization (stakeholder type). The following are summaries of the individual responses. Appendix B contains the complete comments of each responder.

- A county official indicated that the document recording fee is a critical source of funding that is working well and that the existing funding mechanism should be maintained.
- A housing advocate wrote that their organization strongly supported the continuation of the fee as a source of funding for homeless housing programs. The advocate felt the surcharge is working well, and the funds it provides are critical to the work to make homelessness rare, brief, and one-time.
- A low-income housing advocate stated that they strongly support the continuation of the document recording fee as a source of funding for homeless housing programs. They also characterized the surcharge as modest and funded programs that provide support to people fleeing domestic violence, seniors, people with disabilities, and families with children. The advocate also stated that surcharge-funded programs have contributed to a 17.7 percent reduction in Washington's per capita rate of homelessness.
- A building industry association representative wrote that the association supports developing a long-term and stable funding strategy for homeless programs. However, he said the funding sources should not disproportionately impact the construction industry and should apply equitably to citizens throughout the state. He also stated that policy dialogue should include ways to increase the supply of housing near job centers, and that increasing housing supply is the only way to address the housing affordability crisis.
- A housing authority representative stated that revenue from existing fees support critical and innovative homeless programs for the community's most vulnerable individuals.
- An anonymous stakeholder suggested that potential new taxes and existing state education funding problems did not make this the right time to introduce any new taxes or fees.
- A county housing official stated that the existing fees are a valuable source of funding and are the best long-term source of funding.
- A representative of a community action agency suggested Section 1115 Medicaid transformation waiver funding could be an important source of dollars for homelessness services.
- A housing authority association representative stated their organization's strong support for continuing existing sources of funding, adding that they have not been able to identify an alternative source of funding.

Stakeholder Meeting Summary

Commerce convened a stakeholder meeting on Oct. 26, 2016, at the Hilton Seattle Airport Hotel and Conference Center in SeaTac. Thirty-three stakeholders signed in. An independent facilitator led the meeting. What follows is a chronological overview of the meeting to provide a description of how ideas emerged from the conversation.

At the beginning of the meeting, Commerce staff gave an overview of the stakeholder process, a list of existing fees, a review of the enabling statute, and an overview of the meeting schedule. Then the facilitator invited discussion. During the course of the meeting, 10 stakeholders spoke. Although the meeting was structured to solicit ideas about long-term funding options that do not include document recording fees, stakeholders frequently referred to the existing funding mechanism as the most viable funding mechanism.

- The first speaker was a low-income housing advocate, who stated they had worked extensively researching alternative funding sources. Their conclusion was that there is no better revenue source than the document recording fee. A homeless housing advocate added that their main concern is how those funds are being spent.
- A county official then stated that funding for housing, as well as K-12 education, could be at least partially addressed by increasing the 1 percent limit on increasing property tax levies. For example, counties could be allowed to increase their levy by .2 percent per year and dedicate those funds to housing projects. This could either reduce or eliminate the need for document recording fees.
- A real estate industry advocate stated that he did not oppose the recording fee when it was \$10 per document and a temporary funding mechanism, but that current proposals are neither little nor temporary. The advocate also opposed the real estate excise tax (REET) and suggested attention to increasing the housing supply that looked at non-fiscal policy options.
- A state housing finance official cited a variety of factors that impact affordable housing. As a case in point, he noted that over 62,000 people moved to Washington in 2015, thus driving up housing prices and reducing supply. These are macro-economic dynamics that cannot be controlled. However, policy steps could be taken, such as lowering regulation, increasing the amount of buildable lands, and placing more emphasis on low-income condominiums. The recording fee is still needed, but additional funds could be generated by eliminating exemptions for large businesses.
- A rental housing advocate suggested that document fee increases can have a negative impact on local governments; the state should also fund homeless programs out of the general fund. The advocate also felt a discussion about funding sources should include how those dollars are spent and public-private partnerships should be further explored.
- A housing authority representative stated there are thousands of families on waiting lists for affordable housing and that existing programs are working and the outcomes are promising.

- A low-income housing advocate said that he has not heard of a better funding alternative to the document recording fee aside from the general fund, which is already stretched. The advocate felt the recording fee is known, straightforward, and its usage is appropriate. Permanent funding would show that the state takes homelessness and housing seriously. The discussion should also consider how funds are used.
- A city official said he liked the idea of a long-term funding strategy, and that a stable, credible, and sufficient fee should be in place that is grounded in public-private partnerships.
- A budget and policy advocate stated that this discussion is a result of a fundamentally broken tax system, which needs restructuring. The advocate felt funding for housing and homelessness should come from the general fund. However, if the recording fee continues to be used, then it should be modified to avoid loss of buying power due to inflation.

