
HOUSE BILL 3180

State of Washington 60th Legislature 2008 Regular Session

By Representatives Ormsby, Green, Morrell, Liias, Dunn, and Wood

Read first time 01/23/08. Referred to Committee on Housing.

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 adding a new section to chapter 81.04 RCW; creating new sections;
6 making an appropriation; and providing an expiration date.

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

8 NEW SECTION. **Sec. 1.** The department of community, trade, and
9 economic development shall work in consultation with the affordable
10 housing advisory board and representatives from nonprofit housing
11 development organizations and affordable housing advocacy groups in the
12 state to identify development costs and fees associated with affordable
13 housing development projects financed through the Washington housing
14 trust fund under chapters 43.185 and 43.185A RCW and to make
15 recommendations for strategies to reduce these costs and fees.
16 Development costs and fees may include, but are not limited to, costs
17 associated with legal and architectural services. The department shall
18 report its findings and recommendations to the governor and to the
19 appropriate committees of the legislature by December 1, 2008.

1 NEW SECTION. **Sec. 2.** The department of community, trade, and
2 economic development and the office of the insurance commissioner must
3 work in collaboration to analyze statutory and regulatory requirements
4 regarding liability insurance for housing developers and identify
5 economical alternatives to obtain required liability coverage for
6 affordable housing projects funded by the Washington housing trust fund
7 under chapters 43.185 and 43.185A RCW. The department and the office
8 of the insurance commissioner must identify:

9 (1) State statutes or administrative rules, or compliance
10 regulations of the Washington housing trust fund, Washington state
11 housing finance commission, or other commonly used affordable housing
12 sources of financing, that mandate or stipulate specific types and
13 levels of liability insurance coverage;

14 (2) Liability insurance coverage that eligible organizations with
15 affordable housing projects funded by the housing trust fund currently
16 carry in order to fulfill requirements of the state;

17 (3) Specific recommendations for statutory or regulatory changes
18 necessary to assist or enable eligible organizations with affordable
19 housing projects funded by the housing trust fund to economically
20 fulfill liability insurance requirements including, but not limited to,
21 changes that facilitate:

22 (a) The creation of a self-insurance program for eligible
23 organizations that have projects funded by the housing trust fund; and

24 (b) The assignment of liability for all or a portion of an eligible
25 organization's affordable housing development project funded by the
26 housing trust fund to the state of Washington.

27 (4) The department and the office of the insurance commissioner
28 shall report its findings and recommendations to the governor and to
29 the appropriate committees of the legislature by December 1, 2008.

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

32 (1) The housing trust fund floating loan program is created within
33 the department. The department may use funds from the housing trust
34 fund floating loan account created in section 4 of this act to provide
35 short-term, zero-interest or low-interest loans to eligible
36 organizations making application to the Washington housing trust fund
37 for affordable housing developments projects that are ready to proceed,

1 but for which there is inadequate housing trust funds available during
2 the current funding round. The department may finance the project's
3 continued development for a period not to exceed three years during
4 which time the organization must secure replacement permanent
5 financing, which may include permanent financing from the department
6 through the Washington housing trust fund. Once awarded permanent
7 financing, either through the housing trust fund or an alternative
8 source, the organization must repay the short-term floating loan.
9 Floating loan repayments must be placed in the housing trust fund
10 floating loan account to be used by the department for future
11 short-term financing loans.

12 (2) The department must collaborate with the affordable housing
13 advisory board to determine criteria to be used in issuing floating
14 loans and to determine an appropriate limit to the amount of funds to
15 be loaned in any given year.

16 (3) The department must report annually on the activities and
17 outcomes of loans made under this section to the governor and the
18 appropriate committees of the legislature beginning by January 1, 2009.

