
SUBSTITUTE HOUSE BILL 1834

State of Washington

66th Legislature

2019 Regular Session

By House Housing, Community Development & Veterans (originally sponsored by Representatives Ryu and Doglio)

READ FIRST TIME 02/14/19.

1 AN ACT Relating to adequate provisions for low-income
2 homeownership opportunities; amending RCW 43.185.050, 43.185.070,
3 43.185A.010, and 43.185A.030; adding a new section to chapter 43.185A
4 RCW; creating a new section; and providing an effective date.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that communities
7 need to provide a continuum of affordable housing to people and that
8 the continuum of housing includes emergency shelters for the
9 homeless, supportive housing for people with special needs, rental
10 housing assistance, and helping families buy their first home.

11 (2) The legislature also finds that:

12 (a) A recent Harvard University study reported that even after
13 the tremendous decline in housing prices and the rising wave of
14 foreclosures that began in 2007, homeownership continues to be a
15 significant source of household wealth and remains particularly
16 important for low-income and minority households. The desire to own a
17 home is not solely or even primarily motivated by financial goals,
18 but homeownership's appeal lies strongly in associations with having
19 control over one's living situation, the desire to put down roots in
20 a community, and the sense of efficacy and success that is associated
21 with owning. Homeowning is strongly preferred for a host of other

1 reasons by most individuals as they age, and provides further support
2 for policies to promote homeownership out of equity concerns to help
3 individuals and families achieve this important goal. The social
4 benefits of homeownership lend further credence to the value of
5 supports for homeownership.

6 (b) Policies to support low-income homeownership are a means to
7 alleviate wealth disparities and provide homeowners with a hedge
8 against inflation in rents over time, thereby potentially preventing
9 low-income homeowners from becoming homeless and allow low-income
10 households to build equity that continues to account for a
11 substantial share of net wealth, as losses in nonhousing wealth were
12 also significant in the wake of the great recession.

13 (c) Housing is both a physical and psychological anchor that is
14 essential to the stability of our personal and communal lives.
15 However, for too many, housing is a source of stress due to its cost
16 and uncertainty, whether as a renter or owner, and inadequate and
17 substandard housing is a primary contributor to the higher incidences
18 of mental and physical health problems and related public costs found
19 among children and adults living in poverty.

20 (d) Stable affordable housing has ancillary benefits in
21 individual and family mental and physical health, and in education
22 achievement.

23 (e) Homeownership is a critical component to an effective
24 continuum of housing that impacts the success of neighborhoods as
25 places of opportunity for positive life outcomes for residents,
26 especially neighborhoods with families with children but that state
27 funding for low-income homeownership projects has not been adequately
28 funded over the last several years and has received only 3.84 percent
29 of available state housing trust fund dollars since 2006.

30 (f) Appropriations for low-income homeownership projects have not
31 been adequately provided over the last three fiscal biennia, with
32 only 4.26 percent of housing trust fund dollars being invested in
33 such projects between 2013 and 2018.

34 **Sec. 2.** RCW 43.185.050 and 2018 c 223 s 4 are each amended to
35 read as follows:

36 (1) The department must use moneys from the housing trust fund
37 and other legislative appropriations to finance in whole or in part
38 any loans or grant projects (~~that will provide housing for persons~~
39 ~~and families with~~) to meet the special housing needs (~~and with~~

1 ~~incomes at or below fifty percent of the median family income for the~~
2 ~~county or standard metropolitan statistical area where the project is~~
3 ~~located)) of low-income households as defined in RCW 43.185A.010.~~

4 (a) (i) At least thirty percent of these moneys used in any given
5 funding cycle must be for the benefit of projects located in rural
6 areas of the state as defined by the department.

7 (ii) At least thirteen percent of the moneys used in any given
8 funding cycle must be used for the benefit of homeownership projects
9 for low-income households as defined in RCW 43.185A.010. If the
10 department imposes a funding limit on homeownership projects, that
11 limit must be no less than thirty percent of the limit placed on
12 multifamily projects.

