

**SB 6332 - H AMD 1533**

By Representative Ormsby

ADOPTED 03/07/2008

1 On page 1, after line 3, insert the following:

2 "NEW SECTION. Sec. 1. The legislature finds that nonprofit  
3 entities have difficulty accessing and competing for tax exempt  
4 multifamily bonds issued by the Washington state housing finance  
5 commission. In order to facilitate the use of the bonds by nonprofit  
6 entities, which will increase the availability and inventory of  
7 low-income housing, the legislature intends to provide more  
8 opportunities to increase the financial capacity of nonprofit  
9 low-income housing developers that have less ability to access the tax-  
10 exempt bond program than for-profit housing developers. The  
11 legislature finds that to meet these goals, the bond debt capacity of  
12 the Washington state housing finance commission should be increased,  
13 contingent upon the prioritization of nonprofit housing developers in  
14 accessing the program, broader objectives to promote housing density  
15 and long-term affordability, and assistance to nonprofit low-income  
16 housing developers to increase financial capacity, and therefore  
17 ability, to access the program."

18 Renumber the remaining section consecutively, correct any internal  
19 references accordingly, and correct the title.

20 On page 1, at the beginning of line 6, insert "(1)"

21 On page 1, after line 15, insert the following:

22 "(2) The debt limit established in subsection (1) of this section  
23 is increased to six billion five hundred million dollars only if  
24 sections 2 through 6 of this act take effect by June 30, 2008.

25 **Sec. 2.** RCW 43.180.050 and 1986 c 264 s 1 are each amended to read  
26 as follows:

27 (1) In addition to other powers and duties prescribed in this

1 chapter, and in furtherance of the purposes of this chapter to provide  
2 decent, safe, sanitary, and affordable housing for eligible persons,  
3 the commission is empowered to:

4 (a) Issue bonds in accordance with this chapter;

5 (b) Invest in, purchase, or make commitments to purchase or take  
6 assignments from mortgage lenders of mortgages or mortgage loans;

7 (c) Make loans to or deposits with mortgage lenders for the purpose  
8 of making mortgage loans; and

9 (d) Participate fully in federal and other governmental programs  
10 and to take such actions as are necessary and consistent with this  
11 chapter to secure to itself and the people of the state the benefits of  
12 those programs and to meet their requirements, including such actions  
13 as the commission considers appropriate in order to have the interest  
14 payments on its bonds and other obligations treated as tax exempt under  
15 the code.

16 (2) The commission shall establish eligibility standards for  
17 eligible persons, considering at least the following factors:

18 (a) Income;

19 (b) Family size;

20 (c) Cost, condition and energy efficiency of available residential  
21 housing;

22 (d) Availability of decent, safe, and sanitary housing;

23 (e) Age or infirmity; and

24 (f) Applicable federal, state, and local requirements.

25 The state auditor shall audit the books, records, and affairs of  
26 the commission annually to determine, among other things, if the use of  
27 bond proceeds complies with the general plan of housing finance  
28 objectives including compliance with the objective for the use of  
29 financing assistance (~~((for implementation of cost-effective energy  
30 efficiency measures in dwellings))~~) to increase the supply of affordable  
31 and decent housing throughout the state.

32 **Sec. 3.** RCW 43.180.070 and 1999 c 372 s 11 and 1999 c 131 s 1 are  
33 each reenacted and amended to read as follows:

34 The commission shall adopt a general plan of housing finance  
35 objectives to be implemented by the commission during the period of the  
36 plan. The commission may exercise the powers authorized under this

1 chapter prior to the adoption of the initial plan. In developing the  
2 plan, the commission shall consider and set objectives for:

3 (1) The use of funds for single-family and multifamily housing;

4 (2) The use of funds to promote increased housing density;

5 (3) The use of funds to promote the provision of affordable housing  
6 for the longest period of time possible;

7 (4) The use of funds for new construction, rehabilitation,  
8 including refinancing of existing debt, and home purchases;

9 ~~((+3))~~ (5) The housing needs of low-income and moderate-income  
10 persons and families, and of elderly persons or ~~((mentally or~~  
11 ~~physically handicapped)) persons with disabilities or mental illness;~~

12 ~~((+4))~~ (6) The use of funds in coordination with federal, state,  
13 and local housing programs for low-income persons;

14 ~~((+5))~~ (7) The use of funds in urban, rural, suburban, and special  
15 areas of the state;

16 ~~((+6))~~ (8) The use of financing assistance to stabilize and  
17 upgrade declining urban neighborhoods;

18 ~~((+7))~~ (9) The use of financing assistance for economically  
19 depressed areas, areas of minority concentration, reservations, and in  
20 mortgage-deficient areas;

21 ~~((+8))~~ (10) The geographical distribution of bond proceeds so that  
22 the benefits of the housing programs provided under this chapter will  
23 be available to address demand on a fair basis throughout the state;

24 ~~((+9))~~ (11) The use of financing assistance for implementation of  
25 cost-effective energy efficiency measures in dwellings.

