

# HOUSE BILL REPORT

## HB 1250

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**As Reported by House Committee On:**  
Capital Budget

**Title:** An act relating to modifying the low-income home rehabilitation program.

**Brief Description:** Modifying the low-income home rehabilitation program.

**Sponsors:** Representatives Steele and Eslick.

**Brief History:**

**Committee Activity:**

Capital Budget: 2/9/23, 2/16/23 [DPS].

**Brief Summary of Substitute Bill**

- Converts the Low-Income Home Rehabilitation Revolving Loan Program into a grant program and forgives the outstanding balance of existing loans.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; Sandlin, Assistant Ranking Minority Member; Alvarado, Bateman, Cheney, Christian, Couture, Dye, Eslick, Farivar, Fosse, Kloba, Leavitt, Maycumber, McClintock, McEntire, Morgan, Mosbrucker, Orwall, Peterson, Reed, Rule, Shavers, Stearns and Waters.

**Staff:** Dawn Eychaner (786-7135).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Loan Program.

The Low-Income Home Rehabilitation Revolving Loan Program (Loan Program) was established in 2017 and is administered by the Department of Commerce (COM). The Loan Program serves homeowners who live in rural areas and have incomes at or below 200 percent of the federal poverty level. Homeowners who are senior citizens, persons with disabilities, families with children aged 5 years or younger, and veterans must receive priority for the loans.

The home rehabilitation loan cannot exceed 80 percent of the property's assessed value after rehabilitation or \$40,000, whichever is less. All amounts borrowed under the loan become due and payable upon the sale or change in ownership of the home.

The COM contracts with rehabilitation agencies to provide the home rehabilitation services and administer the loans. Interest rates are set based on the previous year's annual average consumer price index.

Since inception, the Loan Program has issued 52 loans totaling just over \$1.5 million. Of these, seven loans have been repaid in full. The repayments received as of December 2022, including principal and interest, for loans issued under the Loan Program total just over \$190,000.

Account.

The Loan Program Account (Account) is a non appropriated account that may receive repayments from the Loan Program and other sources of funding. Expenditures may be used only for purposes of the Loan Program.

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**Summary of Substitute Bill:**

The Low-Income Home Rehabilitation Revolving Loan Program (Loan Program) is terminated on July 1, 2023. The Department of Commerce (COM) must forgive in full any previously issued loan that is outstanding. Loan forgiveness is not retroactive and does not apply to any loans previously paid in full.

Grant Program.

The Low-Income Home Rehabilitation Grant Program (Grant Program) is established and is administered by the COM. The Grant Program must serve homeowners who live in rural areas and have incomes at or below 80 percent of the area median income for the county in which the home receiving rehabilitation is located, 60 percent of the state median income, or 200 percent of the federal poverty level (FPL), whichever is greater. Homeowners who are senior citizens, persons with disabilities, families with children aged 5 years or younger, and veterans must receive priority for the grants.

The home rehabilitation grant must be the lesser of:

- 80 percent of the property's assessed or appraised value after rehabilitation, whichever is greater; or
- \$50,000.

The COM must contract with rehabilitation agencies to provide the home rehabilitation services.

Account.

The Low-Income Home Rehabilitation Revolving Loan Program Account is renamed as the Low-Income Home Rehabilitation Account. Expenditures may include grants issued under the Grant Program and wind-down costs of the former Loan Program.

Effective Dates.

Sections relating to terminating the Loan Program, establishing the Grant Program, and modifying the account take effect July 1, 2023.

**Substitute Bill Compared to Original Bill:**

The substitute bill retains the provisions of the original bill, modified as follows:

- amends income eligibility for the program to include homeowners with incomes at or below 200 percent of the federal poverty level;
- provides the option for the cost of the home rehabilitation to be based on 80 percent of the property's appraised value after rehabilitation rather than only assessed value; and
- increases the maximum grant award from \$40,000 to \$50,000.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2023.

**Effective Date of Substitute Bill:** Sections 1 through 5 of the bill contain an emergency clause and take effect July 1, 2023. The remainder of the bill has multiple effective dates. Please see the bill.

**Staff Summary of Public Testimony:**

(In support) The request for this bill came from community action agencies having challenges administering the program at the local level. This has been a collaborative effort with the Department of Commerce (COM) to develop a plan to forgive these loans, move the program forward, and still allow the COM to work with communities that need these services. This comprehensive bill does what is needed to wind down the struggling loan program. Homeownership is an important way of building intergenerational wealth. Please consider retaining the original 200 percent federal poverty level income eligibility, updating

the cap on the award amount, and basing the maximum on the appraised value of the home after rehabilitation, not just on the assessed value. This program makes a difference for families across the state. There are many reasons people face displacement, and one factor is costly home repairs. Families can face losing their homes and homelessness as a result of this expense. Without this program, many people in need would not be able to remain in their homes.

(Opposed) None.

(Other) The COM welcomes this conversation. The loan program has not yet been able to meet the promise of the original legislation. There is a deep need for the quality of housing, especially in rural Washington. The current program requires the COM to work with rehabilitation agencies, and in practice it is community action agencies that have been the leads doing this work. About six agencies statewide are involved in these loans. The Weatherization Program 2022 report includes some of the recommendations heard in testimony today. The COM has contracted for a study to identify paths forward for the success of this program.

**Persons Testifying:** (In support) Representative Mike Steele, prime sponsor; Cliff Cawthon, Habitat for Humanity Seattle-King County; and Jeff DeLuca, Washington State Community Action Partnership.

(Other) Jasmine Vasavada, Department of Commerce.

**Persons Signed In To Testify But Not Testifying:** None.