
SENATE BILL 5746

State of Washington

66th Legislature

2019 Regular Session

By Senators Saldaña, Nguyen, and Zeiger

Read first time 01/30/19. Referred to Committee on Housing Stability & Affordability.

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; creating a new section; providing an
4 effective date; and declaring an emergency.

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 but that state
27 funding for low-income homeownership projects has not been adequately
28 funded over the last several years and has received only 3.84 percent
29 of available state housing trust fund dollars since 2006.

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

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

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) At least fifteen percent of the moneys used in any given
5 funding cycle must be used for the benefit of homeownership projects
6 for households at or below eighty percent of the median family income
7 as provided in chapter 43.185A RCW. If the department imposes a
8 funding limit on homeownership projects, that limit must be at least
9 thirty percent higher than the limit placed on rental 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;

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 and has only owned
23 a home with a spouse;

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

27 (e) An individual who has only owned a property that was not in
28 compliance with state, local, or model building codes and that cannot
29 be brought into compliance for less than the cost of constructing a
30 permanent structure.

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

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

37 (1) Using moneys specifically appropriated for such purpose, the
38 department shall finance in whole or in part projects that will
39 provide housing for low-income households. A target of fifteen

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

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

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

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

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

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

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

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

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

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

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

37 NEW SECTION. Sec. 6. This act is necessary for the immediate
38 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect July 1, 2019.

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