SENATE BILL REPORT
SB 6028

As of January 16, 2026

Title: An act relating to establishing a revolving loan fund for mixed-income affordable homeownership development.

Brief Description: Establishing a revolving loan fund for mixed-income affordable homeownership development.

Sponsors: Senators Alvarado, Trudeau, Bateman, Conway, Nobles and Wilson, C..

Brief History:

Committee Activity: Housing: 1/16/26.

Brief Summary of Bill

- Creates a revolving loan fund for mixed income affordable homeownership development in which a portion is permanently affordable for low-income households.

SENATE COMMITTEE ON HOUSING

Staff: Melissa Van Gorkom (786-7491)

Background: The Washington State Housing Finance Commission (Commission) is a finance authority established by the Legislature to act as a conduit to make additional financing available at affordable rates to help provide housing throughout the state. The Commission may issue nonrecourse revenue bonds and participate in federal, state and local housing programs to carry out its purpose. 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.

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.

Summary of Bill: A revolving loan fund is created in the Department of Commerce (Commerce) to provide loans to eligible organizations to finance mixed-income affordable homeownership development. Subject to the availability of amounts appropriated, Commerce is directed to contract with the Commission to administer the funds. If economically feasible, the Commission:

- may administer loans to eligible organizations to finance mixed-income affordable homeownership development in which a portion is permanently affordable for low-income households; and
- must adopt and implement a program to effectively audit or review each project to ensure that the units sold to low-income households are affordable and include a covenant or deed restriction that ensures the affordability requirements and other conditions are met for at least 99 years.

Loans must be awarded based on criteria established by the Commission, including:

- readiness to proceed with construction;
- amount and commitment of private capital being leveraged as part of the financing for the project;
- amount of residential dwelling units provided for ownership that are permanently affordable for low-income households;
- development location; and
- the applicants qualifications and demonstrated capability to develop and manage the proposed project.

The Commission must provide loan terms and amounts proportional to the estimated value of residential dwelling units provided for ownership that are permanently affordable for low-income households. Unless the Commission finds cause, loans may not exceed the lesser of $5 million or 20 percent of the total project costs. Loans may be used in combination with other funding sources. Loans must be issued at a below market interest rate above 1 percent. Repayment plans may not exceed 36 months, unless authorized by policies established by the Commission. Any interest earnings and repaid loan funds must be tracked separately from other revenue and be reloaned to qualifying applicants to finance additional mixed-income affordable homeownership development in which a portion of the development is homeownership housing.

The Commission must:

- require the applicant record a covenant or deed restrictions that ensure the affordability requirements and other conditions are met;
- refer any applicable homebuyer to education seminars available through local partnerships;
- strive to provide as much geographic distribution in areas where this type of financing tool is feasible and viable;
- establish criteria and procedures for long-term monitoring of the program. The Commission may determine a percentage of the loan amount that may be used to subcontract with an eligible organization to monitor the long-term affordability of

homeownership housing for each project; and
- establish reporting requirements for loan recipients.

The developer must repay the full loan amount plus interest and a penalty not to exceed 10 percent to the Commission if a review or audit finds that the developer did not offer the amount of homeownership housing committed to for the project, or is not properly screening households for income restricted units. If a subsequent review or audit finds that homeownership housing has not been sold as affordable the seller must pay a penalty to the Commission not to exceed the difference between the sale price and the affordable price.

Commission general funds are not to be expended to implement the program.

Appropriation: None.

Fiscal Note: Requested on January 8, 2026.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Zoning reform is necessary but not sufficient to get housing built, we also need financing. Many builders have acquired land but can't build because the cost of capital makes the project not work. A lot of revolving loan funds serve multifamily but this concept would be a way to help fund some of these smaller projects. This tool helps to leverage the capacity of the for profit and nonprofit community to help builders build for sale homes in exchange for getting both the public benefit of some of those homes being affordable but also the broader benefit of more homes for the community. This can help stalled deals to move forward and, in a favorable market, could become a model for for sale developments. The money must be repaid within 36 months which will allow for this money to continue to be put back for towards more housing. There are few counties where people with a median income can afford to buy housing. With the 99 year affordability requirement this will allow for housing to be affordable for future generations. There are two small things to consider changing in section 3: increase the project cap from 20 to 50 percent to make it easier for nonprofit providers to use this program; and make it clear that funds awarded through the Housing Trust fund, city funds, or other public funding sources counts toward capital.

Persons Testifying: PRO: Senator Emily Alvarado, Prime Sponsor; steve walker, Washinton State Housing Finance Commission; Ryan Donohue, Habitat for Humanity Seattle-King & Kittitas Counties.

Persons Signed In To Testify But Not Testifying: No one.