13 (b) If the department determines that it has not received an
14 adequate number of suitable applications for rural or homeownership
15 projects during any given funding cycle, the department may allocate
16 unused moneys for other projects (~~in nonrural areas of the state~~)).

17 (2) Activities eligible for assistance from the housing trust
18 fund and other legislative appropriations include, but are not
19 limited to:

20 (a) New construction, rehabilitation, or acquisition of low and
21 very low-income housing units;

22 (b) Rent subsidies;

23 (c) Matching funds for social services directly related to
24 providing housing for special-need tenants in assisted projects;

25 (d) Technical assistance, design and finance services and
26 consultation, and administrative costs for eligible nonprofit
27 community or neighborhood-based organizations;

28 (e) Administrative costs for housing assistance groups or
29 organizations when such grant or loan will substantially increase the
30 recipient's access to housing funds other than those available under
31 this chapter;

32 (f) Shelters and related services for the homeless, including
33 emergency shelters and overnight youth shelters;

34 (g) Mortgage subsidies, including temporary rental and mortgage
35 payment subsidies to prevent homelessness;

36 (h) Mortgage insurance guarantee or payments for eligible
37 projects;

38 (i) Down payment or closing cost assistance for eligible first-
39 time home buyers as defined in RCW 43.185A.010;

1 (j) Acquisition of housing units for the purpose of preservation
2 as low-income or very low-income housing;

3 (k) Projects making housing more accessible to families with
4 members who have disabilities; and

5 (l) Remodeling and improvements as required to meet building
6 code, licensing requirements, or legal operations to residential
7 properties owned and operated by an entity eligible under RCW
8 43.185A.040, which were transferred as described in RCW
9 82.45.010(3)(t) by the parent of a child with developmental
10 disabilities.

11 (3) Preference must be given for projects that include an early
12 learning facility.

13 (4) Legislative appropriations from capital bond proceeds may be
14 used only for the costs of projects authorized under subsection
15 (2)(a), (i), and (j) of this section, and not for the administrative
16 costs of the department.

17 (5) Moneys from repayment of loans from appropriations from
18 capital bond proceeds may be used for all activities necessary for
19 the proper functioning of the housing assistance program except for
20 activities authorized under subsection (2)(b) and (c) of this
21 section.

22 (6) Administrative costs associated with application,
23 distribution, and project development activities of the department
24 may not exceed three percent of the annual funds available for the
25 housing assistance program. Reappropriations must not be included in
26 the calculation of the annual funds available for determining the
27 administrative costs.

28 (7) Administrative costs associated with compliance and
29 monitoring activities of the department may not exceed one-quarter of
30 one percent annually of the contracted amount of state investment in
31 the housing assistance program.

32 **Sec. 3.** RCW 43.185.070 and 2015 c 155 s 2 are each amended to
33 read as follows:

34 (1) During each calendar year in which funds from the housing
35 trust fund or other legislative appropriations are available for use
36 by the department for the housing assistance program, the department
37 must announce to all known interested parties, and through major
38 media throughout the state, a grant and loan application period of at
39 least ninety days' duration. This announcement must be made as often

1 as the director deems appropriate for proper utilization of
2 resources. The department must then promptly grant as many
3 applications as will utilize available funds less appropriate
4 administrative costs of the department as provided in RCW 43.185.050.

5 (2) In awarding funds under this chapter, the department must:

6 (a) Provide for a geographic distribution on a statewide basis;
7 and

8 (b) Until June 30, 2013, consider the total cost and per-unit
9 cost of each project for which an application is submitted for
10 funding under RCW 43.185.050(2) (a) and (j), as compared to similar
11 housing projects constructed or renovated within the same geographic
12 area.