26 The plan shall include an estimate of the amount of bonds the  
27 commission will issue during the term of the plan and how bond proceeds  
28 will be expended.

29 The plan shall be adopted by resolution of the commission following  
30 at least one public hearing thereon, notice of which shall be made by  
31 mailing to the clerk of the governing body of each county and by  
32 publication in the Washington State Register no more than forty and no  
33 less than twenty days prior to the hearing. A draft of the plan shall  
34 be made available not less than thirty days prior to any such public  
35 hearing. ~~((At least every two years,))~~ The commission shall report to  
36 the legislature annually regarding implementation of the plan. The  
37 commission shall update the plan every two years.

38 ~~((The commission may periodically update the plan.))~~

1 The commission shall adopt rules designed to result in the use of  
2 bond proceeds in a manner consistent with the plan. The commission may  
3 periodically update its rules.

4 This section is designed to deal only with the use of bond proceeds  
5 and nothing in this section shall be construed as a limitation on the  
6 commission's authority to issue bonds.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.180 RCW  
8 to read as follows:

9 The commission must adopt program guidelines to ensure that  
10 qualified applications submitted by nonprofit entities are given  
11 priority for the use of tax exempt bonds issued under this chapter for  
12 multifamily affordable housing developments.

13 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.185 RCW  
14 to read as follows:

15 The equity program is created in the department to facilitate  
16 nonprofit entity use of tax-exempt multifamily bonds issued by the  
17 Washington state housing finance commission. The department shall  
18 contract with the Washington state housing finance commission to  
19 administer the equity program. By December 31, 2008, and annually  
20 thereafter, the Washington state housing finance commission must report  
21 to the appropriate committees of the legislature, using performance  
22 measures, on the activities and accomplishments of the program.

23 **Sec. 6.** RCW 84.36.560 and 2007 c 301 s 1 are each amended to read  
24 as follows:

25 (1) The real and personal property owned or used by a nonprofit  
26 entity in providing rental housing for very low-income households or  
27 used to provide space for the placement of a mobile home for a very  
28 low-income household within a mobile home park is exempt from taxation  
29 if:

30 (a) The benefit of the exemption inures to the nonprofit entity;

31 (b) At least seventy-five percent of the occupied dwelling units in  
32 the rental housing or lots in a mobile home park are occupied by a very  
33 low-income household; and

34 (c) The rental housing or lots in a mobile home park were insured,

1 financed, or assisted in whole or in part through one or more of the  
2 following sources:

3 (i) A federal or state housing program administered by the  
4 department of community, trade, and economic development;

5 (ii) A federal housing program administered by a city or county  
6 government;

7 (iii) An affordable housing levy authorized under RCW 84.52.105; or

8 (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and  
9 any of the surcharges authorized in chapter 43.185C RCW.

10 (2) If less than seventy-five percent of the occupied dwelling  
11 units within the rental housing or lots in the mobile home park are  
12 occupied by very low-income households, the rental housing or mobile  
13 home park is eligible for a partial exemption on the real property and  
14 a total exemption of the housing's or park's personal property as  
15 follows:

16 (a) A partial exemption shall be allowed for each dwelling unit in  
17 the rental housing or for each lot in a mobile home park occupied by a  
18 very low-income household.

19 (b) The amount of exemption shall be calculated by multiplying the  
20 assessed value of the property reasonably necessary to provide the  
21 rental housing or to operate the mobile home park by a fraction. The  
22 numerator of the fraction is the number of dwelling units or lots  
23 occupied by very low-income households as of December 31st of the first  
24 assessment year in which the rental housing or mobile home park becomes  
25 operational or on January 1st of each subsequent assessment year for  
26 which the exemption is claimed. The denominator of the fraction is the  
27 total number of dwelling units or lots occupied as of December 31st of  
28 the first assessment year the rental housing or mobile home park  
29 becomes operational and January 1st of each subsequent assessment year  
30 for which exemption is claimed.

31 (3) If a currently exempt rental housing unit in a facility with  
32 ten units or fewer or mobile home lot in a mobile home park with ten  
33 lots or fewer was occupied by a very low-income household at the time  
34 the exemption was granted and the income of the household subsequently  
35 rises above (~~(fifty percent)~~) the very low-income household threshold  
36 of the median income but remains at or below eighty percent of the  
37 median income, the exemption will continue as long as the housing  
38 continues to meet the certification requirements of a very low-income

1 housing program listed in subsection (1) of this section. For purposes  
2 of this section, median income, as most recently determined by the  
3 federal department of housing and urban development for the county in  
4 which the rental housing or mobile home park is located, shall be  
5 adjusted for family size. However, if a dwelling unit or a lot becomes  
6 vacant and is subsequently rerented, the income of the new household  
7 must be at or below (~~fifty percent~~) the very low-income household  
8 threshold of the median income adjusted for family size as most  
9 recently determined by the federal department of housing and urban  
10 development for the county in which the rental housing or mobile home  
11 park is located to remain exempt from property tax.

