
SUBSTITUTE HOUSE BILL 3180

State of Washington 60th Legislature 2008 Regular Session

By House Housing (originally sponsored by Representatives Ormsby, Green, Morrell, Lias, Dunn, and Wood)

READ FIRST TIME 02/05/08.

1 AN ACT Relating to housing reform policies to achieve greater
2 efficiencies in housing investments; amending RCW 43.180.050 and
3 84.36.560; reenacting and amending RCW 43.180.070; adding new sections
4 to chapter 43.185 RCW; adding a new section to chapter 43.180 RCW;
5 creating new sections; and providing an expiration date.

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

7 NEW SECTION. **Sec. 1.** (1) The department of community, trade, and
8 economic development shall work in consultation with the affordable
9 housing advisory board and representatives from nonprofit housing
10 development organizations and affordable housing advocacy groups in the
11 state to:

12 (a) Identify and analyze all costs associated with affordable
13 housing development projects financed through the Washington housing
14 trust fund under chapters 43.185 and 43.185A RCW, which may include,
15 but are not limited to, costs associated with legal and architectural
16 services, permitting and impact fees, land acquisition, and general
17 construction costs;

18 (b) Make recommendations for strategies, which must include

1 recommendations for changes to public policy and department procedures,
2 to reduce the costs identified in (a) of this subsection; and

3 (c) Make recommendations for potential performance measures
4 appropriate for each strategy identified.

5 (2) In developing recommendations for strategies to reduce costs,
6 the department of community, trade, and economic development shall
7 analyze and address the fiscal impact of public policies of the state
8 and of local governments, Washington housing trust fund policies, and
9 general market forces on affordable housing development.

10 (3) The department of community, trade, and economic development
11 shall report its findings and recommendations to the governor and to
12 the appropriate committees of the legislature by September 30, 2009.

13 NEW SECTION. **Sec. 2.** The office of the insurance commissioner, in
14 collaboration with the department of community, trade, and economic
15 development and, when necessary, in consultation with the office of
16 financial management and the office of the attorney general, must, by
17 December 1, 2008, present specific recommendations for strategies to
18 reduce insurance costs for affordable housing projects funded by the
19 Washington housing trust fund under chapters 43.185 and 43.185A RCW,
20 with a specific emphasis on identifying strategies to reduce liability
21 insurance, to the appropriate committees of the legislature.
22 Recommendations must include any statutory or regulatory changes
23 necessary for the state or for eligible organizations with affordable
24 housing projects funded by the housing trust fund to pursue recommended
25 strategies.

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

28 (1) The housing trust fund float loan program is created within the
29 department to provide short-term, zero-interest or low-interest loans
30 to eligible organizations that have applied to the Washington housing
31 trust fund for a project eligible under the housing trust fund criteria
32 but inadequate funds were not available for the project during the
33 funding round.

34 (2) The department shall develop policies and procedures necessary
35 to administer the float loan program, and shall present a program

1 implementation plan to the appropriate committees of the legislature by
2 December 1, 2008. The program must be implemented by February 1, 2009.

3 **Sec. 4.** RCW 43.180.050 and 1986 c 264 s 1 are each amended to read
4 as follows:

5 (1) In addition to other powers and duties prescribed in this
6 chapter, and in furtherance of the purposes of this chapter to provide
7 decent, safe, sanitary, and affordable housing for eligible persons,
8 the commission is empowered to:

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

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

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

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

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

23 (a) Income;

24 (b) Family size;

25 (c) Cost, condition and energy efficiency of available residential
26 housing;

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

28 (e) Age or infirmity; and

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

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

1 **Sec. 5.** RCW 43.180.070 and 1999 c 372 s 11 and 1999 c 131 s 1 are
2 each reenacted and amended to read as follows:

3 The commission shall adopt a general plan of housing finance
4 objectives to be implemented by the commission during the period of the
5 plan. The commission may exercise the powers authorized under this
6 chapter prior to the adoption of the initial plan. In developing the
7 plan, the commission shall consider and set objectives for:

