
SUBSTITUTE SENATE BILL 5202

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)

READ FIRST TIME 02/03/23.

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

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

8 **PART I**
9 **SHORT TITLE AND INTENT**

10 NEW SECTION. **Sec. 101.** This act may be known and cited as the
11 Washington housing crisis response act.

12 NEW SECTION. **Sec. 102.** The legislature finds that the state of
13 Washington is facing a severe housing shortage that impacts the
14 ability of many Washingtonians to obtain and maintain safe, stable,
15 and affordable housing. The legislature recognizes that multiple
16 factors contribute to the housing crisis, and that the combination of
17 those factors has resulted in a housing deficit of more than 50,000
18 units for over a decade. The legislature finds that the deficit of
19 new housing necessary to accommodate our growing population was

1 81,400 units in 2021. The legislature finds that every \$100 increase
2 in rent is associated with a 9 percent increase in homelessness, and
3 that 40 percent of Washington households are spending more than 35
4 percent of their income on rent. The legislature finds that, to keep
5 up with population projections, the state of Washington will need to
6 construct an additional 1,000,000 housing units by 2040. The
7 legislature finds that in order to meet the growing need for new
8 housing, and to address the backlog of housing construction necessary
9 to serve the current population, the state must make significant
10 investments in housing. These investments include emergency,
11 transitional, permanent supportive, permanent, and market rate
12 housing to meet the diverse needs of all Washingtonians in every
13 corner of the state. The legislature finds that a significant number
14 of individuals facing housing instability or homelessness also have
15 behavioral health needs that are not fully supported or addressed.
16 The legislature recognizes behavioral health treatment capacity is
17 essential to increasing and maintaining housing access and stability
18 for all Washingtonians, including those with mental health and
19 substance use conditions. The legislature intends to support these
20 needs by issuing bonds to provide new money for capital programs and
21 projects that are critical to addressing the state's housing crisis.

22 **PART II**

23 **BOND AUTHORIZATION AND RELATED PROVISIONS**

24 NEW SECTION. **Sec. 201.** (1) The state finance committee is
25 authorized to issue general obligation bonds of the state of
26 Washington for the purpose of reducing homelessness by providing
27 capital funding for selected programs and projects that address
28 housing insecurity, as identified in this act and any omnibus capital
29 appropriations act. The state finance committee is authorized to
30 issue such bonds in the sum of \$4,000,000,000, or so much thereof as
31 may be required, for the stated purpose and all costs incidental
32 thereto. The bonds issued under the authority of this section shall
33 be known as Washington housing crisis response act bonds.

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

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

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

4 NEW SECTION. **Sec. 202.** (1) The nondebt-limit general fund bond
5 retirement account must be used for the payment of the principal of
6 and interest on the bonds authorized in section 201 of this act.

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

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

18 NEW SECTION. **Sec. 203.** (1) The state finance committee is
19 authorized to prescribe the form, terms, conditions, and covenants of
20 the bonds authorized in section 201 of this act, the time or times of
21 sale of all or any portion of them, and the conditions and manner of
22 their sale and issuance.

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

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

32 NEW SECTION. **Sec. 204.** (1) The proceeds from the sale of the
33 bonds authorized in section 201 of this act shall be deposited in the
34 Washington housing crisis response account created in section 401 of
35 this act, except as provided by section 207 of this act.

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

4 NEW SECTION. **Sec. 205.** The bonds authorized by section 201 of
5 this act shall constitute a legal investment for all state funds or
6 for funds under state control and all funds of municipal
7 corporations.

8 NEW SECTION. **Sec. 206.** The legislature may provide additional
9 means for raising moneys for the payment of the principal of and
10 interest on the bonds authorized in section 201 of this act, and
11 section 202 of this act may not be deemed to provide an exclusive
12 method for payment.

