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**SENATE BILL 6205**

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**State of Washington**

**69th Legislature**

**2026 Regular Session**

**By** Senators Braun and Dozier

Read first time 01/19/26. Referred to Committee on Housing.

1 AN ACT Relating to increasing accountability for the distribution  
2 of grants for economically disadvantaged people; amending RCW  
3 43.79.567, 43.185A.140, and 43.181.040; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** In the face of an increasing housing  
6 shortage and budget shortage, accountability for the expenditure of  
7 public funds becomes substantially more important. The legislature  
8 finds that public funds should be focused where they can have the  
9 greatest impact. Housing loans and grants must be focused on the  
10 economically disadvantaged and there must be assurances and  
11 accountability in place to ensure that a repeat of this summer's  
12 scandal does not occur. The legislature finds that housing loans and  
13 grants must be distributed in an equitable and accountable method to  
14 those who need them the most.

15 **Sec. 2.** RCW 43.79.567 and 2025 c 424 s 952 are each amended to  
16 read as follows:

17 (1) The community reinvestment account is created in the state  
18 treasury. Revenues to the account shall consist of appropriations and  
19 transfers by the legislature and all other moneys directed for

1 deposit into the account. Moneys in the account may be spent only  
2 after appropriation.

3 (2) Expenditures from the account may be used by the department  
4 of commerce for:

5 (a) Economic development, which includes addressing wealth  
6 disparities to promote asset building such as homeownership and  
7 expanding access to financial resources including, but not limited  
8 to, grants and loans for small businesses and entrepreneurs,  
9 financial literacy training, and other small business training and  
10 support activities;

11 (b) Civil and criminal legal assistance to provide postconviction  
12 relief and case assistance, including the expungement of criminal  
13 records and vacation of criminal convictions;

14 (c) Community-based violence intervention and prevention  
15 services, which may include after-school programs focused on  
16 providing education and mentorship to youths;

17 (d) Reentry services to facilitate successful transitions for  
18 persons formerly incarcerated in an adult correctional facility or  
19 juvenile residential facility in Washington; and

20 (e) Beginning July 1, 2025, agricultural and economic support and  
21 services available to historically marginalized communities.

22 (3) The distribution of the grants under this section must be  
23 done in collaboration with "by and for community organizations" as  
24 defined by the department of commerce and the office of equity. (~~For~~  
25 ~~the 2025-2027 fiscal biennium, "by and for community organizations"~~  
26 ~~include, but are not limited to, those operated by and for Black,~~  
27 ~~Latino, Native American, Asian, Native Hawaiian, and Pacific Islander~~  
28 ~~communities)) An officer or family member of an officer of a "by and  
29 for community organization" must not, directly or indirectly, have a  
30 beneficial interest in, or receive any compensation, gratuity, or  
31 reward in connection with, a grant distributed under this section.~~

32 (4) Priority must be given to grant recipients who demonstrate  
33 greater need based on:

34 (a) Income;

35 (b) Family size;

36 (c) Cost, condition, and energy efficiency of available  
37 residential housing;

38 (d) Availability of decent, safe, and sanitary housing;

39 (e) Age or infirmity; and

40 (f) Applicable federal, state, and local requirements.

1       (5) The department of commerce must evaluate the distribution of  
2 the grants under this section biannually. The evaluation must contain  
3 the eligibility requirements, the number of participants and their  
4 corresponding eligibility categories, and metrics for determining  
5 success and success rates. These evaluations must be made available  
6 to the legislature upon request.

7       **Sec. 3.** RCW 43.185A.140 and 2023 c 275 s 3 are each amended to  
8 read as follows:

9       (1) The department must use moneys from the housing trust fund  
10 and other legislative appropriations to finance in whole or in part  
11 any loan or grant projects that will provide affordable housing for  
12 persons and families with special housing needs and who are low-  
13 income households.

14       (2) At least thirty percent of these moneys used in any given  
15 funding cycle must be for the benefit of projects located in rural  
16 areas of the state as defined by the department. If the department  
17 determines that it has not received an adequate number of suitable  
18 applications for rural projects during any given funding cycle, the  
19 department may allocate unused moneys for projects in nonrural areas  
20 of the state.

