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**Consumer Protection & Business  
Committee**

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**HB 1516**

**Brief Description:** Conducting a study of insurance coverage options for permanently affordable homeownership units.

**Sponsors:** Representatives Hill, Taylor, Reed, Simmons, Morgan, Ormsby, Farivar, Parshley, Gregerson, Macri, Ramel, Pollet and Salahuddin.

**Brief Summary of Bill**

- Requires the Office of the Insurance Commissioner to conduct a study of insurance coverage options or approaches to reduce condominium construction defect liability for permanently affordable homeownership units.

**Hearing Date:** 2/7/25

**Staff:** Megan Mulvihill (786-7304).

**Background:**

Permanently affordable homeownership is a type of housing development where homes are sold at below-market rates to income-qualified buyers and include restrictions for future resale. Often these developments are in partnership with nonprofit organizations or local governments. In 2021 the Legislature adopted a 20-year property tax exemption for new housing construction projects that sell or rent at least 25 percent of the units to nonprofit organizations or local governments that assure permanently affordable homeownership. These units must be sold or rented to households earning no more than 80 percent of the average median income for the city or local jurisdiction in which the unit is located.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

The Office of the Insurance Commissioner (OIC) published a report on November 7, 2024, titled "Market Study of Insurance for Affordable Housing Providers in Washington State." The study reviewed the availability and affordability of property and liability insurance for housing providers receiving Housing Trust Fund resources and serving extremely low-income households. The study found three primary factors affecting the availability and affordability of insurance for affordable housing: (1) the overall challenging market conditions for property and casualty insurance; (2) the property characteristics of affordable housing; and (3) the perceived risk profile of the housing providers' residents. The study included 12 potential policy options for legislative consideration, grouped into four categories:

- reducing the total cost of risk by physically improving the properties;
- increasing the availability of insurance by establishing a new insurance or reinsurance mechanism;
- subsidizing the cost of insurance; or
- combining elements of these options.

### **Summary of Bill:**

The OIC must conduct a study regarding how projects that develop new permanently affordable homeownership units may use different insurance coverage options or approaches to reduce costs related to condominium construction defect liability and maintain commensurate access to insurance coverage. The OIC must consult with nonprofit organizations and government entities, authorized insurers, and unauthorized insurers, all of which sponsor or insure permanently affordable homeownership units, along with relevant state associations. The OIC must collect and use relevant findings from past insurance market studies or other relevant information released on or after December 31, 2017. The OIC must submit a report on its findings to the Legislature by December 31, 2025, that includes:

- an actuarial analysis of how the condominium construction defect liability risk pools for nonprofit organizations and government entities may differ from other models of condominium production, sale, and ownership;
- an analysis of the role that the OIC and insurers can play to lower condominium construction defect liability costs for nonprofit organizations and government entities; and
- recommendations for how current or new insurance products and practices may be used to reduce insurance costs for nonprofit organizations and government entities.

Permanently affordable homeownership is defined as housing sponsored by a nonprofit organization or government entity that executes at least a 99-year ground lease or deed restriction with each sale. The ground lease or deed restriction must include a resale restriction to low and moderate income homebuyers, a right of first refusal for the sponsor to purchase a home at resale, and a requirement that the sponsor approve any refinancing.

**Appropriation:** None.

**Fiscal Note:** Requested on January 27, 2025.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.