
SECOND SUBSTITUTE HOUSE BILL 3070

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Miloscia, Hasegawa, Chase and Santos)

READ FIRST TIME 02/08/06.

1 AN ACT Relating to increasing nonprofit housing development
2 capacity; amending RCW 43.180.160; adding a new section to chapter
3 43.180 RCW; adding a new section to chapter 43.185 RCW; and creating a
4 new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.180 RCW
7 to read as follows:

8 The legislature finds that nonprofit organizations that develop
9 affordable housing for low-income households are critical in addressing
10 the growing affordable housing crisis in Washington state. Nonprofit
11 housing developers are mission-driven entities that prioritize the
12 needs and interests of residents over maximizing profits and,
13 therefore, have a vested interest in developing, maintaining, and
14 preserving safe, quality, and affordable housing options for low-income
15 and indigent individuals and families.

16 The state also finds, however, that organizational capacity and
17 housing development experience among nonprofit organizations is
18 inconsistent across the state. This inconsistency is reflected in the

1 relative lack of nonprofit housing developers that exist in rural areas
2 of the state.

3 The legislature finds that many nonprofit housing developers choose
4 not to develop condominiums and other multiunit residential buildings
5 because private market insurance rates to cover the construction
6 liability insurance required for such projects by many lenders is
7 unaffordable. Construction liability insurance costs are particularly
8 cost prohibitive for nonprofit organizations that, rather than selling
9 or reselling individual units when construction is complete and thereby
10 recouping the cost of the construction insurance, typically retain
11 ownership of units for the purpose of maintaining affordability for
12 low-income or indigent households.

13 Given the nonprofit status and focus on serving low-income and
14 indigent households over the long term, nonprofit housing developers
15 are unique and critical to ensuring that low-income and indigent
16 households have the opportunity to obtain and retain stable housing in
17 Washington.

18 Therefore, it is the intent of the legislature to establish
19 policies and provide incentives that will increase the number of
20 nonprofit housing developers that create affordable housing
21 opportunities for low-income and indigent households, and which will
22 simultaneously increase the ability of existing nonprofit housing
23 developers to expand housing development programs and to sustain the
24 resulting affordable housing units over the long term.

25 **Sec. 2.** RCW 43.180.160 and 1999 c 131 s 2 are each amended to read
26 as follows:

27 The total amount of outstanding indebtedness of the commission may
28 not exceed (~~three~~) four billion dollars at any time. The calculation
29 of outstanding indebtedness shall include the initial principal amount
30 of an issue and shall not include interest that is either currently
31 payable or that accrues as a part of the face amount of an issue
32 payable at maturity or earlier redemption. Outstanding indebtedness
33 shall not include notes or bonds as to which the obligation of the
34 commission has been satisfied and discharged by refunding or for which
35 payment has been provided by reserves or otherwise.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.185 RCW
2 to read as follows:

3 (1) The department shall contract with the Washington state housing
4 finance commission to establish a multiunit residential building
5 construction liability revolving fund program to provide supplemental
6 funding for liability claims arising from the construction or
7 rehabilitation of condominium or other multiunit residential buildings,
8 as defined in RCW 64.55.010, that are owned or controlled by nonprofit
9 corporations, as defined in RCW 43.180.300, for developing affordable
10 housing for low-income households. The revolving fund program shall
11 include the following elements:

12 (a) Criteria for the eligibility of multiunit residential projects
13 and project owners for participation in the revolving fund program;

14 (b) Provisions governing the scope of coverage and other policies
15 and operating procedures for the revolving fund program;

16 (c) Establishment of premiums to be paid by project owners to
17 ensure the viability of the revolving fund program and that all costs
18 incurred by the commission in administering the revolving fund program
19 will be paid or reimbursed as provided in subsection (3) of this
20 section;

21 (d) Provisions for the reimbursement of premiums to the extent not
22 required for the orderly and cost-effective administration of the
23 revolving fund program;

24 (e) Establishment of procedures for the investigation, defense, and
25 payment of claims and the recoupment of claim payments made and costs
26 associated with respect to participating projects from the project
27 owners over time; and

28 (f) Any other elements necessary and desirable to implement the
29 revolving fund program in order to provide a cost-effective source of
30 liability funding which is supplemental to insurance and other
31 resources available to project owners.

32 (2) The authority to enter into a contract with the commission
33 under this section is contingent on the commission's contribution of
34 one million dollars of commission funds to assist in capitalizing the
35 revolving fund program.

36 (3) Any claims against the commission arising from or with respect
37 to the revolving fund program may be paid only from amounts provided by
38 the commission for this purpose, provided by the contract entered into

1 pursuant to this section, or provided by premiums paid under the
2 revolving fund program, and neither the commission, the department, nor
3 the state of Washington shall have any liability with respect to such
4 claims.

5 NEW SECTION. **Sec. 4.** If specific funding for the purposes of
6 section 3 of this act, referencing section 3 of this act by bill or
7 chapter number, is not provided by June 30, 2006, in the capital
8 appropriations act, section 3 of this act is null and void.

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