

WSR 24-03-034

PROPOSED RULES

DEPARTMENT OF COMMERCE

[Filed January 8, 2024, 11:44 a.m.]

Original Notice.

Preproposal statement of inquiry was filed as WSR 23-22-020.

Title of Rule and Other Identifying Information: Establishing rules for a new low-income home rehabilitation grant program enacted in SHB 1250, chapter 380, Laws of 2023.

Hearing Location(s): On February 29, 2024, at 10:00 a.m., virtually via [https://wastatecommerce.zoom.us/webinar/register/WN\\_l87NCojctBe2lQhcXr00-g](https://wastatecommerce.zoom.us/webinar/register/WN_l87NCojctBe2lQhcXr00-g).

Date of Intended Adoption: March 10, 2024.

Submit Written Comments to: Nick Manning, P.O. Box 42525, Olympia, WA 98504, email [nick.manning@commerce.wa.gov](mailto:nick.manning@commerce.wa.gov), by January 29, 2024.

Assistance for Persons with Disabilities: Contact Nick Manning, phone 564-200-4324, email [nick.manning@commerce.wa.gov](mailto:nick.manning@commerce.wa.gov), by January 24, 2024.

Purpose of the Proposal and Its Anticipated Effects, Including Any Changes in Existing Rules: The low-income home rehabilitation revolving loan program (loan program) was established in 2017 and served homeowners in rural areas with incomes at or below 200 percent of the federal poverty level. Upon the enactment of SHB 1250 (2023), the loan program terminated on July 1, 2023, and outstanding loans will be forgiven. Additionally, the law added a new section to chapter 43.330 RCW establishing a low-income home rehabilitation grant program and requires commerce to adopt rules for implementation of this new program. Chapter 365-175 WAC, which includes rules previously adopted for the implementation of the loan program, must be amended to include new rules for the newly established grant program and to reflect the termination of the loan program.

Reasons Supporting Proposal: The proposed amendments to chapter 365-175 WAC amend rules previously established for a loan program into a grant program, as required by SHB 1250. These program rules establish the guiding principles for the grant program.

Statutory Authority for Adoption: RCW 43.330.482, 43.330.483.

Statute Being Implemented: RCW 43.330.483.

Rule is not necessitated by federal law, federal or state court decision.

Name of Proponent: Washington state department of commerce, governmental.

Name of Agency Personnel Responsible for Drafting: Liz Reichart, 1011 Plum Street S.E., P.O. Box 42525, Olympia, WA 98504-2525, 360-515-8194; Implementation and Enforcement: Gerardo Gomez-Gonzalez, 1011 Plum Street S.E., P.O. Box 42525, Olympia, WA 98504-2525, 360-764-0076.

A school district fiscal impact statement is not required under RCW 28A.305.135.

A cost-benefit analysis is not required under RCW 34.05.328. Commerce is not a listed agency.

Scope of exemption for rule proposal from Regulatory Fairness Act requirements:

Is not exempt.

The proposed rule does not impose more-than-minor costs on businesses. Following is a summary of the agency's analysis showing how

costs were calculated. The program for which these rules are being written provides grants to individual households. Some businesses may be implicated by the rule as "rehabilitation agencies" [and] can provide program grants if approved by commerce and when certain eligibility criteria are met. However, the proposed rule will not impose any costs on such businesses because the rule being amended already required such businesses to ensure eligibility criteria are met and the changes will not result in additional costs.

January 8, 2024  
Amanda Hathaway  
Rules Coordinator

OTS-5136.1

**Chapter 365-175 WAC**  
**RULES FOR LOW-INCOME HOME REHABILITATION ((~~REVOLVING LOAN~~)) GRANT PROGRAM**

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-010 Authority.** These rules implement RCW 43.330.480 through 43.330.488 and are adopted under the authority in RCW ((43.330.482)) 43.330.483.

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-020 Purpose.** To set forth the conditions and procedures for how funds for the low-income home rehabilitation ((~~revolving loan~~)) grant program will be administered and used to serve low-income clients living in rural areas.

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-030 Definitions.** "Commerce" means the Washington state department of commerce.

"Consumer price index" means the annual average consumer price index for all urban consumers (CPI-U) published by the Bureau of Labor Statistics of the United States Department of Labor.

"Home" means a single-family residential structure.

"Home rehabilitation" means residential repairs and improvements that address health, safety, and durability issues in existing housing in rural areas.

"Homeowner" means a person who owns and resides permanently in the home the person occupies.

"Low-income" means persons or households with income at or below ~~((two hundred))~~ 200 percent of the federal poverty level as ~~((adjusted for family size and))~~ determined annually by the federal Department of Health and Human Services, 80 percent of the area median income for the county in which the home receiving rehabilitation is located, or 60 percent of the state median income, whichever is greater, and as adjusted for family size.

