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**SECOND SUBSTITUTE HOUSE BILL 1995**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** House Capital Budget (originally sponsored by Representatives Pettigrew, Macri, and Santos)

AN ACT Relating to the rehabilitation of historic buildings; adding new sections to chapter 43.330 RCW; creating a new section; making an appropriation; and providing an expiration date.

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

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

(1) The historic building rehabilitation financing pilot program is established in the department. The department must choose a municipality within which to implement the pilot program. The selection of the municipality must be criteria that evaluates the need for historic building rehabilitation and the potential for achieving the state's goals to support the public interest in preserving the state's historical heritage, protect public safety and health in and around historic buildings during and after a natural disaster, and contribute to the economic stability of Washington communities by keeping historic buildings functional and economically viable.

(2)(a) The pilot program must make available gap financing to private building owners within the selected municipality for historic building rehabilitation projects that otherwise could not be completed due to the financial circumstances of their owners. Financing may be provided for rehabilitation work that makes a building safe and secure, such as fire sprinkler systems and reinforcing walls. Financing may also be provided for rehabilitation work that is required to make space habitable and in compliance with code requirements.

(b) The department must issue a competitive request for qualifications and quotations and select a certified nonprofit community development financial institution to implement the pilot program within the selected municipality. The department and the certified nonprofit community development financial institution must enter into a contract and jointly develop a project solicitation, evaluation, and selection process.

(3)(a) To be eligible for financing, a historic building must either:

(i) Be eligible for listing, or already listed, on the United States department of the interior's national register of historic places, or be designated as a landmark by the city of Seattle landmarks preservation board or similar organizations in other jurisdictions; or

(ii) Be at least fifty years old, retain authentic, distinctive physical characteristics from its historic period of construction, and, through rehabilitation, be expected to contribute to the economic vitality of the surrounding area.

(b) Projects must be evaluated on criteria including but not limited to the following:

(i) Whether the project meets at least one of the public purposes stated in subsection (1) of this section;

(ii) The extent to which the project has leveraged funding from public and private lenders and applicable tax credits;

(iii) The extent to which the building owner has committed cash and in-kind resources to the project; and

(iv) The extent to which the project will address the need for seismic retrofitting or other protection from a natural disaster.

(4) The department and the selected certified nonprofit community development financial institution must consult with the state department of archaeology and historic preservation to determine which proposed projects involve historically significant buildings and whether the rehabilitation plans for those buildings are consistent with the United States department of the interior's standards for rehabilitation.

(5)(a) Financing must be in the form of low-interest rate loans to building owners. Forgivable interest loans or grants may be allowed under certain circumstances, as determined by the department. Loan repayments must be deposited into the historic building rehabilitation revolving loan fund created in section 2 of this act, to be available as financing for future projects.

(b) The selected certified nonprofit community development financial institution must work with other public and private lenders to underwrite financing packages that leverage additional funding resources and applicable tax credits.

(c) At least five percent of the total project cost must be contributed by the building owner in cash.

(d) Loans under this program only may be made when a two to one nonstate to state match is provided, including federal, local, or private funding sources.

(6) The department must conduct due diligence activities associated with the use of public funds, including oversight of the project selection process and project monitoring.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

The historic building rehabilitation revolving loan fund is created in the state treasury. All receipts from the repayment of historic building rehabilitation loans must be deposited into the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only for loans to historic building rehabilitation projects as provided for in section 1 of this act.

NEW SECTION. **Sec.**  By December 1, 2018, the department of commerce must submit a report to the appropriate legislative committees that evaluates whether the pilot program was successful in achieving the legislative goals set out for the pilot program. The report should include the number of buildings rehabilitated through the pilot program, and an estimate of additional historic buildings within the municipality in need of rehabilitation. The report should make recommendations on the opportunity and potential for expanding the pilot program to other municipalities or statewide.

NEW SECTION. **Sec.**  This act expires June 30, 2019.

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