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**SUBSTITUTE SENATE BILL 5202**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Senate Housing (originally sponsored by Senators Trudeau, Robinson, Conway, Hunt, Kuderer, Lovelett, Nguyen, Valdez, Wellman, and C. Wilson; by request of Office of Financial Management)

AN ACT Relating to reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity; adding new sections to chapter 43.100A RCW; adding new sections to chapter 43.330 RCW; creating new sections; providing a contingent effective date; and providing for submission of certain sections of this act to a vote of the people.

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

**PART I**

**SHORT TITLE AND INTENT**

NEW SECTION. **Sec.**  This act may be known and cited as the Washington housing crisis response act.

NEW SECTION. **Sec.**  The legislature finds that the state of Washington is facing a severe housing shortage that impacts the ability of many Washingtonians to obtain and maintain safe, stable, and affordable housing. The legislature recognizes that multiple factors contribute to the housing crisis, and that the combination of those factors has resulted in a housing deficit of more than 50,000 units for over a decade. The legislature finds that the deficit of new housing necessary to accommodate our growing population was 81,400 units in 2021. The legislature finds that every $100 increase in rent is associated with a 9 percent increase in homelessness, and that 40 percent of Washington households are spending more than 35 percent of their income on rent. The legislature finds that, to keep up with population projections, the state of Washington will need to construct an additional 1,000,000 housing units by 2040. The legislature finds that in order to meet the growing need for new housing, and to address the backlog of housing construction necessary to serve the current population, the state must make significant investments in housing. These investments include emergency, transitional, permanent supportive, permanent, and market rate housing to meet the diverse needs of all Washingtonians in every corner of the state. The legislature finds that a significant number of individuals facing housing instability or homelessness also have behavioral health needs that are not fully supported or addressed. The legislature recognizes behavioral health treatment capacity is essential to increasing and maintaining housing access and stability for all Washingtonians, including those with mental health and substance use conditions. The legislature intends to support these needs by issuing bonds to provide new money for capital programs and projects that are critical to addressing the state's housing crisis.

**PART II**

**BOND AUTHORIZATION AND RELATED PROVISIONS**

NEW SECTION. **Sec.**  (1) The state finance committee is authorized to issue general obligation bonds of the state of Washington for the purpose of reducing homelessness by providing capital funding for selected programs and projects that address housing insecurity, as identified in this act and any omnibus capital appropriations act. The state finance committee is authorized to issue such bonds in the sum of $4,000,000,000, or so much thereof as may be required, for the stated purpose and all costs incidental thereto. The bonds issued under the authority of this section shall be known as Washington housing crisis response act bonds.

(2) Bonds authorized in this section must be sold in the manner, at the time or times, in amounts, and at such prices as the state finance committee determines.

(3) The authorization to issue bonds contained in this act does not expire until the full authorization has been issued.

(4) No bonds authorized in this section may be offered for sale without prior legislative appropriation of the net proceeds of the sale of the bonds.

NEW SECTION. **Sec.**  (1) The nondebt-limit general fund bond retirement account must be used for the payment of the principal of and interest on the bonds authorized in section 201 of this act.

(2) The state finance committee must, on or before June 30th of each year, certify to the state treasurer the amount needed in the ensuing 12 months to meet the bond retirement and interest requirements on the bonds authorized in section 201 of this act.

(3) On each date on which any interest or principal and interest payment is due on bonds issued under section 201 of this act, the state treasurer shall withdraw from any general state revenues received in the state treasury and deposit in the nondebt-limit general fund bond retirement account an amount equal to the amount certified by the state finance committee to be due on the payment date.

NEW SECTION. **Sec.**  (1) The state finance committee is authorized to prescribe the form, terms, conditions, and covenants of the bonds authorized in section 201 of this act, the time or times of sale of all or any portion of them, and the conditions and manner of their sale and issuance.

(2) Bonds issued under this act shall state that they are a general obligation of the state of Washington, shall pledge the full faith and credit of the state to the payment of the principal thereof and the interest thereon, and shall contain an unconditional promise to pay the principal and interest as the same shall become due.