"Rehabilitation agency" means any approved department grantee, tribal nation, or any public service company, municipality, public utility district, mutual or cooperative, or other entity that bears the responsibility for rehabilitating residences under this chapter and has been approved by the department.

"Rural areas" means areas of Washington state defined as nonentitlement areas by the United States Department of Housing and Urban Development.

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-040 What agencies are eligible to use funds from the low-income home rehabilitation (~~(revolving loan)~~) grant program?** A local agency must apply to and receive approval from commerce to become an authorized rehabilitation agency. The application must show that the agency is eligible to participate and must show that the agency has established procedures to administer the program in compliance with the statute and these rules. Commerce will give preference to local agencies that are grantees of the state low-income weatherization assistance program. Authorized rehabilitation agencies must comply with reporting requirements established in grant agreements and must adopt operating procedures that are subject to approval by commerce.

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-050 How do authorized rehabilitation agencies receive funds from the low-income home rehabilitation (~~(revolving loan)~~) grant fund?** (1) Commerce will initially allocate funds to authorized rehabilitation agencies using a formula developed for the low-income rural rehabilitation (~~(revolving loan)~~) grant fund. Initial funding levels may be adjusted based on the capacity and capability of each rehabilitation agency as determined through the application process.

(2) Commerce may reallocate funds to other authorized rehabilitation agencies if doing so will better achieve the objectives of the program.

(3) Authorized rehabilitation agencies will receive a grant for funds each biennium funding is available. Funding is subject to a grant agreement between commerce and the authorized rehabilitation agency.

(4) Authorized rehabilitation agencies must report to commerce quarterly or in line with reporting for federal weatherization grants.

Commerce will provide reporting instructions to authorized rehabilitation agencies. Timely reporting will be considered when determining future funding opportunities.

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-060 What clients are eligible to receive program loans from the low-income home rehabilitation (~~revolving loan~~) grant program?** (1) An authorized rehabilitation agency may provide a program (~~loan~~) grant to a person only if the agency determines that all of these eligibility criteria are met:

(a) The person owns and occupies the home that will receive the rehabilitation services.

(b) The income of the person is at or below (~~two hundred~~) 200 percent of the federal poverty level (, as adjusted for family size and) as determined annually by the federal Department of Health and Human Services, 80 percent of the area median income for the county in which the home receiving rehabilitation is located, or 60 percent of the state median income, whichever is greater, and as adjusted for family size.

(c) The property is located in a rural area.

(2) An authorized rehabilitation agency must give priority to rehabilitation applications from persons who are senior citizens, persons with disabilities, families with children five years old and younger, and veterans.

AMENDATORY SECTION (Amending WSR 18-17-140, filed 8/21/18, effective 9/21/18)

**WAC 365-175-070 What criteria must a program (~~loan~~) grant meet?** (1) (~~The loan amount may not exceed any of the following limits:~~

~~(a) Forty thousand dollars.~~

~~(b) The direct costs paid to one or more rehabilitation agency for necessary improvements, plus seven percent for administrative costs to the authorized rehabilitation agency.~~

~~(c) An amount equal to eighty percent of the assessed value of the property.~~

~~(d) An amount equal to eighty percent of the assessed value of the property minus the sum of the unpaid principal amounts of all existing loans that are secured by the property. (For example, if the assessed value of the property is \$100,000 and an existing mortgage has an unpaid principal amount of \$50,000, the limitation under this is \$30,000, which is eighty percent of \$100,000 minus \$50,000.)~~

~~(2) The loan must be secured by a lien against the property that is in favor of the Washington department of commerce and subordinate to no lien other than a first mortgage or deed of trust or liens for general taxes, amounts deferred under chapter 84.37 or 84.38 RCW, or special assessments as defined in RCW 84.38.020.~~

~~(3) The loan must specify a rate of interest equal to the annual change in consumer price index for the prior calendar year. (For loans closed in calendar year 2018, the interest rate is 2.1 percent.)~~

~~(4) The loan must require repayment of principal, interest, and any administrative fee upon the sale or any other change in ownership of the property.~~

~~(5) The loan must provide the borrower with the option for early repayment without prepayment penalty.~~

~~(6) Authorized rehabilitation agencies must file lien paperwork in compliance with local recording office requirements and consistent with operating procedures approved by commerce.) The cost of the home rehabilitation must be the lesser of:~~

~~(a) Eighty percent of the assessed or appraised value of the property post rehabilitation, whichever is greater;~~

~~(b) Fifty thousand dollars.~~

~~(2) The maximum amount that may be granted under this program may not exceed the cost of the home rehabilitation as provided in subsection (1) of this section.~~