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**SUBSTITUTE HOUSE BILL 1617**

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**State of Washington**

**63rd Legislature**

**2013 Regular Session**

**By** House Community Development, Housing & Tribal Affairs (originally sponsored by Representatives McCoy, Warnick, Orwall, Ryu, Smith, Maxwell, Moscoso, and Freeman; by request of Washington State Department of Commerce)

READ FIRST TIME 02/22/13.

1 AN ACT Relating to the administrative costs for the allocation,  
2 management, and oversight of housing trust fund investments; and  
3 amending RCW 43.185.020, 43.185.050, 43.185.070, 43.185A.010,  
4 43.185A.030, and 43.185A.050.

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

6 **Sec. 1.** RCW 43.185.020 and 2009 c 565 s 37 are each amended to  
7 read as follows:

8 (1) "Contracted amount" means the aggregate amount of all state  
9 funds for which the department has monitoring and compliance  
10 responsibility.

11 (2) "Department" means the department of commerce.

12 (3) "Director" means the director of the department of commerce.

13 **Sec. 2.** RCW 43.185.050 and 2011 1st sp.s. c 50 s 953 are each  
14 amended to read as follows:

15 (1) The department (~~shall~~) must use moneys from the housing trust  
16 fund and other legislative appropriations to finance in whole or in  
17 part any loans or grant projects that will provide housing for persons  
18 and families with special housing needs and with incomes at or below

1 fifty percent of the median family income for the county or standard  
2 metropolitan statistical area where the project is located. At least  
3 thirty percent of these moneys used in any given funding cycle shall be  
4 for the benefit of projects located in rural areas of the state as  
5 defined by the department. If the department determines that it has  
6 not received an adequate number of suitable applications for rural  
7 projects during any given funding cycle, the department may allocate  
8 unused moneys for projects in nonrural areas of the state.

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

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

13 (b) Rent subsidies;

14 (c) Matching funds for social services directly related to  
15 providing housing for special-need tenants in assisted projects;

16 (d) Technical assistance, design and finance services and  
17 consultation, and administrative costs for eligible nonprofit community  
18 or neighborhood-based organizations;

19 (e) Administrative costs for housing assistance groups or  
20 organizations when such grant or loan will substantially increase the  
21 recipient's access to housing funds other than those available under  
22 this chapter;

23 (f) Shelters and related services for the homeless, including  
24 emergency shelters and overnight youth shelters;

25 (g) Mortgage subsidies, including temporary rental and mortgage  
26 payment subsidies to prevent homelessness;

27 (h) Mortgage insurance guarantee or payments for eligible projects;

28 (i) Down payment or closing cost assistance for eligible first-time  
29 home buyers;

30 (j) Acquisition of housing units for the purpose of preservation as  
31 low-income or very low-income housing; and

32 (k) Projects making housing more accessible to families with  
33 members who have disabilities(~~(; and~~

34 ~~(l) During the 2005-2007 fiscal biennium, a manufactured/mobile~~  
35 ~~home landlord-tenant ombudsman conflict resolution and park~~  
36 ~~registration program)).~~

37 (3) (~~During the 2005-2007 fiscal biennium, revenues generated~~

1 under RCW 36.22.178 may be used for the development of affordable  
2 housing projects and other activities funded in section 108, chapter  
3 371, Laws of 2006.

4 ~~(4))~~ Legislative appropriations from capital bond proceeds may be  
5 used only for the costs of projects authorized under subsection (2)(a),  
6 (i), and (j) of this section, and not for the administrative costs of  
7 the department.

8 ~~((5))~~ (4) Moneys from repayment of loans from appropriations from  
9 capital bond proceeds may be used for all activities necessary for the  
10 proper functioning of the housing assistance program except for  
11 activities authorized under subsection (2)(b) and (c) of this section.

12 ~~((6))~~ (5) Administrative costs associated with application,  
13 distribution, and project development activities of the department  
14 ~~((shall))~~ may not exceed ~~((five))~~ three percent of the annual funds  
15 available for the housing assistance program~~(, except during the 2011-~~  
16 ~~2013 fiscal biennium when administrative costs associated with housing~~  
17 ~~trust fund application, distribution, and project development~~  
18 ~~activities may not exceed three percent of the annual funds available~~  
19 ~~for the housing assistance program; administrative costs associated~~  
20 ~~with compliance and monitoring activities of the department may not~~  
21 ~~exceed one quarter of one percent annually of the contracted amount of~~  
22 ~~state investment in the housing assistance program; and~~  
23 ~~reappropriations may not be included in the calculation of the annual~~  
24 ~~funds available for determining the administrative costs)).~~  
25 Reappropriations must not be included in the calculation of the annual  
26 funds available for determining the administrative costs.