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

21 The housing trust fund floating loan account is created in the
22 custody of the state treasurer. All receipts from housing trust fund
23 floating loan repayments and from funds within the Washington housing
24 trust fund that are directed for this purpose must be deposited into
25 the account. Expenditures from the account may be used only for the
26 housing trust fund floating loan program. Only the director or the
27 director's designee may authorize expenditures from the account. The
28 account is subject to allotment procedures under chapter 43.88 RCW, but
29 an appropriation is not required for expenditures.

30 **Sec. 5.** RCW 43.180.050 and 1986 c 264 s 1 are each amended to read
31 as follows:

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

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

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

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

5 (d) Participate fully in federal and other governmental programs
6 and to take such actions as are necessary and consistent with this
7 chapter to secure to itself and the people of the state the benefits of
8 those programs and to meet their requirements, including such actions
9 as the commission considers appropriate in order to have the interest
10 payments on its bonds and other obligations treated as tax exempt under
11 the code.

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

14 (a) Income;

15 (b) Family size;

16 (c) Cost, condition and energy efficiency of available residential
17 housing;

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

19 (e) Age or infirmity; and

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

21 The state auditor shall audit the books, records, and affairs of
22 the commission annually to determine, among other things, if the use of
23 bond proceeds complies with the general plan of housing finance
24 objectives including compliance with the objective for the use of
25 financing assistance (~~((for implementation of cost-effective energy
26 efficiency measures in dwellings))~~) to increase the supply of affordable
27 and decent housing throughout the state.

28 **Sec. 6.** RCW 43.180.070 and 1999 c 372 s 11 and 1999 c 131 s 1 are
29 each reenacted and amended to read as follows:

30 The commission shall adopt a general plan of housing finance
31 objectives to be implemented by the commission during the period of the
32 plan. The commission may exercise the powers authorized under this
33 chapter prior to the adoption of the initial plan. In developing the
34 plan, the commission shall consider and set objectives for:

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

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

1 (3) The use of funds for new construction, rehabilitation,
2 including refinancing of existing debt, and home purchases;

3 ~~((+3))~~ (4) The housing needs of low-income and moderate-income
4 persons and families, and of elderly persons or ~~((mentally or~~
5 ~~physically handicapped))~~ persons with disabilities or mental illness;

6 ~~((+4))~~ (5) The use of funds in coordination with federal, state,
7 and local housing programs for low-income persons;

8 ~~((+5))~~ (6) The use of funds in urban, rural, suburban, and special
9 areas of the state;

10 ~~((+6))~~ (7) The use of financing assistance to stabilize and
11 upgrade declining urban neighborhoods;

12 ~~((+7))~~ (8) The use of financing assistance for economically
13 depressed areas, areas of minority concentration, reservations, and in
14 mortgage-deficient areas;

15 ~~((+8))~~ (9) The geographical distribution of bond proceeds so that
16 the benefits of the housing programs provided under this chapter will
17 be available to address demand on a fair basis throughout the state;

18 ~~((+9))~~ (10) The use of financing assistance for implementation of
19 cost-effective energy efficiency measures in dwellings.

20 The plan shall include an estimate of the amount of bonds the
21 commission will issue during the term of the plan and how bond proceeds
22 will be expended.

23 The plan shall be adopted by resolution of the commission following
24 at least one public hearing thereon, notice of which shall be made by
25 mailing to the clerk of the governing body of each county and by
26 publication in the Washington State Register no more than forty and no
27 less than twenty days prior to the hearing. A draft of the plan shall
28 be made available not less than thirty days prior to any such public
29 hearing. ~~((At least every two years,))~~ The commission shall report to
30 the legislature annually regarding implementation of the plan. The
31 commission shall update the plan every two years.

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

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

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

1 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.180 RCW
2 to read as follows:

3 The commission must adopt rules to assure that tax exempt bonds
4 issued under this chapter for multifamily affordable housing
5 developments be awarded first to qualified applications submitted by
6 qualified nonprofit organizations. In awarding tax exempt bonds, the
7 commission shall give priority to projects that:

- 8 (1) Utilize or will utilize state or federal government rental
- 9 subsidies for at least fifty percent of the housing units;
- 10 (2) Leverage other public or private sources of financing; and
- 11 (3) Are located in areas targeted by the federal government or by
- 12 the local government in official housing policy documents.