Commerce concluded the meeting by inviting continued dialogue in the coming months.

Stakeholder Feedback on Report

A draft of this report was circulated for review to meeting participants and other stakeholders to help ensure the report accurately represents the process and stakeholder feedback. This report incorporates feedback from that review process.

What follows is a summary of stakeholder ideas provided through the survey, the meeting, and the draft report review:

- Most stakeholders who offered an opinion expressed support for homeless programs.
- Many stakeholders stated that the housing supply was inadequate. This impacts both the housing development industry and the affordable housing community.
- Most stakeholders favored maintaining the current document recording fee that partially funds homeless housing programs; some recommended making the fee permanent.
- Some stakeholders asked for further discussion about how funding was being spent; a number of people pointed to the importance of a homelessness strategy that included strong public-private partnerships.
- Some stakeholders suggested policy approaches that did not have a fiscal component to increase the housing supply, such as lowering regulation and increasing buildable lands.
- Tapping into the general fund and raising the 1 percent property tax levy limit were discussed as alternative funding options.
- A real estate excise tax was mentioned; a number of industry stakeholders argued against it.

Appendix A: Housing Stakeholder Meeting Attendees

Kate Baber, Washington Low Income Housing Alliance
Anne Deacon, Whatcom County
Juliana Roe, Washington State Association of Counties
Charles Spaeth, Elizabeth Gregory Home
Majken Ryherd, City of Kirkland
Jessica Fortescue, Association of Washington Housing Authorities
Obie O'Brien, Washington Association of Counties, Eastern
April Putney, King County
Mark Ellerbrook, King County
Shelly Helder, GTH-GA Consulting
Kyle Woodring, Rental Housing Association of Washington
Carl Schroeder, Association of Washington Cities
Tess Colby, Pierce County
Bill Clarke, Washington Realtors
Kelly Rider, Housing Development Consortium
Nick Harper, Master Builders of King and Snohomish Counties
Lyset Cadena, City of Seattle
Jim Tharpe, Unity House
Kendra Gritsch, Washington State Coalition Against Domestic Violence
Al D'Alessandro, King County Housing Finance Program
Robin Koskey, City of Seattle Office of Housing
Kirsten Jewell, Kitsap County Human Services
Megan Hyla, King County Housing Authority
Lisa Wolters, Seattle Housing Authority
Allison Butcher, Master Builder Association of King and Snohomish Counties
Felicia Salcedo, All Home King County
Kira Zylstra, All Home King County
Chuck Weinstock, Affordable Housing Advisory Board
Kim Herman, Washington State Housing Finance Commission
Emily Burgess, Washington State Department of Commerce
Diane Klontz, Washington State Department of Commerce
Tedd Kelleher, Washington State Department of Commerce
Kathy Kinard, Washington State Department of Commerce
Cary Retlin, Washington State Department of Commerce
Andy Nicholas, Washington State Budget and Policy Center
Rebekah Hollwedel, City of Spokane
Paula Lonergan, Affordable Housing Advisory Board

Appendix B: Stakeholder Survey Responses

Respondent 1: Anonymous

“With the possibility ST3 passing, possible introduction of a state income tax as well as the unresolved issue of public school funding, I do not believe this is the right timing to try to introduce another tax to fund affordable housing.”

Respondent 2: Kelly Rider, Housing Development Consortium

“The Housing Development Consortium Seattle-King County strongly supports the continuation of the surcharge on document recording fees as a source of funding for homeless housing programs. This very modest, one-time surcharge to the recording of real estate transactions, funding generates critical resources that help people without homes access shelter and appropriate, permanent housing options. The surcharge is working well, and the programs it funds are critical to King County’s work to make homelessness rare, brief, and one-time. Today, the Affordable Housing for All Surcharge and Homelessness Housing and Assistance Act Surcharge collectively apply a \$58, one-time surcharge to the recording of real estate related transactions. Surcharge funded programs provide critical support to people fleeing domestic violence, seniors, people with disabilities, youth and young adults, families with children, and other vulnerable populations experiencing homelessness or at imminent risk of becoming homeless. The Housing Development Consortium Seattle-King County has been working closely with cities and partners throughout our region to identify sufficient funding sources to address our housing challenges, and we believe document recording fees must continue to play a critical role in this broader effort. The surcharge generates a significant amount of revenue, has a long history of success, is logistically feasible to implement, and is predictable and consistent compared to other funding sources that are commonly used.”