(3) The owner and holder of each of the bonds or the trustee for the owner and holder of any of the bonds may by mandamus or other appropriate proceeding require the transfer and payment of funds as directed in this section.

NEW SECTION. **Sec.**  (1) The proceeds from the sale of the bonds authorized in section 201 of this act shall be deposited in the Washington housing crisis response account created in section 401 of this act, except as provided by section 207 of this act.

(2) The proceeds shall be used exclusively for the purpose stated in section 201 of this act and for the payment of the expenses incurred in connection with the sale and issuance of the bonds.

NEW SECTION. **Sec.**  The bonds authorized by section 201 of this act shall constitute a legal investment for all state funds or for funds under state control and all funds of municipal corporations.

NEW SECTION. **Sec.**  The legislature may provide additional means for raising moneys for the payment of the principal of and interest on the bonds authorized in section 201 of this act, and section 202 of this act may not be deemed to provide an exclusive method for payment.

NEW SECTION. **Sec.**  If the state finance committee deems it necessary to issue any portion of the bonds authorized in section 201 of this act as taxable bonds in order to comply with federal internal revenue service rules and regulations pertaining to the use of nontaxable bond proceeds, the proceeds of such taxable bonds must be transferred to the Washington housing crisis response taxable account created in section 402 of this act in lieu of any deposits otherwise provided by section 204 of this act. The state treasurer, on behalf of the state finance committee, must submit written notice to the director of the office of financial management if it is determined that any such transfer to the Washington housing crisis response taxable account is necessary. If such a transfer is required, a portion of the appropriation authority granted in any omnibus capital appropriations act from the Washington housing crisis response account is transferred to the Washington housing crisis response taxable account in an amount equal to the transferred proceeds. For purposes of this section, "nontaxable bond proceeds" includes proceeds from bonds issued as tax exempt bonds and proceeds from taxable bonds eligible for direct federal subsidy or other federal tax advantage under the federal internal revenue code and internal revenue service rules.

**PART III**

**WORKFORCE HOUSING ACCELERATOR PROGRAM**

NEW SECTION. **Sec.**  The definitions in this section apply throughout sections 301 through 303 of this act unless the context clearly requires otherwise.

(1) "Commission" means the Washington state housing finance commission.

(2) "Department" means the department of commerce.

(3) "Eligible organizations" includes nonprofit developers, for-profit developers, public housing authorities, public development authorities, or other applicants eligible under rules established by the commission.

(4) "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is at or above 50 percent, but not exceeding 80 percent, of the median family income adjusted for family size, for the county where the affordable housing is located, as reported by the United States department of housing and urban development.

(5) "Program" means the workforce housing accelerator revolving loan fund program created under sections 302 and 303 of this act.

NEW SECTION. **Sec.**  The workforce housing accelerator revolving loan fund program is created in the department of commerce to provide loans to eligible organizations to finance affordable housing for low-income households. The department shall contract with the Washington state housing finance commission to administer the program.

NEW SECTION. **Sec.**  The commission may administer loans to eligible organizations to assist with the development of housing for low-income households subject to the following requirements:

(1) Loans must be prioritized and awarded to eligible organizations based on criteria established by the commission, including at least the following:

(a) Readiness to proceed with construction, including possession of necessary permits and completed land use entitlements;

(b) Commitment of private capital, with highest priority to applicants demonstrating the largest percentage of private capital committed to the project;

(c) Proposed cost efficiency, including development of a variety of unit types at the lowest cost;

(d) Development location, with the goal of awarding funding to projects equitably across the state;

(e) The applicant's qualifications and demonstrated capability to develop and manage the proposed project; and

(f) Any other criteria established by the commission.

(2) Any housing financed under the program must serve low-income households for at least 60 years; however, the commission, in consultation with program awardees, may establish a longer time period.

(3) Loans awarded under this section may not exceed the lesser of $20,000,000 or 20 percent of total project costs of the housing to be developed. The commission may exceed this maximum allowable loan amount for cause.

(4) Loans awarded under this section may be used in combination with private sector loans, tax exempt bonds, real estate excise tax abatements, corporate housing funding, or any other source of capital as recognized by the commission.