13 NEW SECTION. **Sec. 8.** A new section is added to chapter 81.04 RCW
14 to read as follows:

15 Affordable housing developments funded by the Washington housing
16 trust fund under chapters 43.185 and 43.185A RCW are exempt from
17 department of transportation rules regarding commercial relocation.
18 The department must minimize impacts of department activities to
19 affordable housing projects funded by the housing trust fund. The
20 department must work with the department of community, trade, and
21 economic development to develop reasonable relocation standards and
22 requirements for such housing projects.

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

25 The nonprofit equity account is created in the custody of the state
26 treasurer. All receipts from amounts appropriated from the Washington
27 housing trust fund specifically to this account must be deposited into
28 the account. Expenditures from the account must be used to facilitate
29 the use of tax exempt bonds by qualified nonprofit organizations
30 through the Washington state housing finance commission. Only the
31 director or the director's designee may authorize expenditures from the
32 account. The account is subject to allotment procedures under chapter
33 43.88 RCW, but an appropriation is not required for expenditures.

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

1 (1) The housing communities program is created within the
2 department to provide technical assistance and organizational capacity
3 building programs to private, community-based nonprofit organizations
4 that primarily serve communities of color or multilingual communities.
5 The housing communities program must provide asset management, resource
6 acquisition, and general housing development training to such nonprofit
7 organizations with the goal of assisting them to add affordable housing
8 development into their organizational missions and workplans, or expand
9 their current affordable housing programs to further meet the needs of
10 their communities.

11 (2) The department shall contract with two or more experienced
12 housing nonprofit organizations, with at least one located west of the
13 Cascade mountains and one located east of the Cascade mountains, that
14 have proven expertise in developing affordable housing projects to
15 implement the housing communities program and provide organizational
16 training and peer mentoring through the program in regions defined by
17 the department.

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

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

25 (a) The benefit of the exemption inures to the nonprofit entity;

26 (b) At least seventy-five percent of the occupied dwelling units in
27 the rental housing or lots in a mobile home park are occupied by a very
28 low-income household; and

29 (c) The rental housing or lots in a mobile home park were insured,
30 financed, or assisted in whole or in part through one or more of the
31 following sources:

32 (i) A federal or state housing program administered by the
33 department of community, trade, and economic development;

34 (ii) A federal housing program administered by a city or county
35 government;

36 (iii) An affordable housing levy authorized under RCW 84.52.105; or

1 (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and
2 any of the surcharges authorized in chapter 43.185C RCW.

3 (2) If less than seventy-five percent of the occupied dwelling
4 units within the rental housing or lots in the mobile home park are
5 occupied by very low-income households, the rental housing or mobile
6 home park is eligible for a partial exemption on the real property and
7 a total exemption of the housing's or park's personal property as
8 follows:

9 (a) A partial exemption shall be allowed for each dwelling unit in
10 the rental housing or for each lot in a mobile home park occupied by a
11 very low-income household.

12 (b) The amount of exemption shall be calculated by multiplying the
13 assessed value of the property reasonably necessary to provide the
14 rental housing or to operate the mobile home park by a fraction. The
15 numerator of the fraction is the number of dwelling units or lots
16 occupied by very low-income households as of December 31st of the first
17 assessment year in which the rental housing or mobile home park becomes
18 operational or on January 1st of each subsequent assessment year for
19 which the exemption is claimed. The denominator of the fraction is the
20 total number of dwelling units or lots occupied as of December 31st of
21 the first assessment year the rental housing or mobile home park
22 becomes operational and January 1st of each subsequent assessment year
23 for which exemption is claimed.