12 (4) If at the time of initial application the property is  
13 unoccupied, or subsequent to the initial application the property is  
14 unoccupied because of renovations, and the property is not currently  
15 being used for the exempt purpose authorized by this section but will  
16 be used for the exempt purpose within two assessment years, the  
17 property shall be eligible for a property tax exemption for the  
18 assessment year in which the claim for exemption is submitted under the  
19 following conditions:

20 (a) A commitment for financing to acquire, construct, renovate, or  
21 otherwise convert the property to provide housing for very low-income  
22 households has been obtained, in whole or in part, by the nonprofit  
23 entity claiming the exemption from one or more of the sources listed in  
24 subsection (1)(c) of this section;

25 (b) The nonprofit entity has manifested its intent in writing to  
26 construct, remodel, or otherwise convert the property to housing for  
27 very low-income households; and

28 (c) Only the portion of property that will be used to provide  
29 housing or lots for very low-income households shall be exempt under  
30 this section.

31 (5) To be exempt under this section, the property must be used  
32 exclusively for the purposes for which the exemption is granted, except  
33 as provided in RCW 84.36.805.

34 (6) The nonprofit entity qualifying for a property tax exemption  
35 under this section may agree to make payments to the city, county, or  
36 other political subdivision for improvements, services, and facilities  
37 furnished by the city, county, or political subdivision for the benefit

1 of the rental housing. However, these payments shall not exceed the  
2 amount last levied as the annual tax of the city, county, or political  
3 subdivision upon the property prior to exemption.

4 (7) As used in this section:

5 (a) "Group home" means a single-family dwelling financed, in whole  
6 or in part, by one or more of the sources listed in subsection (1)(c)  
7 of this section. The residents of a group home shall not be considered  
8 to jointly constitute a household, but each resident shall be  
9 considered to be a separate household occupying a separate dwelling  
10 unit. The individual incomes of the residents shall not be aggregated  
11 for purposes of this exemption;

12 (b) "Mobile home lot" or "mobile home park" means the same as these  
13 terms are defined in RCW 59.20.030;

14 (c) "Occupied dwelling unit" means a living unit that is occupied  
15 by an individual or household as of December 31st of the first  
16 assessment year the rental housing becomes operational or is occupied  
17 by an individual or household on January 1st of each subsequent  
18 assessment year in which the claim for exemption is submitted. If the  
19 housing facility is comprised of three or fewer dwelling units and  
20 there are any unoccupied units on January 1st, the department shall  
21 base the amount of the exemption upon the number of occupied dwelling  
22 units as of December 31st of the first assessment year the rental  
23 housing becomes operational and on May 1st of each subsequent  
24 assessment year in which the claim for exemption is submitted;

25 (d) "Rental housing" means a residential housing facility or group  
26 home that is occupied but not owned by very low-income households;

27 (e) "Very low-income household" means: (i) A single person,  
28 family, or unrelated persons living together whose income is at or  
29 below fifty percent of the median income adjusted for family size as  
30 most recently determined by the federal department of housing and urban  
31 development for the county in which the rental housing or mobile home  
32 space is located and in effect as of January 1st of the year the  
33 application for exemption is submitted; or (ii) for properties that  
34 have received assistance from the equity program created in section 5  
35 of this act, a single person, family, or unrelated persons living  
36 together whose income is at or below sixty percent of the median income  
37 adjusted for family size as most recently determined by the federal

1 department of housing and urban development for the county in which the  
2 rental housing or mobile home space is located and in effect as of  
3 January 1st of the year the application for exemption is submitted; and

4 (f) "Nonprofit entity" means a:

5 (i) Nonprofit as defined in RCW 84.36.800 that is exempt from  
6 income tax under section 501(c) of the federal internal revenue code;

7 (ii) Limited partnership where a nonprofit as defined in RCW  
8 84.36.800 that is exempt from income tax under section 501(c) of the  
9 federal internal revenue code, a public corporation established under  
10 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority created  
11 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the  
12 definition in RCW 35.82.210(2)(a) is a general partner; or

13 (iii) Limited liability company where a nonprofit as defined in RCW  
14 84.36.800 that is exempt from income tax under section 501(c) of the  
15 federal internal revenue code, a public corporation established under  
16 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority established  
17 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the  
18 definition in RCW 35.82.210(2)(a) is a managing member."

19 Correct the title.

EFFECT: The Housing Finance Commission (HFC) is required to update its plan every two years and report annually to the legislature on the implementation of the plan. New objectives of the HFC include increasing the supply of affordable and decent housing, preserving that housing for as long as possible, and promoting increased housing density. The HFC is required to prioritize applications of nonprofit housing developers for the multifamily tax exempt bond program. The equity program is created to facilitate nonprofit entity use of tax exempt multifamily bonds issued by the Housing Finance Commission. Nonprofits receiving assistance from the equity program may receive a property tax exemption for housing development properties when at least 75 percent of units are occupied by households with incomes at or below 60 percent of the adjusted median county income. The debt limit increase is contingent on the enactment of the above provisions.

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