
ENGROSSED SUBSTITUTE HOUSE BILL 1624

State of Washington

52nd Legislature

1991 Regular Session

By House Committee on Housing (originally sponsored by Representatives Nelson, Mitchell, H. Sommers, Jacobsen, Winsley, R. Johnson and Phillips).

Read first time February 19, 1991.

1 AN ACT Relating to the housing trust fund; amending RCW 43.185.010,
2 43.185.030, 43.185.050, 43.185.070, and 43.185.080; and adding new
3 sections to chapter 43.185 RCW; and adding a new chapter to Title 43
4 RCW.

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

6 **Sec. 1.** RCW 43.185.010 and 1986 c 298 s 1 are each amended to read
7 as follows:

8 The legislature finds that current economic conditions, federal
9 housing policies and declining resources at the federal, state, and
10 local level adversely affect the ability of low and very low-income
11 persons to obtain safe, decent, and affordable housing.

12 The legislature further finds that members of over one hundred
13 twenty thousand households live in housing units which are overcrowded,
14 lack plumbing, are otherwise threatening to health and safety, and have
15 rents and utility payments which exceed thirty percent of their income.

1 The legislature further finds that minorities, rural households,
2 and migrant farm workers require housing assistance at a rate which
3 significantly exceeds their proportion of the general population.

4 The legislature further finds that one of the most dramatic housing
5 needs is that of persons needing special housing-related services, such
6 as the mentally ill, recovering alcoholics, frail elderly persons, and
7 single parents. These services include medical assistance, counseling,
8 chore services, and child care.

9 The legislature further finds that housing assistance programs in
10 the past have often failed to help those in greatest need.

11 The legislature declares that it is in the public interest to
12 establish a continuously renewable resource known as ((a)) the housing
13 trust fund and housing assistance program to assist low and very low-
14 income citizens in meeting their basic housing needs, and that the
15 needs of very low-income citizens should be given priority and that
16 whenever feasible, assistance should be in the form of loans.

17 NEW SECTION. Sec. 2. A new section is added to chapter 43.185 RCW
18 to read as follows:

19 There is created within the department of community development the
20 housing assistance program to carry out the purposes of this chapter.

21 **Sec. 3.** RCW 43.185.030 and 1987 c 513 s 6 are each amended to read
22 as follows:

23 There is hereby created a fund in the office of the treasurer known
24 as the Washington housing trust fund. The housing trust fund shall
25 include revenue from the sources established by this chapter,
26 appropriations by the legislature, private contributions, repayment of
27 loans, and all other sources. ~~((Eighty percent of the return on the~~
28 ~~fund in the form of investment income or interest shall be added to the~~

1 principal of the fund. The remaining twenty percent shall be placed in
2 the general fund.))

3 **Sec. 4.** RCW 43.185.050 and 1986 c 298 s 6 are each amended to read
4 as follows:

5 (1) The department shall use ~~((funds))~~ moneys from the housing
6 trust fund and other legislative appropriations to finance in whole or
7 in part any loans or grant projects that will provide housing for
8 persons and families with special housing needs and with incomes at or
9 below fifty percent of the median family income for the county or
10 standard metropolitan statistical area where the project is located.
11 ~~((Not less than))~~ At least thirty percent of ~~((such funds))~~ these
12 moneys used in any given ~~((biennium))~~ funding cycle shall be for the
13 benefit of projects located in rural areas ~~((as defined in 63 Stat.~~
14 ~~432, 42 U.S.C. Sec. 1471 et seq))~~ of the state as defined by the
15 department of community development. If the department determines that
16 it has not received an adequate number of suitable applications for
17 rural projects during any given funding cycle, the department may
18 allocate unused moneys for projects in nonrural areas of the state.

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

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

23 (b) Rent subsidies ~~((in new construction or rehabilitated~~
24 ~~multifamily units))~~);

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

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

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

5 (f) Shelters and related services for the homeless;

6 (g) Mortgage subsidies (~~((for new construction or rehabilitation of~~
7 ~~eligible multifamily units))~~), including temporary rental and mortgage
8 payment subsidies to prevent homelessness;

9 (h) Mortgage insurance guarantee or payments for eligible projects;
10 (~~and~~)

11 (i) Down payment or closing cost assistance for eligible first-time
12 home buyers; and

13 (j) Acquisition of housing units for the purpose of preservation as
14 low-income or very low-income housing.

15 (3) Legislative appropriations from capital bond proceeds and
16 moneys from repayment of loans from appropriations from capital bond
17 proceeds may be used only for the costs of projects authorized under
18 subsection (2) (a), (i), and (j) of this section, and not for the
19 administrative costs of the department.

