H-1265.1

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**SUBSTITUTE HOUSE BILL 1250**

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

**By** House Capital Budget (originally sponsored by Representatives Steele and Eslick)

AN ACT Relating to modifying the low-income home rehabilitation program; amending RCW 43.330.480, 43.330.482, and 43.330.488; adding new sections to chapter 43.330 RCW; repealing RCW 43.330.482 and 43.330.486; providing an effective date; providing a contingent effective date; and declaring an emergency.

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

**Sec.**  RCW 43.330.480 and 2017 c 285 s 1 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Home" means a single-family residential structure.

(2) "Home rehabilitation" means residential repairs and improvements that address health, safety, and durability issues in existing housing in rural areas.

(3) "Homeowner" means a person who owns and resides permanently in the home the person occupies.

(4) "Low-income" means persons or households with income at or below ((~~two hundred~~)) 200 percent of the federal poverty level ((~~as~~)), 80 percent of the area median income for the county in which the home receiving rehabilitation is located, or 60 percent of the state median income, whichever is greater, and adjusted for ((~~family~~)) household size ((~~and determined annually by the federal department of health and human services~~)).

(5) "Rehabilitation agency" means any approved department grantee, tribal nation, or any public service company, municipality, public utility district, mutual or cooperative, or other entity that bears the responsibility for rehabilitating residences under this chapter and has been approved by the department.

(6) "Rural areas" means areas of Washington state defined as nonentitlement areas by the United States department of housing and urban development.

**Sec.**  RCW 43.330.482 and 2017 c 285 s 2 are each amended to read as follows:

(1) ((~~Subject to availability of amounts appropriated for this specific purpose, the low-income home rehabilitation revolving loan program is created within the department.~~

~~(2) The program must include the following elements:~~

~~(a) Eligible homeowners must be low-income and live in rural areas.~~

~~(b) Homeowners who are senior citizens, persons with disabilities, families with children five years old and younger, and veterans must receive priority for loans.~~

~~(c) The cost of the home rehabilitation must be the lesser of eighty percent of the assessed value of the property post rehabilitation or forty thousand dollars.~~

~~(d) The maximum amount that may be loaned under this program may not exceed the cost of the home rehabilitation as provided in (c) of this subsection, and must not result in total loans borrowed against the property equaling more than eighty percent of the assessed value.~~

~~(e) The interest rate of the loan must be equal to the previous calendar year's annual average consumer price index compiled by the bureau of labor statistics, United States department of labor.~~

~~(f)~~)) On July 1, 2023, the low-income home rehabilitation revolving loan program is terminated except for purposes of addressing outstanding loans as provided in this section, and the department and partnering rehabilitation agencies must immediately cease issuing new loans under the program.

(2) The department must allow participating homeowners to defer repayment of the loan principal and interest and any fees related to the administration or issuance of the loan. Any amounts deferred pursuant to this section become a lien in favor of the state. The lien is subordinate to liens for general taxes, amounts deferred under chapter 84.37 or 84.38 RCW, or special assessments as defined in RCW 84.38.020. The lien is also subordinate to the first deed of trust or the first mortgage on the real property but has priority over all other privileges, liens, monetary encumbrances, or other security interests affecting the real property, whenever incurred, filed, or recorded. The department must take such necessary action to file and perfect the state's lien. ((~~All amounts due under the loan become due and payable upon the sale of the home or upon change in ownership of the home.~~))

(3) The balance of any loan previously issued under this section that is outstanding as of the effective date of this section is forgiven. The forgiveness applies to all remaining amounts owed, including loan principal, interest, and fees. Loan forgiveness is not retroactive, and does not apply to any loans issued under this section paid in full before the effective date of this section.

(4) All moneys from repayments must be deposited into the low-income home rehabilitation ((~~revolving loan program~~)) account created in RCW 43.330.488.

((~~(4)~~)) (5) The department must adopt rules for implementation of this program.

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

(1) Subject to availability of amounts appropriated for this specific purpose, the low-income home rehabilitation grant program is created within the department.

(2) The program must include the following elements:

(a) Eligible homeowners must be low-income and live in rural areas.

(b) Homeowners who are senior citizens, persons with disabilities, families with children five years old and younger, and veterans must receive priority for grants.

(c) The cost of the home rehabilitation must be the lesser of:

(i) 80 percent of the assessed or appraised value of the property post rehabilitation, whichever is greater; or

(ii) $50,000.

(d) The maximum amount that may be granted under this program may not exceed the cost of the home rehabilitation as provided in (c) of this subsection.

(3) The department must adopt rules for implementation of this grant program.

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

(1) The department must contract with rehabilitation agencies to provide home rehabilitation to participating homeowners. Preference must be given to local agencies delivering programs and services with similar eligibility criteria.

(2) Any rehabilitation agency receiving funding under this section must report to the department at least quarterly, or in alignment with federal reporting, whichever is the greater frequency, the project costs and the number of homes repaired or rehabilitated. The department must review the accuracy of these reports.

**Sec.**  RCW 43.330.488 and 2017 c 285 s 4 are each amended to read as follows:

The low-income home rehabilitation ((~~revolving loan program~~)) account is created in the custody of the state treasury. All transfers and appropriations by the legislature, repayments of loans, private contributions, and all other sources must be deposited into the account. Expenditures from the account may be used only for the purposes of the low-income home rehabilitation revolving loan program created in RCW 43.330.482 and the low-income home rehabilitation grant program created in section 3 of this act. After July 1, 2023, the director may expend moneys in the account only for wind-down costs of the loan program in RCW 43.330.482 until the loan program terminates pursuant to this act, and for the grant program created in section 3 of this act. Only the director or the director's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1) RCW 43.330.482 (Low-income home rehabilitation revolving loan program) and 2023 c . . . s 2 (section 2 of this act) & 2017 c 285 s 2; and

(2) RCW 43.330.486 (Low-income home rehabilitation revolving loan program—Contracts with rehabilitation agencies—Reports) and 2017 c 285 s 3.

NEW SECTION. **Sec.**  (1) Section 6 of this act takes effect on July 1st of the year following the closure of the last loan issued under the low-income home rehabilitation revolving loan program.

(2) The department of commerce must provide written notice of the effective date of section 6 of this act to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

NEW SECTION. **Sec.**  Sections 1 through 5 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect July 1, 2023.

**--- END ---**