
SUBSTITUTE HOUSE BILL 1516

State of Washington

69th Legislature

2025 Regular Session

By House Consumer Protection & Business (originally sponsored by Representatives Hill, Taylor, Reed, Simmons, Morgan, Ormsby, Farivar, Parshley, Gregerson, Macri, Ramel, Pollet, and Salahuddin)

READ FIRST TIME 02/21/25.

1 AN ACT Relating to conducting a study of insurance coverage
2 options for permanently affordable homeownership units; creating a
3 new section; and providing an expiration date.

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

5 NEW SECTION. **Sec. 1.** (1) The office of the insurance
6 commissioner shall conduct a study regarding how projects that
7 develop new permanently affordable homeownership units may utilize
8 different insurance coverage options and approaches to reduce costs
9 related to condominium construction defect liability while
10 maintaining commensurate access to insurance coverage.

11 (2) The study must be conducted in consultation with: Identified
12 nonprofit organizations and government entities that sponsor
13 permanently affordable homeownership units; authorized insurers of
14 permanently affordable homeownership projects; unauthorized insurers
15 of permanently affordable homeownership projects; representatives of
16 the residential building construction industry; and relevant state
17 associations.

18 (3) In conducting the study, the insurance commissioner shall:

19 (a) Collect and use relevant findings from past insurance market
20 studies conducted by the office of the insurance commissioner on or
21 after December 31, 2017, or other relevant information released on or

1 after December 31, 2017, that may assist the insurance commissioner
2 in conducting the analysis or making recommendations; and

3 (b) Collect information and data from entities transacting
4 insurance in the state. Any identified authorized insurers,
5 unauthorized insurers, and risk retention groups are required to
6 provide the requested information and data to the insurance
7 commissioner for purposes of this subsection.

8 (4) The insurance commissioner may contract with actuarial or
9 other consultants to facilitate the study.

10 (5) Consistent with RCW 43.01.036, the insurance commissioner
11 shall submit a report on its findings to the appropriate committees
12 of the legislature by December 31, 2026. The report must include:

13 (a) An actuarial analysis of how the condominium construction
14 defect liability risk pools for nonprofit organizations and
15 government entities that sponsor permanently affordable homeownership
16 units may differ from for-profit models of condominium production,
17 sale, and ownership;

18 (b) An analysis of the role that the commissioner and insurers
19 can play to lower condominium construction defect liability insurance
20 costs for nonprofit organizations and government entities that
21 sponsor permanently affordable homeownership units; and

22 (c) Recommendations for how current or new insurance mechanisms
23 may be used to reduce insurance costs for nonprofit organizations and
24 government entities that sponsor permanently affordable homeownership
25 units.

26 (6) Funding for the study shall be provided from the insurance
27 commissioner's regulatory account established under RCW 48.02.190.

28 (7) For the purposes of this section, "permanently affordable
29 homeownership" means a unit that, in addition to meeting the
30 definition of "affordable housing" in RCW 43.185A.010, is:

31 (a) Sponsored by a nonprofit organization or governmental entity;

32 (b) Subject to a ground lease or deed restriction, the forms of
33 which may include a ground lease, deed restriction, community land
34 trust lease, or affordability covenant that includes:

35 (i) A resale restriction designed to provide affordability for
36 future low and moderate-income homebuyers;

37 (ii) A right of first refusal for the sponsoring organization to
38 purchase the home at resale, except in cases where the sponsor
39 organization is a limited equity cooperative, defined as

1 "cooperative" in RCW 64.90.010, and the sponsor organization is not
2 partnered with a community land trust; and

3 (iii) A requirement that the sponsor must approve any refinancing
4 secured by the home, including home equity lines of credit, except
5 where the sponsor organization is a limited equity cooperative,
6 defined as "cooperative" in RCW 64.90.010, and the sponsor
7 organization is not partnered with a community land trust; and

8 (c) Sponsored by a nonprofit organization or governmental entity
9 and the sponsor:

10 (i) At the initial sale and at each successive sale of the unit,
11 executes a new ground lease or deed restriction, the forms of which
12 may include a ground lease, deed restriction, community land trust
13 lease, or affordability covenant with a duration of at least 99
14 years; and

15 (ii) Supports the unit's homeowner and enforces the ground lease
16 or deed restriction.

17 (8) This section expires December 31, 2027.

--- END ---