

---

SECOND SUBSTITUTE HOUSE BILL 1401

---

State of Washington                      60th Legislature                      2007 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Pettigrew, Springer, Dunn, McCune, Miloscia, Chase and Santos)

READ FIRST TIME 03/06/07.

1            AN ACT Relating to land acquisition for affordable housing  
2 development; adding a new section to chapter 43.185A RCW; and creating  
3 new sections.

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

5            NEW SECTION. **Sec. 1.** The legislature finds that protecting the  
6 public health, safety, and welfare by providing affordable housing  
7 resources to needy or vulnerable persons is a fundamental purpose of  
8 government. The legislature further finds that assisting eligible  
9 organizations to purchase land for affordable housing development and  
10 related supportive services facilities confers a valuable benefit on  
11 the public that constitutes consideration for financing assistance to  
12 eligible organizations in the form of low-interest loans, subject to  
13 restrictions that provide continued protection of the public interest.

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

16            (1) The affordable housing land acquisition revolving loan fund  
17 program is created in the department to assist eligible organizations,  
18 described under RCW 43.185A.040, to purchase land for affordable

1 housing development. The department shall contract with the Washington  
2 state housing finance commission to administer the affordable housing  
3 land acquisition revolving loan fund program. Within this program, the  
4 Washington state housing finance commission shall establish and  
5 administer the Washington state housing finance commission land  
6 acquisition revolving loan fund.

7 (2) As used in this chapter, "market rate" means the current  
8 average market interest rate that is determined at the time any  
9 individual loan is closed upon using a widely recognized current market  
10 interest rate measurement to be selected for use by the Washington  
11 state housing finance commission with the department's approval. This  
12 interest rate must be noted in an attachment to the closing documents  
13 for each loan.

14 (3) Under the affordable housing land acquisition revolving loan  
15 fund program:

16 (a) Loans may be made to purchase land on which to develop  
17 affordable housing. In addition to affordable housing, facilities  
18 intended to provide supportive services to affordable housing residents  
19 and low-income households in the nearby community may be developed on  
20 the land.

21 (b) Eligible organizations applying for a loan must include in the  
22 loan application a proposed affordable housing development plan  
23 indicating the number of affordable housing units planned, a  
24 description of any other facilities being considered for the property,  
25 and an estimated timeline for completion of the development. The  
26 Washington state housing finance commission may require additional  
27 information from loan applicants and may consider the efficient use of  
28 land, project readiness, organizational capacity, and other factors as  
29 criteria in awarding loans.

30 (c) Forty percent of the loans shall go to eligible applicants  
31 operating homeownership programs for low-income households in which the  
32 households participate in the construction of their homes. Sixty  
33 percent of loans shall go to other eligible organizations. If the  
34 entire forty percent for applicants operating self-help homeownership  
35 programs cannot be lent to these types of applicants, the remainder  
36 shall be lent to other eligible organizations.

37 (d) Within five years of receiving a loan, a loan recipient must  
38 present the Washington state housing finance commission with an updated

1 development plan, including a proposed development design, committed  
2 and anticipated additional financial resources to be dedicated to the  
3 development, and an estimated development schedule, which indicates  
4 completion of the development within eight years of loan receipt. This  
5 updated development plan must be substantially consistent with the  
6 development plan submitted as part of the original loan application as  
7 required in (b) of this subsection.

8 (e) Within eight years of receiving a loan, a loan recipient must  
9 develop affordable housing on the property for which the loan was made  
10 and place the affordable housing into service.

11 (f) A loan recipient must preserve the affordable housing developed  
12 on the property acquired under this section as affordable housing for  
13 a minimum of thirty years.

14 (4) If a loan recipient does not place affordable housing into  
15 service on a property for which a loan has been received under this  
16 section within the eight-year period specified in subsection (3)(e) of  
17 this section, or if a loan recipient fails to use the property for the  
18 intended affordable housing purpose consistent with the loan  
19 recipient's original affordable housing development plan, then the loan  
20 recipient must pay to the Washington state housing finance commission  
21 an amount consisting of the principal of the original loan plus  
22 compounded interest calculated at the current market rate. The  
23 Washington state housing finance commission shall develop guidelines  
24 for the time period in which this repayment must take place, which must  
25 be noted in the original loan agreement. The Washington state housing  
26 finance commission may grant a partial or total exemption from this  
27 repayment requirement if it determines that a development is  
28 substantially complete or that the property has been substantially used  
29 in keeping with the original affordable housing purpose of the loan.  
30 Any repayment funds received as a result of noncompliance with loan  
31 requirements shall be deposited into the Washington state housing  
32 finance commission land acquisition revolving loan fund for the  
33 purposes of the affordable housing land acquisition revolving loan fund  
34 program.

35 (5) The Washington state housing finance commission, with approval  
36 from the department, may adopt guidelines and requirements that are  
37 necessary to administer the affordable housing land acquisition  
38 revolving loan fund program.

1 (6) Interest rates on property loans granted under this section may  
2 not exceed one percent. All loan repayment moneys received shall be  
3 deposited into the Washington state housing finance commission  
4 affordable housing land acquisition revolving loan fund for the  
5 purposes of the affordable housing land acquisition revolving loan fund  
6 program.

7 (7) The Washington state housing finance commission must develop  
8 performance measures for the program, which must be approved by the  
9 department, including, at a minimum, measures related to:

10 (a) The ability of eligible organizations to access land for  
11 affordable housing development;

12 (b) The total number of dwelling units by housing type and the  
13 total number of very low-income households and persons served; and

14 (c) The financial efficiency of the program as demonstrated by  
15 factors, including the cost per unit developed for affordable housing  
16 units in different areas of the state and a measure of the effective  
17 use of funds to produce the greatest number of units for low-income  
18 households.

19 (8) By December 1st of each year, beginning in 2007, the Washington  
20 state housing finance commission shall report to the department and the  
21 appropriate committees of the legislature using, at a minimum, the  
22 performance measures developed under subsection (7) of this section.

23 NEW SECTION. **Sec. 3.** If specific funding for the purposes of this  
24 act, referencing this act by bill or chapter number, is not provided by  
25 June 30, 2007, in the omnibus appropriations act, this act is null and  
26 void.

--- END ---