13 NEW SECTION. **Sec. 207.** If the state finance committee deems it
14 necessary to issue any portion of the bonds authorized in section 201
15 of this act as taxable bonds in order to comply with federal internal
16 revenue service rules and regulations pertaining to the use of
17 nontaxable bond proceeds, the proceeds of such taxable bonds must be
18 transferred to the Washington housing crisis response taxable account
19 created in section 402 of this act in lieu of any deposits otherwise
20 provided by section 204 of this act. The state treasurer, on behalf
21 of the state finance committee, must submit written notice to the
22 director of the office of financial management if it is determined
23 that any such transfer to the Washington housing crisis response
24 taxable account is necessary. If such a transfer is required, a
25 portion of the appropriation authority granted in any omnibus capital
26 appropriations act from the Washington housing crisis response
27 account is transferred to the Washington housing crisis response
28 taxable account in an amount equal to the transferred proceeds. For
29 purposes of this section, "nontaxable bond proceeds" includes
30 proceeds from bonds issued as tax exempt bonds and proceeds from
31 taxable bonds eligible for direct federal subsidy or other federal
32 tax advantage under the federal internal revenue code and internal
33 revenue service rules.

34 **PART III**

35 **WORKFORCE HOUSING ACCELERATOR PROGRAM**

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

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

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

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

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

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

19 NEW SECTION. **Sec. 302.** The workforce housing accelerator
20 revolving loan fund program is created in the department of commerce
21 to provide loans to eligible organizations to finance affordable
22 housing for low-income households. The department shall contract with
23 the Washington state housing finance commission to administer the
24 program.

25 NEW SECTION. **Sec. 303.** The commission may administer loans to
26 eligible organizations to assist with the development of housing for
27 low-income households subject to the following requirements:

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

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

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

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

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

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

5 (f) Any other criteria established by the commission.

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

10 (3) Loans awarded under this section may not exceed the lesser of
11 \$20,000,000 or 20 percent of total project costs of the housing to be
12 developed. The commission may exceed this maximum allowable loan
13 amount for cause.

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

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

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

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

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

36 (9) Loan recipients must:

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

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

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

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

5 (10) The commission must:

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

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

15 (c) Establish annual reporting requirements for loan recipients.

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

18 **PART IV**

19 **ACCOUNTS**

20 NEW SECTION. **Sec. 401.** The Washington housing crisis response
21 account is created in the state treasury. Proceeds from the bonds
22 issued under section 201 of this act, and all receipts from
23 repayments of loans provided under sections 302 and 303 of this act,
24 shall be deposited in the account. The account shall be used for the
25 purpose stated in section 201 of this act and for payment of expenses
26 incurred in connection with the sale and issuance of the bonds.
27 Moneys in the account may be spent only after appropriation.

28 NEW SECTION. **Sec. 402.** The Washington housing crisis response
29 taxable account is created in the state treasury. Proceeds from any
30 taxable bonds issued under section 201 of this act and directed to
31 the account under section 207 of this act, and all receipts from
32 repayments of loans provided under sections 302 and 303 of this act,
33 shall be deposited in the account. The account shall be used for the
34 purpose stated in section 201 of this act and for payment of expenses
35 incurred in connection with the sale and issuance of the bonds.
36 Moneys in the account may be spent only after appropriation.

1 **PART V**

2 **REFERENDUM PROVISIONS**

3 NEW SECTION. **Sec. 501.** (1) The secretary of state shall submit
4 sections 201 through 207 of this act to the people for their adoption
5 and ratification, or rejection, at the next general election to be
6 held in this state, in accordance with Article VIII, section 3 of the
7 state Constitution and the laws adopted to facilitate its operation.

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

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

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

26 **PART VI**

27 **MISCELLANEOUS PROVISIONS**

28 NEW SECTION. **Sec. 601.** Sections 201 through 207 of this act are
29 each added to chapter 43.100A RCW.

30 NEW SECTION. **Sec. 602.** Sections 301 through 303, 401, and 402
31 of this act are each added to chapter 43.330 RCW.

1 NEW SECTION. **Sec. 603.** Sections 301 through 402 of this act
2 take effect if sections 201 through 207 of this act are approved by
3 the voters by January 1, 2024.

--- END ---