21       (3) (a) The department must prioritize allocating at least, but  
22 not limited to, 10 percent of these moneys used in any given funding  
23 cycle to organizations that serve and are substantially governed by  
24 individuals disproportionately impacted by homelessness ~~((7))~~  
25 including, but not limited to, black, indigenous, and other people of  
26 color and, lesbian, gay, bisexual, queer, transgender, and other  
27 gender-diverse individuals.

28       (b) An officer or family member of an officer of an organization  
29 under this subsection must not, directly or indirectly, have a  
30 beneficial interest in, or receive any compensation, gratuity, or  
31 reward in connection with, loans or grant projects under this  
32 section.

33       (c) The department of commerce must evaluate the distribution of  
34 the loan or grant projects under this subsection biannually. The  
35 evaluation must contain the eligibility requirements, the number of  
36 participants and their corresponding eligibility categories, and  
37 metrics for determining success and success rates. These evaluations  
38 must be made available to the legislature upon request.

1 (4) Activities eligible for assistance from the housing trust  
2 fund and other legislative appropriations include, but are not  
3 limited to:

4 (a) New construction, rehabilitation, or acquisition of low and  
5 very low-income housing units;

6 (b) Preconstruction technical assistance, design and finance  
7 services and consultation, and administrative costs for eligible  
8 nonprofit community or neighborhood-based organizations;

9 (c) Administrative costs for housing assistance groups or  
10 organizations when such grant or loan will substantially increase the  
11 recipient's access to housing funds other than those available under  
12 this chapter;

13 (d) Shelters for the homeless, including emergency shelters and  
14 overnight youth shelters;

15 (e) Down payment or closing costs assistance for low-income  
16 first-time homebuyers;

17 (f) Acquisition of housing units for the purpose of preservation  
18 as low-income housing;

19 (g) Projects making affordable housing projects more accessible  
20 to low-income households with members who have disabilities; and

21 (h) Remodeling and improvements as required to meet building  
22 code, licensing requirements, or legal operations to residential  
23 properties owned and operated by an entity eligible under RCW  
24 43.185A.040, which were transferred as described in RCW  
25 82.45.010(3)(t) by the parent of a child with developmental  
26 disabilities.

27 (5)(a) Legislative appropriations from capital bond proceeds may  
28 be used for the costs of projects authorized under subsection (4) of  
29 this section, except for costs of subsection (4)(c) of this section.

30 (b) The department may use up to three percent of the  
31 appropriations from capital bond proceeds or other new appropriations  
32 for affordable housing investments for administrative costs  
33 associated with application, distribution, and project development  
34 activities of the affordable housing program.

35 (c) Reappropriations must not be included in the calculation of  
36 the annual funds available for determining the administrative costs.

37 (6)(a) Moneys received from repayment of housing trust fund loans  
38 or other affordable housing appropriations may be used for all  
39 activities necessary for the proper functioning of the affordable  
40 housing program, including, but not limited to, providing

1 preservation funding, as provided in RCW 43.185A.180, and  
2 preconstruction technical assistance as provided in RCW 43.185A.170.

3 (b) Administrative costs associated with compliance and  
4 monitoring activities of the department may not exceed four-tenths of  
5 one percent annually of the contracted amount of state investment in  
6 affordable housing programs.

7 **Sec. 4.** RCW 43.181.040 and 2025 c 143 s 1 are each amended to  
8 read as follows:

9 (1) As part of the covenant homeownership program, the department  
10 shall contract with the commission to design, develop, implement, and  
11 evaluate one or more special purpose credit programs to reduce racial  
12 disparities in homeownership in the state by providing down payment  
13 and closing cost assistance. The contract must authorize the  
14 commission to use the contract funding as follows:

15 (a) The contract must authorize the commission to use up to one  
16 percent of the contract funding for costs related to administering  
17 the program including, but not limited to, costs related to  
18 completing a covenant homeownership program study required under RCW  
19 43.181.030, and other administrative, data collection, and reporting  
20 costs;

21 (b) The contract must authorize the commission to use up to one  
22 percent of the contract funding to provide targeted education,  
23 homeownership counseling, and outreach about special purpose credit  
24 programs created under this section to black, indigenous, and people  
25 of color and other historically marginalized communities in  
26 Washington state, including outreach to relevant affinity groups for  
27 mortgage lenders; and

28 (c) (i) The contract must authorize the commission to use the  
29 remainder of the contract funding to provide down payment and closing  
30 cost assistance to program participants. This portion of the contract  
31 funding may not be used to provide any type of assistance other than  
32 down payment and closing cost assistance.

