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ENGROSSED SUBSTITUTE SENATE BILL 5746

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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.

27 (f) Appropriations for low-income homeownership projects have not  
28 been adequately provided between 2013 and 2018, with only 4.26  
29 percent of housing trust fund dollars being invested in such  
30 projects.

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

33 (1) The department must use moneys from the housing trust fund  
34 and other legislative appropriations to finance in whole or in part  
35 any loans or grant projects (~~((that will provide housing for persons  
36 and families with))~~) to meet the special housing needs (~~((and with  
37 incomes at or below fifty percent of the median family income for the  
38 county or standard metropolitan statistical area where the project is  
39 located))~~) of low-income households as defined in RCW 43.185A.010.

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

4       (ii) A target of thirteen percent of the moneys used in any  
5 funding cycle is established for the benefit of homeownership  
6 projects for low-income households as defined in RCW 43.185A.010. If  
7 the department imposes a funding limit on homeownership projects,  
8 that limit must be no less than thirty percent of the limit placed on  
9 multifamily projects.

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

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

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

19       (b) Rent subsidies;

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

22       (d) Technical assistance, design and finance services and  
23 consultation, and administrative costs for eligible nonprofit  
24 community or neighborhood-based organizations;

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

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

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

33       (h) Mortgage insurance guarantee or payments for eligible  
34 projects;

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

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

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

1 (1) Remodeling and improvements as required to meet building  
2 code, licensing requirements, or legal operations to residential  
3 properties owned and operated by an entity eligible under RCW  
4 43.185A.040, which were transferred as described in RCW  
5 82.45.010(3)(t) by the parent of a child with developmental  
6 disabilities.

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

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

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

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

24 (7) Administrative costs associated with compliance and  
25 monitoring activities of the department may not exceed one-quarter of  
26 one percent annually of the contracted amount of state investment in  
27 the housing assistance program.

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

30 (1) During each calendar year in which funds from the housing  
31 trust fund or other legislative appropriations are available for use  
32 by the department for the housing assistance program, the department  
33 must announce to all known interested parties, and through major  
34 media throughout the state, a grant and loan application period of at  
35 least ninety days' duration. This announcement must be made as often  
36 as the director deems appropriate for proper utilization of  
37 resources. The department must then promptly grant as many  
38 applications as will utilize available funds less appropriate  
39 administrative costs of the department as provided in RCW 43.185.050.

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

2 (a) Provide for a geographic distribution on a statewide basis;  
3 and

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

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

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

30 (5) The department must use a separate application form for  
31 applications to provide homeownership opportunities and evaluate  
32 homeownership project applications as allowed under chapter 43.185A  
33 RCW.

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

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

38 (b) The degree of commitment from programs to provide necessary  
39 habilitation and support services for projects focusing on special  
40 needs populations;

1 (c) Recipient contributions to total project costs, including  
2 allied contributions from other sources such as professional, craft  
3 and trade services, and lender interest rate subsidies;

4 (d) Local government project contributions in the form of  
5 infrastructure improvements, and others;

6 (e) Projects that encourage ownership, management, and other  
7 project-related responsibility opportunities;

8 (f) Projects that demonstrate a strong probability of serving the  
9 original target group or income level for a period of at least  
10 twenty-five years;

11 (g) The applicant has the demonstrated ability, stability and  
12 resources to implement the project;

13 (h) Projects which demonstrate serving the greatest need;

14 (i) Projects that provide housing for persons and families with  
15 the lowest incomes;

16 (j) Projects serving special needs populations which are under  
17 statutory mandate to develop community housing;

18 (k) Project location and access to employment centers in the  
19 region or area;

20 (l) Projects that provide employment and training opportunities  
21 for disadvantaged youth under a youthbuild or youthbuild-type program  
22 as defined in RCW 50.72.020;

23 (m) Project location and access to available public  
24 transportation services; and

25 (n) Projects involving collaborative partnerships between local  
26 school districts and either public housing authorities or nonprofit  
27 housing providers, that help children of low-income families succeed  
28 in school. To receive this preference, the local school district must  
29 provide an opportunity for community members to offer input on the  
30 proposed project at the first scheduled school board meeting  
31 following submission of the grant application to the department.

32 ~~((6))~~ (7) The department may only approve applications for  
33 projects for persons with mental illness that are consistent with a  
34 behavioral health organization six-year capital and operating plan.

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

37 Unless the context clearly requires otherwise, the definitions in  
38 this section apply throughout this chapter.

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

10 (2) "Contracted amount" has the same meaning as provided in RCW  
11 43.185.020.

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

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

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

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

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

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

27 (d) An individual who has only owned a principal residence not  
28 permanently affixed to a permanent foundation in accordance with  
29 applicable regulations.

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

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

36 (1) Using moneys specifically appropriated for such purpose, the  
37 department shall finance in whole or in part projects that will  
38 provide housing for low-income households. A target of thirteen  
39 percent of the moneys used in any given funding cycle is established

1 for the purpose of promoting homeownership projects. If the  
2 department determines that it has not received an adequate number of  
3 suitable applications for homeownership projects during any given  
4 funding cycle, the department may allocate unused moneys for  
5 nonhomeownership projects.

6 (2) Activities eligible for assistance include, but are not  
7 limited to:

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

10 (b) Rent subsidies in new construction or rehabilitated  
11 multifamily units;

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

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

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

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

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

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

32 (6) Administrative costs associated with compliance and  
33 monitoring activities of the department may not exceed one-quarter of  
34 one percent annually of the contracted amount of state investment in  
35 the affordable housing program.

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

38 Beginning December 1, 2021, and every year thereafter, the  
39 department must report to the appropriate committees of the



1 legislature on the following for every previous funding cycle: The  
2 number of homeownership and multifamily projects funded by housing  
3 trust fund moneys; the percentage of housing trust fund investments  
4 made to homeownership and multifamily projects; and the total number  
5 of households being served at up to eighty percent of the area median  
6 income, up to fifty percent of the area median income, and up to  
7 thirty percent of the area median income, for both homeownership and  
8 multifamily projects.

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

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