24 (3) If a currently exempt rental housing unit in a facility with
25 ten units or fewer or mobile home lot in a mobile home park with ten
26 lots or fewer was occupied by a very low-income household at the time
27 the exemption was granted and the income of the household subsequently
28 rises above fifty percent of the median income but remains at or below
29 eighty percent of the median income, the exemption will continue as
30 long as the housing continues to meet the certification requirements of
31 a very low-income housing program listed in subsection (1) of this
32 section. For purposes of this section, median income, as most recently
33 determined by the federal department of housing and urban development
34 for the county in which the rental housing or mobile home park is
35 located, shall be adjusted for family size. However, if a dwelling
36 unit or a lot becomes vacant and is subsequently rerented, the income
37 of the new household must be at or below fifty percent of the median
38 income adjusted for family size as most recently determined by the

1 federal department of housing and urban development for the county in
2 which the rental housing or mobile home park is located to remain
3 exempt from property tax.

4 (4) If at the time of initial application the property is
5 unoccupied, or subsequent to the initial application the property is
6 unoccupied because of renovations, and the property is not currently
7 being used for the exempt purpose authorized by this section but will
8 be used for the exempt purpose within two assessment years, the
9 property shall be eligible for a property tax exemption for the
10 assessment year in which the claim for exemption is submitted under the
11 following conditions:

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

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

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

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

26 (6) The nonprofit entity qualifying for a property tax exemption
27 under this section may agree to make payments to the city, county, or
28 other political subdivision for improvements, services, and facilities
29 furnished by the city, county, or political subdivision for the benefit
30 of the rental housing. However, these payments shall not exceed the
31 amount last levied as the annual tax of the city, county, or political
32 subdivision upon the property prior to exemption.

33 (7) As used in this section:

34 (a) "Group home" means a single-family dwelling financed, in whole
35 or in part, by one or more of the sources listed in subsection (1)(c)
36 of this section. The residents of a group home shall not be considered
37 to jointly constitute a household, but each resident shall be

1 considered to be a separate household occupying a separate dwelling
2 unit. The individual incomes of the residents shall not be aggregated
3 for purposes of this exemption;

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

6 (c) "Occupied dwelling unit" means a living unit that is occupied
7 by an individual or household as of December 31st of the first
8 assessment year the rental housing becomes operational or is occupied
9 by an individual or household on January 1st of each subsequent
10 assessment year in which the claim for exemption is submitted. If the
11 housing facility is comprised of three or fewer dwelling units and
12 there are any unoccupied units on January 1st, the department shall
13 base the amount of the exemption upon the number of occupied dwelling
14 units as of December 31st of the first assessment year the rental
15 housing becomes operational and on May 1st of each subsequent
16 assessment year in which the claim for exemption is submitted;

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

19 (e) "Very low-income household" means a single person, family, or
20 unrelated persons living together whose income is at or below (~~fifty~~)
21 sixty percent of the median income adjusted for family size as most
22 recently determined by the federal department of housing and urban
23 development for the county in which the rental housing is located and
24 in effect as of January 1st of the year the application for exemption
25 is submitted; and

26 (f) "Nonprofit entity" means a:

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

29 (ii) Limited partnership where a nonprofit as defined in RCW
30 84.36.800 that is exempt from income tax under section 501(c) of the
31 federal internal revenue code, a public corporation established under
32 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority created
33 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
34 definition in RCW 35.82.210(2)(a) is a general partner; or

35 (iii) Limited liability company where a nonprofit as defined in RCW
36 84.36.800 that is exempt from income tax under section 501(c) of the
37 federal internal revenue code, a public corporation established under

1 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority established
2 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
3 definition in RCW 35.82.210(2)(a) is a managing member.

4 NEW SECTION. **Sec. 12.** The sum of twenty-five thousand dollars, or
5 as much thereof as may be necessary, is appropriated for the fiscal
6 year ending June 30, 2008, from the Washington housing trust fund
7 solely for deposit into the nonprofit equity account created in section
8 9 of this act for the purposes of this act.

9 NEW SECTION. **Sec. 13.** Sections 1 and 2 of this act expire
10 February 1, 2009.

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