20 **Sec. 5.** RCW 43.185.070 and 1988 c 286 s 1 are each amended to read
21 as follows:

22 (1) During each calendar year in which funds from the housing trust
23 fund or other legislative appropriations are available for use by the
24 department (~~((from the housing trust fund, as prescribed in RCW~~
25 ~~43.185.030))~~ for the housing assistance program, the department shall
26 announce to all known interested parties, and through major media
27 throughout the state, a grant and loan application period of at least
28 ninety days' duration. This announcement shall be made as often as the
29 director deems appropriate for proper utilization of resources(~~(, but~~

1 ~~at least twice annually~~). The department shall then promptly grant as
2 many applications as will utilize available funds less appropriate
3 administrative costs of the department(~~(, not to)~~). Administrative
4 costs paid out of the housing trust fund may not exceed ((thirty seven
5 thousand five hundred dollars in the fiscal year ending June 30, 1988,
6 and seventy five thousand dollars in the fiscal year ending June 30,
7 1989, and not to exceed)) five percent of annual revenues ((to the fund
8 thereafter)) available for distribution to housing trust fund projects.
9 In awarding funds under this chapter, the department shall provide for
10 a geographic distribution on a state-wide basis.

11 (2) The department shall give first priority to applications for
12 projects and activities which utilize existing privately owned housing
13 stock including privately owned housing stock purchased by nonprofit
14 public development authorities and public housing authorities as
15 created in chapter 35.82 RCW. As used in this subsection, privately
16 owned housing stock includes housing that is acquired by a federal
17 agency through a default on the mortgage by the private owner. Such
18 projects and activities shall be evaluated under subsection (3) of this
19 section. Second priority shall be given to activities and projects
20 which utilize existing publicly owned housing stock. Such projects and
21 activities shall be evaluated by some or all of the criteria under
22 subsection (3) of this section, and similar projects and activities
23 shall be evaluated under the same criteria.

24 (3) The department shall give preference for applications based on
25 the following criteria:

26 (a) The degree of leveraging of other funds that will occur;

27 (b) Recipient contributions to total project costs, including
28 allied contributions from other sources such as professional, craft and
29 trade services, and lender interest rate subsidies;

1 (c) Local government project contributions in the form of
2 infrastructure improvements, and others;

3 (d) Projects that encourage ownership, management, and other
4 project-related responsibility opportunities;

5 (e) Projects that demonstrate a strong probability of serving the
6 original target group or income level for a period of at least
7 (~~fifteen~~) twenty-five years;

8 (f) The applicant has the demonstrated ability, stability and
9 resources to implement the project;

10 (g) Projects which demonstrate serving the greatest need; (~~and~~)

11 (h) Projects that provide housing for persons and families with the
12 lowest incomes;

13 (i) Project location and access to employment centers in the region
14 or area; and

15 (j) Project location and access to available public transportation
16 services.

17 **Sec. 6.** RCW 43.185.080 and 1986 c 298 s 9 are each amended to read
18 as follows:

19 (1) The department may use moneys from the housing trust fund and
20 other legislative appropriations, but not appropriations from capital
21 bond proceeds, to provide preconstruction technical assistance to
22 eligible recipients seeking to construct, rehabilitate, or finance
23 housing-related services for very low and low-income persons. The
24 department shall emphasize providing preconstruction technical
25 assistance services to rural areas and small cities and towns. The
26 department may contract with nonprofit organizations to provide this
27 technical assistance. The department may contract for any of the
28 following services:

1 (a) Financial planning and packaging for housing projects,
2 including alternative ownership programs, such as limited equity
3 partnerships and syndications;

4 (b) Project design, architectural planning, and siting;

5 (c) Compliance with planning requirements;

6 (d) Securing matching resources for project development;

7 (e) Maximizing local government contributions to project
8 development in the form of land donations, infrastructure improvements,
9 waivers of development fees, locally and state-managed funds, zoning
10 variances, or creative local planning;

11 (f) Coordination with local planning, economic development, and
12 environmental, social service, and recreational activities;

13 (g) Construction and materials management; and

14 (h) Project maintenance and management.

15 (2) The department shall publish requests for proposals which
16 specify contract performance standards, award criteria, and contractor
17 requirements. In evaluating proposals, the department shall consider
18 the ability of the contractor to provide technical assistance to low
19 and very low-income persons and to persons with special housing needs.

20 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.185 RCW
21 to read as follows:

22 The department shall adopt policies to ensure that the state's
23 interest will be protected upon either the sale or change of use of
24 projects financed in whole or in part under section 4(2)(a), (i), and
25 (j) of this act. These policies may include, but are not limited to:
26 (1) Requiring a share of the appreciation in the project in proportion
27 to the state's contribution to the project; (2) requiring a lump-sum
28 repayment of the loan or grant upon the sale or change of use of the

1 project; or (3) requiring a deferred payment of principal or principal
2 and interest on loans after a specified time period.

