
Housing Committee

HB 1808

Brief Description: Creating an affordable homeownership revolving loan fund program.

Sponsors: Representatives Zahn, Low, Parshley, Thomas, Scott, Ramel, Gregerson, Doglio, Eslick, Reed, Fosse, Ormsby, Nance, Salahuddin, Macri, Hill, Street and Obras.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates the Affordable Homeownership Revolving Loan Fund Program to provide loans to eligible organizations for construction of permanently affordable homeownership for low-income households.

Hearing Date: 2/13/25

Staff: Audrey Vasek (786-7383).

Background:

Washington State Housing Finance Commission.

The Washington State Housing Finance Commission (Commission) is a public body created by the Legislature to make housing financing available at affordable rates throughout the state by acting as a financial conduit. The Commission may issue nonrecourse revenue bonds and participate in federal, state, and local housing programs. The Commission administers a range of programs, including programs that provide down payment and closing cost assistance for low-income and first-time home buyers, low-income housing tax credits, and below-market rate financing for sustainable energy projects, new farms and ranches, and certain nonprofit facilities.

Housing Trust Fund.

The Washington Housing Trust Fund (HTF) program, administered by the Department of Commerce (Commerce), provides capital financing through grants or loans to eligible

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.

organizations for the acquisition, new construction, rehabilitation, and preservation of affordable housing projects for low-income and special needs populations.

To qualify as "affordable housing" under the HTF, rental housing occupied by low-income households may not require payment of monthly housing costs, including utilities other than telephone, that is more than thirty percent of a low-income household's income. For homeownership housing, Commerce must adopt policies that specify the percentage of a low-income household's income that may be spent on monthly housing costs, including utilities other than telephone, in order for the homeownership housing to qualify as affordable housing under the HTF. A "low-income household" is defined as a household whose adjusted income is less than 80 percent of the median family income for the county where the project is located.

Summary of Bill:

Affordable Homeownership Revolving Loan Fund Program.

The Affordable Homeownership Revolving Loan Fund Program (Program) is created within Commerce to finance affordable homeownership construction for low-income households by providing loans to eligible organizations for development of housing that serves low-income households for at least 99 years. Commerce must contract with the Commission to administer the Program, subject to the availability of amounts appropriated for this specific purpose.

Selection Criteria for Eligible Organizations.

Program loans must be awarded to eligible organizations based on criteria established by the Commission. This criteria must include readiness to proceed with construction, amount and commitment of capital being leveraged as part of the financing for the project, proposed cost efficiency, development location, the applicant's qualifications and demonstrated capability to develop the proposed project, and any other criteria established by the Commission.

"Eligible organizations" are defined as nonprofit developers building permanently affordable homeownership for sale to low-income households. The income threshold for low-income households is 80 percent of the median family income adjusted for family size for the county where the affordable housing is located, as reported by the United States Department of Housing and Urban Development (HUD), or 80 percent of the median family income adjusted for family size for the metropolitan area where the affordable housing is located, as reported by the HUD, whichever is larger.

"Permanently affordable homeownership" means homeownership that, in addition to meeting the HTF definition of "affordable housing" is:

- sponsored by a nonprofit organization or governmental entity, and the sponsor organization: executes a new ground lease or deed restriction with a duration of at least 99 years at the initial sale and with each successive sale; and supports homeowners and enforces the ground lease or deed restriction; and
- subject to a ground lease or deed restriction that includes: a resale restriction designed to provide affordability for future low-income and moderate-income homebuyers; a right of

first refusal for the sponsor organization to purchase the home at resale; and a requirement that the sponsor organization must approve any refinancing, including home equity lines of credit.

Loan Requirements.

Loans awarded under the Program:

- may not exceed 50 percent of the total project costs of the housing to be developed; however, the commission may exceed this maximum allowable loan amount for cause;
- may be used in combination with private sector loans or any other source of capital, as recognized by the Commission;
- must be structured with an interest rate above one percent, but not exceeding 2.5 percent; and
- must be assumable under terms and conditions established by the Commission.

Loan Repayment.

Loan repayment is due after all of the homes included in the financed project are sold, except as required by rules established by the Commission. Upon receipt and repayment, any interest earnings and repaid loan funds must be tracked separately from other revenue and must be reloaned to qualifying applicants to finance additional permanently affordable homeownership under the Program.

Loan Recipient Requirements.

Loan recipients must:

- commit to beginning construction within 180 days of contracting the loan;
- adhere to the Evergreen Sustainable Development Standard;
- file an annual compliance report containing information specified by the Commission; and
- restrict use of awarded loan funding to eligible costs of housing as defined under the statute creating the Commission. The statute creating the Commission defines "costs of housing" as all costs related to the development, design, acquisition, construction, reconstruction, leasing, rehabilitation, and other improvements of housing, as determined by the Commission.

Duties of the Commission.

The Commission must:

- establish criteria and procedures for long-term monitoring of housing affordability and compliance under the Program, for which the Commission may charge monitoring fees;
- establish annual reporting requirements for loan recipients; and
- adopt policies necessary to administer the Program.

The Commission's general funds may not be expended to implement the Program.

Other Provisions.

The Program is created as a new chapter in Title 43 RCW.

Appropriation: None.

Fiscal Note: Requested on February 5, 2025.

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