27 (6) Administrative costs associated with compliance and monitoring  
28 activities of the department may not exceed one-quarter of one percent  
29 annually of the contracted amount of state investment in the housing  
30 assistance program.

31 **Sec. 3.** RCW 43.185.070 and 2012 c 235 s 1 are each amended to read  
32 as follows:

33 (1) During each calendar year in which funds from the housing trust  
34 fund or other legislative appropriations are available for use by the  
35 department for the housing assistance program, the department ~~((shall))~~  
36 must announce to all known interested parties, and through major media  
37 throughout the state, a grant and loan application period of at least

1 ninety days' duration. This announcement (~~shall~~) must be made as  
2 often as the director deems appropriate for proper utilization of  
3 resources. The department (~~shall~~) must then promptly grant as many  
4 applications as will utilize available funds less appropriate  
5 administrative costs of the department (~~Administrative costs paid  
6 out of the housing trust fund may not exceed five percent of annual  
7 revenues available for distribution to housing trust fund projects~~) as  
8 provided in RCW 43.185.050.

9 (2) In awarding funds under this chapter, the department must:

10 (a) Provide for a geographic distribution on a statewide basis; and

11 (b) Until June 30, 2013, consider the total cost and per-unit cost  
12 of each project for which an application is submitted for funding under  
13 RCW 43.185.050(2) (a) and (j), as compared to similar housing projects  
14 constructed or renovated within the same geographic area.

15 (3) The department, with advice and input from the affordable  
16 housing advisory board established in RCW 43.185B.020, or a  
17 subcommittee of the affordable housing advisory board, must report  
18 recommendations for awarding funds in a cost-effective manner. The  
19 report must include an implementation plan, timeline, and any other  
20 items the department identifies as important to consider to the  
21 legislature by December 1, 2012.

22 (4) The department (~~shall~~) must give first priority to  
23 applications for projects and activities which utilize existing  
24 privately owned housing stock including privately owned housing stock  
25 purchased by nonprofit public development authorities and public  
26 housing authorities as created in chapter 35.82 RCW. As used in this  
27 subsection, privately owned housing stock includes housing that is  
28 acquired by a federal agency through a default on the mortgage by the  
29 private owner. Such projects and activities (~~shall~~) must be  
30 evaluated under subsection (5) of this section. Second priority  
31 (~~shall~~) must be given to activities and projects which utilize  
32 existing publicly owned housing stock. All projects and activities  
33 (~~shall~~) must be evaluated by some or all of the criteria under  
34 subsection (5) of this section, and similar projects and activities  
35 shall be evaluated under the same criteria.

36 (5) The department (~~shall~~) must give preference for applications  
37 based on some or all of the criteria under this subsection, and similar

1 projects and activities (~~shall~~) must be evaluated under the same  
2 criteria:

3 (a) The degree of leveraging of other funds that will occur;

4 (b) The degree of commitment from programs to provide necessary  
5 habilitation and support services for projects focusing on special  
6 needs populations;

7 (c) Recipient contributions to total project costs, including  
8 allied contributions from other sources such as professional, craft and  
9 trade services, and lender interest rate subsidies;

10 (d) Local government project contributions in the form of  
11 infrastructure improvements, and others;

12 (e) Projects that encourage ownership, management, and other  
13 project-related responsibility opportunities;

14 (f) Projects that demonstrate a strong probability of serving the  
15 original target group or income level for a period of at least twenty-  
16 five years;

17 (g) The applicant has the demonstrated ability, stability and  
18 resources to implement the project;

19 (h) Projects which demonstrate serving the greatest need;

20 (i) Projects that provide housing for persons and families with the  
21 lowest incomes;

22 (j) Projects serving special needs populations which are under  
23 statutory mandate to develop community housing;

24 (k) Project location and access to employment centers in the region  
25 or area;

26 (l) Projects that provide employment and training opportunities for  
27 disadvantaged youth under a youthbuild or youthbuild-type program as  
28 defined in RCW 50.72.020; and

29 (m) Project location and access to available public transportation  
30 services.