13 (3) The department, with advice and input from the affordable
14 housing advisory board established in RCW 43.185B.020, or a
15 subcommittee of the affordable housing advisory board, must report
16 recommendations for awarding funds in a cost-effective manner. The
17 report must include an implementation plan, timeline, and any other
18 items the department identifies as important to consider to the
19 legislature by December 1, 2012.

20 (4) The department must give first priority to applications for
21 projects and activities which utilize existing privately owned
22 housing stock including privately owned housing stock purchased by
23 nonprofit public development authorities and public housing
24 authorities as created in chapter 35.82 RCW. As used in this
25 subsection, privately owned housing stock includes housing that is
26 acquired by a federal agency through a default on the mortgage by the
27 private owner. Such projects and activities must be evaluated under
28 subsection ~~((+5))~~ (6) of this section. Second priority must be given
29 to activities and projects which utilize existing publicly owned
30 housing stock. All projects and activities must be evaluated by some
31 or all of the criteria under subsection ~~((+5))~~ (6) of this section,
32 and similar projects and activities shall be evaluated under the same
33 criteria.

34 (5) The department must use a separate application form for
35 applications to provide homeownership opportunities and evaluate
36 homeownership project applications as allowed under chapter 43.185A
37 RCW.

38 (6) The department must give preference for applications based on
39 some or all of the criteria under this subsection, and similar
40 projects and activities must be evaluated under the same criteria:

- 1 (a) The degree of leveraging of other funds that will occur;
- 2 (b) The degree of commitment from programs to provide necessary
3 habilitation and support services for projects focusing on special
4 needs populations;
- 5 (c) Recipient contributions to total project costs, including
6 allied contributions from other sources such as professional, craft
7 and trade services, and lender interest rate subsidies;
- 8 (d) Local government project contributions in the form of
9 infrastructure improvements, and others;
- 10 (e) Projects that encourage ownership, management, and other
11 project-related responsibility opportunities;
- 12 (f) Projects that demonstrate a strong probability of serving the
13 original target group or income level for a period of at least
14 twenty-five years;
- 15 (g) The applicant has the demonstrated ability, stability and
16 resources to implement the project;
- 17 (h) Projects which demonstrate serving the greatest need;
- 18 (i) Projects that provide housing for persons and families with
19 the lowest incomes;
- 20 (j) Projects serving special needs populations which are under
21 statutory mandate to develop community housing;
- 22 (k) Project location and access to employment centers in the
23 region or area;
- 24 (l) Projects that provide employment and training opportunities
25 for disadvantaged youth under a youthbuild or youthbuild-type program
26 as defined in RCW 50.72.020;
- 27 (m) Project location and access to available public
28 transportation services; and
- 29 (n) Projects involving collaborative partnerships between local
30 school districts and either public housing authorities or nonprofit
31 housing providers, that help children of low-income families succeed
32 in school. To receive this preference, the local school district must
33 provide an opportunity for community members to offer input on the
34 proposed project at the first scheduled school board meeting
35 following submission of the grant application to the department.
- 36 ((+6)) (7) The department may only approve applications for
37 projects for persons with mental illness that are consistent with a
38 behavioral health organization six-year capital and operating plan.

1 **Sec. 4.** RCW 43.185A.010 and 2013 c 145 s 4 are each amended to
2 read as follows:

3 Unless the context clearly requires otherwise, the definitions in
4 this section apply throughout this chapter.

5 (1) "Affordable housing" means residential housing for rental
6 occupancy which, as long as the same is occupied by low-income
7 households, requires payment of monthly housing costs, including
8 utilities other than telephone, of no more than thirty percent of the
9 family's income. The department must adopt policies for residential
10 homeownership housing, occupied by low-income households, which
11 specify the percentage of family income that may be spent on monthly
12 housing costs, including utilities other than telephone, to qualify
13 as affordable housing.

14 (2) "Contracted amount" has the same meaning as provided in RCW
15 43.185.020.

16 (3) "Department" means the department of commerce.

17 (4) "Director" means the director of the department of commerce.