(5) The commission shall structure loans issued pursuant to this section with an interest rate above one percent, but not exceeding 2.5 percent, for the first 20 years. The commission may not require loan repayments in excess of 40 percent of cash flow on the project for the 12-month period preceding a repayment. Loans administered under this section may not include repayment timelines longer than 30 years, except as authorized by rules established by the commission.

(6) If a loan recipient refinances, the commission may require loan repayment at an equivalent percentage to the overall capital project stack at the time of award.

(7) Upon receipt and repayment, any interest earnings and repaid loan funds may be reloaned to qualifying applicants to finance additional housing serving low-income populations under terms and conditions established by the commission, or expended for any other purpose consistent with section 201 of this act.

(8) All loans issued pursuant to this section must be assumable by a qualifying applicant under terms and conditions established by the commission.

(9) Loan recipients must:

(a) Commit to beginning construction within 180 days of award;

(b) Adhere to the evergreen sustainable development standard adopted by the department;

(c) File an annual compliance report containing information as specified by the commission; and

(d) Restrict use of awarded loan funding to eligible costs of housing as defined under RCW 43.180.020.

(10) The commission must:

(a) Ensure equitable geographic distribution of loan funding awarded. The commission shall not allocate more than $20,000,000 per round of funding to projects in each individual county. The commission may award more than $20,000,000 per round of funding to projects in an individual county if there are no qualifying applications in other counties;

(b) Establish criteria and procedures for long-term monitoring of affordability of housing and compliance. The commission may charge monitoring fees; and

(c) Establish annual reporting requirements for loan recipients.

(11) The commission shall adopt rules necessary to administer the program established in this section and section 302 of this act.

**PART IV**

**ACCOUNTS**

NEW SECTION. **Sec.**  The Washington housing crisis response account is created in the state treasury. Proceeds from the bonds issued under section 201 of this act, and all receipts from repayments of loans provided under sections 302 and 303 of this act, shall be deposited in the account. The account shall be used for the purpose stated in section 201 of this act and for payment of expenses incurred in connection with the sale and issuance of the bonds. Moneys in the account may be spent only after appropriation.

NEW SECTION. **Sec.**  The Washington housing crisis response taxable account is created in the state treasury. Proceeds from any taxable bonds issued under section 201 of this act and directed to the account under section 207 of this act, and all receipts from repayments of loans provided under sections 302 and 303 of this act, shall be deposited in the account. The account shall be used for the purpose stated in section 201 of this act and for payment of expenses incurred in connection with the sale and issuance of the bonds. Moneys in the account may be spent only after appropriation.

**PART V**

**REFERENDUM PROVISIONS**

NEW SECTION. **Sec.**  (1) The secretary of state shall submit sections 201 through 207 of this act to the people for their adoption and ratification, or rejection, at the next general election to be held in this state, in accordance with Article VIII, section 3 of the state Constitution and the laws adopted to facilitate its operation.

(2) If the people ratify sections 201 through 207 of this act as specified under subsection (1) of this section, revenues generated shall be spent as detailed in this act.

(3) Pursuant to RCW 29A.72.050(7), the statement of subject and concise description for the ballot title shall read: "The legislature has passed . . . Bill No. . . . (this act), concerning reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity. This bill would reduce homelessness by providing capital funding for selected programs and projects that address housing insecurity."

(4) The attorney general must prepare a public investment impact disclosure for the referendum under this section that satisfies the requirements of RCW 29A.72.027 (2) through (5) and the secretary of state must certify and timely transmit the public investment impact disclosure to each county auditor for its inclusion on the ballot. The public investment impact disclosure is not considered part of the ballot title under chapter 29A.72 RCW and is not subject to any of the legal requirements for ballot titles.

**PART VI**

**MISCELLANEOUS PROVISIONS**

NEW SECTION. **Sec.**  Sections 201 through 207 of this act are each added to chapter 43.100A RCW.

NEW SECTION. **Sec.**  Sections 301 through 303, 401, and 402 of this act are each added to chapter 43.330 RCW.

NEW SECTION. **Sec.**  Sections 301 through 402 of this act take effect if sections 201 through 207 of this act are approved by the voters by January 1, 2024.

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