33 (ii) An officer or family member of an officer of an organization  
34 under this subsection must not, directly or indirectly, have a  
35 beneficial interest in, or receive any compensation, gratuity, or  
36 reward in connection with projects under this section.

37 (2) The commission shall create one or more special purpose  
38 credit programs to provide down payment and closing cost assistance  
39 for the benefit of one or more economically disadvantaged classes of

1 persons identified in a covenant homeownership program study under  
2 RCW 43.181.030. In creating a special purpose credit program, the  
3 commission must consider the evidence-based documentation and  
4 programmatic and policy recommendations set forth in the initial  
5 covenant homeownership program study and any subsequent program  
6 studies. If the covenant homeownership program study identifies an  
7 economically disadvantaged class or classes of persons that share one  
8 or more common characteristics such as, race, national origin, or sex  
9 and the board of the commission finds it necessary to consider this  
10 information in tailoring a special purpose credit program to provide  
11 credit assistance to economically disadvantaged classes of persons,  
12 the commission may consider these characteristics in designing and  
13 implementing the program.

14 (3) At minimum, a special purpose credit program authorized under  
15 this section must:

16 (a) Provide loans for down payment and closing cost assistance to  
17 program participants that can be combined with other forms of down  
18 payment and closing cost assistance;

19 (b) (i) Except as provided in (b) (ii) of this subsection, require  
20 a program participant to repay loans for down payment and closing  
21 cost assistance at the time that the house is sold;

22 (ii) For a program participant who has a household income at or  
23 below 80 percent of the area median income for the county where the  
24 home is located at the time that the loan is made, a special purpose  
25 credit program authorized under this section may fully forgive a loan  
26 entered into at any time after enactment of the special purpose  
27 credit program once the loan has been outstanding for at least five  
28 years; and

29 (c) Be implemented in conjunction with the commission's housing  
30 finance programs.

31 (4) To be eligible to receive down payment and closing cost  
32 assistance through a special purpose credit program authorized under  
33 this section, a special purpose credit program applicant must:

34 (a) Have a household income at or below 120 percent of the area  
35 median income for the county where the home is located;

36 (b) Be a first-time homebuyer; and

37 (c) (i) Be a Washington state resident who:

38 (A) Was a Washington state resident on or before the enactment of  
39 the federal fair housing act (Title VIII of the civil rights act of  
40 1968; P.L. 90-284; 82 Stat. 73) on April 11, 1968, and was or would

1 have been excluded from homeownership in Washington state by a  
2 racially restrictive real estate covenant on or before April 11,  
3 1968; or

4 (B) Is a descendant of a person who meets the criteria in  
5 (c)(i)(A) of this subsection;

6 (ii) Records that show a person's address on or about a specific  
7 date or include a reference indicating that a person is a resident of  
8 a specific city or area on or about a specific date may be used to  
9 provide proof that a person satisfies the criteria in (c)(i) of this  
10 subsection, such as genealogical records, vital records, church  
11 records, military records, probate records, public records, census  
12 data, newspaper clippings, and other similar documents.

13 (5) The commission may adopt rules, and shall adopt program  
14 policies, as necessary to implement this section. Program rules or  
15 policies must include procedures and standards for extending credit  
16 under the special purpose credit program, including program  
17 eligibility requirements. From time to time, including in response to  
18 a covenant homeownership program study's evaluation of program  
19 efficacy, the board of the commission may amend the special purpose  
20 credit programs, rules, and policies.

21 (6) By July 1, 2024, one or more of the special purpose credit  
22 programs must begin providing down payment and closing cost  
23 assistance to program participants.

24 (7) By December 31, 2025, and by each following December 31st,  
25 and in compliance with RCW 43.01.036, the commission shall submit an  
26 annual report to the appropriate committees of the legislature on the  
27 progress of the special purpose credit program or programs developed  
28 under this section. The report shall include, at minimum, the program  
29 eligibility requirements, the type and amount of down payment and  
30 closing cost assistance provided to program participants, the number  
31 of program participants and their corresponding eligibility  
32 categories, the location of property financed, and program outreach  
33 efforts. The report must be posted on the commission's website.

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