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**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)

AN ACT Relating to adequate provisions for low-income homeownership opportunities; amending RCW 43.185.050, 43.185.070, 43.185A.010, and 43.185A.030; adding a new section to chapter 43.185A RCW; creating a new section; and providing an effective date.

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

NEW SECTION. **Sec.**  (1) The legislature finds that communities need to provide a continuum of affordable housing to people and that the continuum of housing includes emergency shelters for the homeless, supportive housing for people with special needs, rental housing assistance, and helping families buy their first home.

(2) The legislature also finds that:

(a) A recent Harvard University study reported that even after the tremendous decline in housing prices and the rising wave of foreclosures that began in 2007, homeownership continues to be a significant source of household wealth and remains particularly important for low-income and minority households. The desire to own a home is not solely or even primarily motivated by financial goals, but homeownership's appeal lies strongly in associations with having control over one's living situation, the desire to put down roots in a community, and the sense of efficacy and success that is associated with owning. Homeowning is strongly preferred for a host of other reasons by most individuals as they age, and provides further support for policies to promote homeownership out of equity concerns to help individuals and families achieve this important goal. The social benefits of homeownership lend further credence to the value of supports for homeownership.

(b) Policies to support low-income homeownership are a means to alleviate wealth disparities and provide homeowners with a hedge against inflation in rents over time, thereby potentially preventing low-income homeowners from becoming homeless and allow low-income households to build equity that continues to account for a substantial share of net wealth, as losses in nonhousing wealth were also significant in the wake of the great recession.

(c) Housing is both a physical and psychological anchor that is essential to the stability of our personal and communal lives. However, for too many, housing is a source of stress due to its cost and uncertainty, whether as a renter or owner, and inadequate and substandard housing is a primary contributor to the higher incidences of mental and physical health problems and related public costs found among children and adults living in poverty.

(d) Stable affordable housing has ancillary benefits in individual and family mental and physical health, and in education achievement.

(e) Homeownership is a critical component to an effective continuum of housing that impacts the success of neighborhoods as places of opportunity for positive life outcomes for residents, especially neighborhoods with families with children but that state funding for low-income homeownership projects has not been adequately funded over the last several years and has received only 3.84 percent of available state housing trust fund dollars since 2006.

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

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

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

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

(ii) At least thirteen percent of the moneys used in any given funding cycle must be used for the benefit of homeownership projects for low-income households as defined in RCW 43.185A.010. If the department imposes a funding limit on homeownership projects, that limit must be no less than thirty percent of the limit placed on multifamily projects.

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

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

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

(b) Rent subsidies;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) Projects which demonstrate serving the greatest need;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Using moneys specifically appropriated for such purpose, the department shall finance in whole or in part projects that will provide housing for low-income households. A target of thirteen percent of the moneys used in any given funding cycle is established for the purpose of promoting homeownership projects. If the department determines that it has not received an adequate number of suitable applications for homeownership projects during any given funding cycle, the department may allocate unused moneys for nonhomeownership projects.

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

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

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

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

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

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

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

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

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

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

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

Beginning December 1, 2021, and every year thereafter, the department must report to the appropriate committees of the legislature on the following for every previous funding cycle: The number of homeownership and multifamily projects funded by housing trust fund moneys; the percentage of housing trust fund investments made to homeownership and multifamily projects; and the total number of households being served at up to eighty percent of the area median income, up to fifty percent of the area median income, and up to thirty percent of the area median income, for both homeownership and multifamily projects.

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

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