

# SENATE BILL REPORT

## SB 5202

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As of January 23, 2023

**Title:** An act relating to reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity.

**Brief Description:** Reducing homelessness in Washington state through capital expenditures for programs that address housing insecurity.

**Sponsors:** Senators Trudeau, Robinson, Conway, Hunt, Kuderer, Lovelett, Nguyen, Valdez, Wellman and Wilson, C.; by request of Office of Financial Management.

**Brief History:**

**Committee Activity:** Housing: 1/18/23.

**Brief Summary of Bill**

- Authorizes the State Finance Committee to issue up to \$4 billion in general obligation bonds, which are issued outside of the constitutional debt limit, to finance programs and projects that address housing insecurity.
- Requires the \$4 billion bond authorization to be submitted to the voters at the next general election.
- Creates a Workforce Housing Accelerator Revolving Loan Program to be administered by the Washington State Housing Finance Commission.

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### SENATE COMMITTEE ON HOUSING

**Staff:** Melissa Van Gorkom (786-7491)

**Background:** Department of Commerce. The capital budget appropriates funding to the Department of Commerce (Commerce) for various housing programs. The largest housing program is the Housing Trust Fund Program, which provides grants or loans to develop and

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preserve affordable housing to meet the needs of low-income and special needs populations.

Housing Finance Commission. The Housing Finance Commission (Commission) is a public body created in 1983 to act as a financial conduit that, without using public funds or lending the credit of the state or local government, may issue nonrecourse revenue bonds and participate in federal, state, and local housing programs. The Commission issues both tax-exempt and taxable bonds to provide below market-rate financing to nonprofit and for-profit housing developers who set aside a certain percentage of their units for low-income individuals and families.

State Finance Committee. The State Finance Committee (Committee), composed of the Governor, Lieutenant Governor, and the State Treasurer (Treasurer), authorizes the issuance and establishes the terms, conditions, and manner of the sale of all bonds, notes, and other debt for the state to finance capital projects in the state's capital and transportation budgets. The Commission also acts to refinance state debt when appropriate to reduce interest costs. No bonds may be authorized for sale without prior legislative appropriation of the net proceeds.

General Obligation Bonds. General obligation bonds pledge the full faith, credit, and taxing power of the state toward payment of debt service. Funding to pay for principal and interest on those bonds is appropriated from the state general fund in the operating budget. When debt service payments are due, the Treasurer withdraws the amounts necessary to make the payments and deposits them into bond retirement funds.

Constitutional Debt Limit. The State Constitution establishes a state debt limit. The Treasurer may not issue bonds that would cause debt service to exceed 8.25 percent of general state revenue. The issuance of debt outside of the debt limit must be subject to a vote of the people via referendum.

**Summary of Bill:** Bond Authorization and Referendum. The Committee is authorized to issue up to \$4 billion in general obligation bonds to finance capital projects and programs that address housing insecurity. The Secretary of State must submit the bond authorization to the people, for their adoption or rejection, at the next general election to be held in the state. If the majority of voters approve the referendum, these bonds would be issued outside of the constitutional debt limit. The authorization does not expire until the full amount has been issued.

Proceeds from the sale of bonds must be deposited into the newly created Washington Housing Crisis Response Account or Washington Housing Crisis Response Taxable Account. The Treasurer is required to withdraw from general state revenues the amounts necessary to make the principal and interest payments on the bonds and must deposit these amounts into the Nondebt-Limit General Fund Bond Retirement Account.

Workforce Housing Accelerator Revolving Loan Fund Program. The Workforce Housing Accelerator Revolving Loan Fund Program (Program) is created in Commerce to provide loans to nonprofit or for-profit developers, public housing authorities, public development authorities or other eligible applicants to finance affordable housing for low-income households. "Low-income household" is defined as a single person, family, or unrelated persons living together whose adjusted income is between 50 and 80 percent of the area median income.

Commerce must contract with the Commission to administer the Program. Any housing financed under the Program must serve low-income households for at least 60 years. Except for cause, loans may not exceed \$20 million or 20 percent of total project costs, whichever is less.

The Commission must:

- ensure equitable geographic distribution and shall not allocate more than \$20 million per county per round of funding unless there are no other qualifying applications in other counties;
- establish criteria and procedures for long-term monitoring of affordability of housing and compliance;
- establish annual reporting requirements for loan recipients; and
- adopt rules necessary to administer the program.

The loans must be structured with an interest rate between 1 and 2.5 percent for the first 20 years and for terms no longer than 30 years. The loan repayments may not exceed 40 percent of the project's cash flow for the 12-month period preceding a repayment. Loan repayments may be reloaned by the Commission or expended for any other purpose consistent with reducing homelessness by providing capital funding for selected programs and projects that address housing insecurity. The commission may charge monitoring fees.

Loans must be prioritized and awarded to eligible organizations based on criteria established by the Commission, which must include:

- readiness to proceed with construction;
- commitment of private capital;
- proposed cost efficiency;
- development location; and
- the applicant's qualifications and demonstrated capability to develop and manage the proposed project.

Loan recipients must:

- commit to beginning construction within 180 days of award;
- adhere to the Evergreen Sustainable Development Standard;
- file an annual compliance report; and
- restrict use of awarded loan funding to eligible costs of housing.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.