3 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.185 RCW
4 to read as follows:

5 If any part of this act is found to be in conflict with federal
6 requirements which are a prescribed condition to the allocation of
7 federal funds to the state, the conflicting part of this act is
8 inoperative solely to the extent of the conflict and with respect to
9 the agencies directly affected, and this finding does not affect the
10 operation of the remainder of this act in its application to the
11 agencies concerned. The rules under this act shall meet federal
12 requirements which are a necessary condition to the receipt of federal
13 funds by the state.

14 NEW SECTION. **Sec. 9.** Sections 9 through 19 of this act may be
15 known and cited as the affordable housing act.

16 NEW SECTION. **Sec. 10.** Unless the context clearly requires
17 otherwise, the definitions in this section apply throughout this
18 chapter.

19 (1) "Affordable housing" means residential housing for rental or
20 private individual ownership which, as long as the same is occupied by
21 low-income households, requires payment of monthly housing costs,
22 including utilities other than telephone, of no more than thirty
23 percent of the family's income.

24 (2) "Department" means the department of community development.

25 (3) "Director" means the director of the department of community
26 development.

1 (4) "First-time home buyer" means an individual or his or her
2 spouse who have not owned a home during the three-year period prior to
3 purchase of a home.

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

8 NEW SECTION. **Sec. 11.** The affordable housing program is
9 created in the department of community development for the purpose of
10 developing and coordinating public and private resources targeted to
11 meet the affordable housing needs of low-income households in the state
12 of Washington. The program shall be developed and administered by the
13 department with advice and input from the low-income assistance
14 advisory committee established in RCW 43.185.110.

15 NEW SECTION. **Sec. 12.** (1) Using moneys specifically
16 appropriated for such purpose, the department shall finance in whole or
17 in part projects that will provide housing for low-income households.

18 (2) Activities eligible for assistance include, but are not limited
19 to:

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

22 (b) Rent subsidies in new construction or rehabilitated multifamily
23 units;

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

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

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

1 (3) Legislative appropriations from capital bond proceeds and
2 moneys from repayment of loans from appropriations from capital bond
3 proceeds may be used only for the costs of projects authorized under
4 subsection (2)(a), (c), (d), and (e) of this section, and not for the
5 administrative costs of the department.

6 NEW SECTION. **Sec. 13.** Organizations that may receive
7 assistance from the department under this chapter are local
8 governments, local housing authorities, nonprofit community or
9 neighborhood-based organizations, and regional or state-wide nonprofit
10 housing assistance organizations.

11 NEW SECTION. **Sec. 14.** (1) During each calendar year in which
12 funds are available for use by the department for the affordable
13 housing program, the department shall announce to all known interested
14 parties, and through major media throughout the state, a grant and loan
15 application period of at least ninety days' duration. This
16 announcement shall be made as often as the director deems appropriate
17 for proper utilization of resources. The department shall then
18 promptly grant as many applications as will utilize available funds
19 less appropriate administrative costs of the department, not to exceed
20 five percent of moneys appropriated to the affordable housing program.

21 (2) The department shall develop, with advice and input from the
22 low-income assistance advisory committee established in RCW 43.185.110,
23 criteria to evaluate applications for assistance under this chapter.

24 NEW SECTION. **Sec. 15.** The department shall adopt policies to
25 ensure that the state's interest will be protected upon either the sale
26 or change of use of projects financed in whole or in part under section
27 11(2)(a), (c), (d), and (e) of this act. These policies may include,

1 but are not limited to: (1) Requiring a share of the appreciation in
2 the project in proportion to the state's contribution to the project;
3 (2) requiring a lump-sum repayment of the loan or grant upon the sale
4 or change of use of the project; or (3) requiring a deferred payment of
5 principal or principal and interest on loans after a specified time
6 period.

7 NEW SECTION. **Sec. 16.** The director shall monitor the
8 activities of recipients of grants and loans under this chapter to
9 determine compliance with the terms and conditions set forth in its
10 application or stated by the department in connection with the grant or
11 loan.

12 NEW SECTION. **Sec. 17.** The department shall have the authority
13 to promulgate rules pursuant to chapter 34.05 RCW, regarding the grant
14 and loan process, and the substance of eligible projects, consistent
15 with this chapter.

16 NEW SECTION. **Sec. 18.** If any provision of this act or its
17 application to any person or circumstance is held invalid, the
18 remainder of the act or the application of the provision to other
19 persons or circumstances is not affected.

20 NEW SECTION. **Sec. 19.** If any part of this act is found to be
21 in conflict with federal requirements which are a prescribed condition
22 to the allocation of federal funds to the state, the conflicting part
23 of this act is inoperative solely to the extent of the conflict and
24 with respect to the agencies directly affected, and this finding does
25 not affect the operation of the remainder of this act in its
26 application to the agencies concerned. The rules under this act shall

1 meet federal requirements which are a necessary condition to the
2 receipt of federal funds by the state.

3 NEW SECTION. **Sec. 20.** Sections 9 through 19 of this act shall
4 constitute a new chapter in Title 43 RCW.