18 (5) "First-time home buyer" means an individual who meets any of
19 the following criteria:

20 (a) An individual or ((his or her)) the individual's spouse ((or
21 domestic partner)) who ((have not owned a home)) has had no ownership
22 in a principal residence during the three-year period ((prior to
23 purchase of a home)) ending on the date of purchase of the property;

24 (b) A single parent who has only owned a home with a former
25 spouse while married;

26 (c) An individual who is a displaced homemaker as defined in 24
27 C.F.R Sec. 93.2 as it exists on the effective date of this section,
28 or such subsequent date as may be provided by the department by rule,
29 consistent with the purposes of this section, and has only owned a
30 home with a spouse;

31 (d) An individual who has only owned a principal residence not
32 permanently affixed to a permanent foundation in accordance with
33 applicable regulations;

34 (e) An individual who has only owned a property that upon
35 inspection by a licensed building inspector does not meet the
36 performance requirements and acceptable standards of the United
37 States department of housing's housing quality standards.

38 (6) "Low-income household" means a single person, family or
39 unrelated persons living together whose adjusted income is less than

1 eighty percent of the median family income, adjusted for household
2 size, for the county where the project is located.

3 **Sec. 5.** RCW 43.185A.030 and 2013 c 145 s 5 are each amended to
4 read as follows:

5 (1) Using moneys specifically appropriated for such purpose, the
6 department shall finance in whole or in part projects that will
7 provide housing for low-income households. Thirteen percent of the
8 moneys used in any given funding cycle is established for the purpose
9 of promoting homeownership projects. If the department determines
10 that it has not received an adequate number of suitable applications
11 for homeownership projects during any given funding cycle, the
12 department may allocate unused moneys for nonhomeownership projects.

13 (2) Activities eligible for assistance include, but are not
14 limited to:

15 (a) New construction, rehabilitation, or acquisition of housing
16 for low-income households;

17 (b) Rent subsidies in new construction or rehabilitated
18 multifamily units;

19 (c) Down payment or closing costs assistance for first-time home
20 buyers;

21 (d) Mortgage subsidies for new construction or rehabilitation of
22 eligible multifamily units; and

23 (e) Mortgage insurance guarantee or payments for eligible
24 projects.

25 (3) Legislative appropriations from capital bond proceeds may be
26 used only for the costs of projects authorized under subsection
27 (2)(a), (c), (d), and (e) of this section, and not for the
28 administrative costs of the department.

29 (4) Moneys from repayment of loans from appropriations from
30 capital bond proceeds may be used for all activities necessary for
31 the proper functioning of the affordable housing program except for
32 activities authorized under subsection (2)(b) of this section.

33 (5) Administrative costs associated with application,
34 distribution, and project development activities of the department
35 may not exceed three percent of the annual funds available for the
36 affordable housing program. Reappropriations must not be included in
37 the calculation of the annual funds available for determining the
38 administrative costs.

1 (6) Administrative costs associated with compliance and
2 monitoring activities of the department may not exceed one-quarter of
3 one percent annually of the contracted amount of state investment in
4 the affordable housing program.

5 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.185A
6 RCW to read as follows:

7 Beginning December 1, 2021, and every year thereafter, the
8 department must report to the appropriate committees of the
9 legislature on the following for every previous funding cycle: The
10 number of homeownership and multifamily projects funded by housing
11 trust fund moneys; any other funds directed by the department for
12 affordable housing including federal housing trust fund dollars, HOME
13 and community development block grant funds; the percentage of
14 housing trust fund investments made to homeownership and multifamily
15 projects delineated by direct appropriation and competitive grants;
16 and the total number of households being served at up to eighty
17 percent of the area median income, up to fifty percent of the area
18 median income, and up to thirty percent of the area median income,
19 for both homeownership and multifamily projects.

20 NEW SECTION. **Sec. 7.** This act takes effect January 1, 2020.

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