Respondent 3: Kate Baber, Washington Low Income Housing Alliance

“The Washington Low Income Housing Alliance strongly supports the continuation of the surcharge on document recording fees as a source of funding for homeless housing programs. The Affordable Housing for All Surcharge was created in 2002 to fund housing, shelter, and the operations and maintenance of affordable housing programs for people living on extremely low-incomes. By applying a very modest, one-time surcharge to the recording of real estate transactions, funding is generated to help people without homes access shelter and housing. The success of the Affordable Housing for All Surcharge was replicated in 2005 with the creation of the Homelessness Housing and Assistance Act Surcharge. This surcharge funds rental assistance, pre-tenancy and tenancy support services and case management, local homeless system planning, emergency shelter and temporary housing, and other interventions and supports that help people living on extremely low-incomes who are homeless or at imminent risk of homelessness access shelter and housing. Today, the Affordable Housing for All Surcharge and Homelessness Housing and Assistance Act Surcharge collectively apply a \$58,

one-time surcharge to the recording of real estate related transactions. This extremely modest fee generates the majority of the funding for state and local homelessness programs. Surcharge funded programs provide critical support to people fleeing domestic violence, seniors, people with disabilities, youth and young adults, families with children, and other vulnerable populations experiencing homelessness or at imminent risk of becoming homeless. The surcharge is working well, and the programs it has funded have had great success in reducing homelessness across Washington. Surcharge funded programs and housing assistance have contributed to a 17.7% reduction in Washington's per capita homelessness rate, and the number of people experiencing homelessness is significantly lower than predictive models have forecasted (8,000 fewer people are homeless in 2016 than changes in rent, unemployment, and the population projected). The Housing Alliance has worked to identify an alternative source to fund these critical programs, and we have concluded that the surcharge on document recording fees is the best source of funding available. The surcharge is able to generate a significant amount of revenue and is a dedicated source of funding for critical homelessness services and housing assistance. The surcharge is well established, has a long history of success, is politically viable and logistically feasible, and its predictability and stability is comparable to other funding sources that are tied to the economy."

Respondent 4: Nick Harper, Master Builders Association of King and Snohomish Counties

"The MBA supports the state's efforts to develop a long-term stable funding strategy for homeless programs. The funding sources to be considered must not disproportionately impact the construction industry, but rather be applied equitably to citizens throughout our state, and should occur hand-in-hand with reasonable efforts to increase the supply of housing near job centers, including a mix of housing types from multifamily to detached single-family homes. Our current housing affordability crisis cannot be solved without increasing our overall supply of all housing types in order to keep pace with population growth. We look forward to reviewing specific funding proposals for homeless programs and providing additional feedback on October 26th."

Respondent 5: Megan Hyla, King County Housing Authority

"The King County Housing Authority (KCHA) is writing in support of the continuation of the surcharge on document recording fees for programs to address homelessness. The revenue generated by this surcharge supports critical, innovative, and effective homelessness programs and housing assistance for our community's most vulnerable individuals and families."

Respondent 6: Pam Tietz, Association of Washington Housing Authorities

"The Association of Washington Housing Authorities (AWHA) enthusiastically supports the continuation of the surcharge on document recording fees as a source of funding for homeless housing programs. This surcharge provides a predictable and stable resource that is critical for homeless services and housing assistance. But for these document recording fees, drastic funding cuts in both State and Federal funding in recent years would have decimated successful

programs serving our most vulnerable citizens. Housing Authorities and non-profit homeless services providers use the funding to create innovative and effective solutions to help those experiencing homelessness. The fees fund rental assistance, support services and case management, local homeless system planning, emergency shelter and transitional housing to help low-income people who are homeless or at imminent risk of homelessness. It also allows jurisdictions the flexibility to assess and prioritize local conditions needing to be tackled and has resulted in meaningful coordination of local homeless programs. AWAHA has been unable to identify an alternative source to fund these crucial programs and therefore encourages the committee to continue this effective and successful funding source.”

Respondent 7: Melissa Taylor, Lower Columbia Community Action Program

“State medicaid dollars for homeless services & housing. I'm sure these funds have other uses, but in the philosophy of the waiver, if we fund some homeless services out of this, we should get lower health costs and better outcomes.”

Respondent 8: Mark Smith, Housing Consortium of Everett and Snohomish County

“The document recording fees have been a valuable source of funding for homelessness programs in Snohomish County and should continue as such. With regard to identifying a long term funding strategy, we believe that the current source of funding is the best long term funding source.”