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

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

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

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

14 ~~((+3))~~ (5) The housing needs of low-income and moderate-income
15 persons and families, and of elderly persons or ~~((mentally or~~
16 ~~physically handicapped))~~ persons with disabilities or mental illness;

17 ~~((+4))~~ (6) The use of funds in coordination with federal, state,
18 and local housing programs for low-income persons;

19 ~~((+5))~~ (7) The use of funds in urban, rural, suburban, and special
20 areas of the state;

21 ~~((+6))~~ (8) The use of financing assistance to stabilize and
22 upgrade declining urban neighborhoods;

23 ~~((+7))~~ (9) The use of financing assistance for economically
24 depressed areas, areas of minority concentration, reservations, and in
25 mortgage-deficient areas;

26 ~~((+8))~~ (10) The geographical distribution of bond proceeds so that
27 the benefits of the housing programs provided under this chapter will
28 be available to address demand on a fair basis throughout the state;

29 ~~((+9))~~ (11) The use of financing assistance for implementation of
30 cost-effective energy efficiency measures in dwellings.

31 The plan shall include an estimate of the amount of bonds the
32 commission will issue during the term of the plan and how bond proceeds
33 will be expended.

34 The plan shall be adopted by resolution of the commission following
35 at least one public hearing thereon, notice of which shall be made by
36 mailing to the clerk of the governing body of each county and by
37 publication in the Washington State Register no more than forty and no
38 less than twenty days prior to the hearing. A draft of the plan shall

1 be made available not less than thirty days prior to any such public
2 hearing. (~~(At least every two years,)~~) The commission shall report to
3 the legislature annually regarding implementation of the plan. The
4 commission shall update the plan every two years.

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

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

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

12 NEW SECTION. Sec. 6. A new section is added to chapter 43.180 RCW
13 to read as follows:

14 The commission must adopt rules to assure that tax exempt bonds
15 issued under this chapter for multifamily affordable housing
16 developments be awarded first to qualified applications submitted by
17 nonprofit entities.

18 NEW SECTION. Sec. 7. A new section is added to chapter 43.185 RCW
19 to read as follows:

20 Affordable housing developments receiving financing by the
21 Washington housing trust fund under this chapter and chapter 43.185A
22 RCW that were not acquired by eminent domain are exempt from the
23 requirements of and rules adopted for chapter 8.26 RCW. All projects
24 receiving financing from the housing trust fund must comply with any
25 relocation standards and requirements and real property acquisition
26 policies established by the department as a condition of housing trust
27 fund assistance.

28 NEW SECTION. Sec. 8. A new section is added to chapter 43.185 RCW
29 to read as follows:

30 The nonprofit equity account program is created in the department
31 to facilitate nonprofit entity use of tax-exempt multifamily bonds
32 issued by the Washington state housing finance commission. The
33 department shall contract with the Washington state housing finance
34 commission to administer the nonprofit equity account program. By
35 December 31, 2008, and annually thereafter, the Washington state

1 housing finance commission must report to the appropriate committees of
2 the legislature, using performance measures, on the activities and
3 accomplishments of the program.

4 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.185 RCW
5 to read as follows:

6 The nonprofit equity account is created in the state treasury. All
7 receipts from amounts appropriated for the purpose of facilitating
8 nonprofit entity use of tax-exempt multifamily bonds issued by the
9 Washington state housing finance commission must be deposited into the
10 account. Moneys in the account may be spent only after appropriation.
11 The department shall administer the account and hold it separate and
12 apart from all other moneys, funds, and accounts of the department.

