

---

**SUBSTITUTE SENATE BILL 5746**

---

**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Housing Stability & Affordability (originally sponsored by Senators Saldaña, Nguyen, and Zeiger)

READ FIRST TIME 02/19/19.

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 between 2013 and 2018, with only 4.26  
32 percent of housing trust fund dollars being invested in such  
33 projects.

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       (6) "Low-income household" means a single person, family or  
35 unrelated persons living together whose adjusted income is less than  
36 eighty percent of the median family income, adjusted for household  
37 size, for the county where the project is located.

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

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

10 (2) Activities eligible for assistance include, but are not  
11 limited to:

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

14 (b) Rent subsidies in new construction or rehabilitated  
15 multifamily units;

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

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

20 (e) Mortgage insurance guarantee or payments for eligible  
21 projects.

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

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

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

36 (6) Administrative costs associated with compliance and  
37 monitoring activities of the department may not exceed one-quarter of  
38 one percent annually of the contracted amount of state investment in  
39 the affordable housing program.

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

3        Beginning December 1, 2021, and every year thereafter, the  
4    department must report to the appropriate committees of the  
5    legislature on the following for every previous funding cycle: The  
6    number of homeownership and multifamily projects funded by housing  
7    trust fund moneys; the percentage of housing trust fund investments  
8    made to homeownership and multifamily projects; and the total number  
9    of households being served at up to eighty percent of the area median  
10   income, up to fifty percent of the area median income, and up to  
11   thirty percent of the area median income, for both homeownership and  
12   multifamily projects.

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

--- END ---