13 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.185
14 RCW to read as follows:

15 (1) The housing communities program is created within the
16 department to provide technical assistance and organizational capacity
17 building programs to private, community-based nonprofit organizations
18 that primarily serve communities of color or multilingual communities.
19 The housing communities program must provide organizational training
20 and technical assistance on housing development issues, including asset
21 management, resource acquisition, and other general housing development
22 topics, with the goal of assisting nonprofit organizations to add
23 affordable housing development into their organizational missions and
24 workplans, or expand their current affordable housing programs to
25 further meet the needs of their communities.

26 (2) The department shall contract with two or more experienced
27 housing nonprofit organizations that have the capacity to implement the
28 housing communities program throughout the state.

29 **Sec. 11.** RCW 84.36.560 and 2007 c 301 s 1 are each amended to read
30 as follows:

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

- 1 (a) The benefit of the exemption inures to the nonprofit entity;
- 2 (b) At least seventy-five percent of the occupied dwelling units in
3 the rental housing or lots in a mobile home park are occupied by a very
4 low-income household; and
- 5 (c) The rental housing or lots in a mobile home park were insured,
6 financed, or assisted in whole or in part through one or more of the
7 following sources:
- 8 (i) A federal or state housing program administered by the
9 department of community, trade, and economic development;
- 10 (ii) A federal housing program administered by a city or county
11 government;
- 12 (iii) An affordable housing levy authorized under RCW 84.52.105; or
13 (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and
14 any of the surcharges authorized in chapter 43.185C RCW.
- 15 (2) If less than seventy-five percent of the occupied dwelling
16 units within the rental housing or lots in the mobile home park are
17 occupied by very low-income households, the rental housing or mobile
18 home park is eligible for a partial exemption on the real property and
19 a total exemption of the housing's or park's personal property as
20 follows:
- 21 (a) A partial exemption shall be allowed for each dwelling unit in
22 the rental housing or for each lot in a mobile home park occupied by a
23 very low-income household.
- 24 (b) The amount of exemption shall be calculated by multiplying the
25 assessed value of the property reasonably necessary to provide the
26 rental housing or to operate the mobile home park by a fraction. The
27 numerator of the fraction is the number of dwelling units or lots
28 occupied by very low-income households as of December 31st of the first
29 assessment year in which the rental housing or mobile home park becomes
30 operational or on January 1st of each subsequent assessment year for
31 which the exemption is claimed. The denominator of the fraction is the
32 total number of dwelling units or lots occupied as of December 31st of
33 the first assessment year the rental housing or mobile home park
34 becomes operational and January 1st of each subsequent assessment year
35 for which exemption is claimed.
- 36 (3) If a currently exempt rental housing unit in a facility with
37 ten units or fewer or mobile home lot in a mobile home park with ten
38 lots or fewer was occupied by a very low-income household at the time

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

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

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

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

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

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

1 (6) The nonprofit entity qualifying for a property tax exemption
2 under this section may agree to make payments to the city, county, or
3 other political subdivision for improvements, services, and facilities
4 furnished by the city, county, or political subdivision for the benefit
5 of the rental housing. However, these payments shall not exceed the
6 amount last levied as the annual tax of the city, county, or political
7 subdivision upon the property prior to exemption.

8 (7) As used in this section:

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

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

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

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

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

1 section 9 of this act, a single person, family, or unrelated persons
2 living together whose income is at or below sixty percent of the median
3 income adjusted for family size as most recently determined by the
4 federal department of housing and urban development for the county in
5 which the rental housing or mobile home space is located and in effect
6 as of January 1st of the year the application for exemption is
7 submitted; and

8 (f) "Nonprofit entity" means a:

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

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

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

23 NEW SECTION. Sec. 12. If specific funding for the purposes of
24 sections 1, 2, and 10 of this act, referencing sections 1, 2, and 10 of
25 this act by bill or chapter number and section number, is not provided
26 by June 30, 2008, in the omnibus appropriations act, sections 1, 2, and
27 10 of this act are null and void.

28 NEW SECTION. Sec. 13. Sections 1 and 2 of this act expire
29 December 1, 2009.

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