31 (6) The department (~~shall~~) may only approve applications for  
32 projects for persons with mental illness that are consistent with a  
33 regional support network six-year capital and operating plan.

34 **Sec. 4.** RCW 43.185A.010 and 2009 c 565 s 38 are each amended to  
35 read as follows:

36 Unless the context clearly requires otherwise, the definitions in  
37 this section apply throughout this chapter.

1 (1) "Affordable housing" means residential housing for rental  
2 occupancy which, as long as the same is occupied by low-income  
3 households, requires payment of monthly housing costs, including  
4 utilities other than telephone, of no more than thirty percent of the  
5 family's income. The department (~~shall~~) must adopt policies for  
6 residential homeownership housing, occupied by low-income households,  
7 which specify the percentage of family income that may be spent on  
8 monthly housing costs, including utilities other than telephone, to  
9 qualify as affordable housing.

10 (2) "Contracted amount" has the same meaning as provided in RCW  
11 43.185.020.

12 (3) "Department" means the department of commerce.

13 (~~(+3)~~) (4) "Director" means the director of the department of  
14 commerce.

15 (~~(+4)~~) (5) "First-time home buyer" means an individual or his or  
16 her spouse or domestic partner who have not owned a home during the  
17 three-year period prior to purchase of a home.

18 (~~(+5)~~) (6) "Low-income household" means a single person, family or  
19 unrelated persons living together whose adjusted income is less than  
20 eighty percent of the median family income, adjusted for household  
21 size, for the county where the project is located.

22 **Sec. 5.** RCW 43.185A.030 and 2011 1st sp.s. c 50 s 954 are each  
23 amended to read as follows:

24 (1) Using moneys specifically appropriated for such purpose, the  
25 department shall finance in whole or in part projects that will provide  
26 housing for low-income households.

27 (2) Activities eligible for assistance include, but are not limited  
28 to:

29 (a) New construction, rehabilitation, or acquisition of housing for  
30 low-income households;

31 (b) Rent subsidies in new construction or rehabilitated multifamily  
32 units;

33 (c) Down payment or closing costs assistance for first-time home  
34 buyers;

35 (d) Mortgage subsidies for new construction or rehabilitation of  
36 eligible multifamily units; and

37 (e) Mortgage insurance guarantee or payments for eligible projects.

1 (3) Legislative appropriations from capital bond proceeds may be  
2 used only for the costs of projects authorized under subsection (2)  
3 (a), (c), (d), and (e) of this section, and not for the administrative  
4 costs of the department.

5 (4) Moneys from repayment of loans from appropriations from capital  
6 bond proceeds may be used for all activities necessary for the proper  
7 functioning of the affordable housing program except for activities  
8 authorized under subsection (2)(b) of this section.

9 (5) Administrative costs associated with application, distribution,  
10 and project development activities of the department (~~(shall)~~) may not  
11 exceed (~~(four)~~) three percent of the annual funds available for the  
12 affordable housing program(~~(, except during the 2011-2013 fiscal~~  
13 ~~biennium when administrative costs associated with housing trust fund~~  
14 ~~application, distribution, and project development activities may not~~  
15 ~~exceed three percent of the annual funds available for the housing~~  
16 ~~assistance program; administrative costs associated with compliance and~~  
17 ~~monitoring activities of the department may not exceed one quarter of~~  
18 ~~one percent annually of the contracted amount of state investment in~~  
19 ~~the housing assistance program; and reappropriations may not be~~  
20 ~~included in the calculation of the annual funds available for~~  
21 ~~determining the administrative costs)). Reappropriations must not be~~  
22 included in the calculation of the annual funds available for  
23 determining the administrative costs.

24 (6) Administrative costs associated with compliance and monitoring  
25 activities of the department may not exceed one-quarter of one percent  
26 annually of the contracted amount of state investment in the affordable  
27 housing program.

28 **Sec. 6.** RCW 43.185A.050 and 2012 c 235 s 2 are each amended to  
29 read as follows:

30 (1) During each calendar year in which funds are available for use  
31 by the department for the affordable housing program, the department  
32 (~~(shall)~~) must announce to all known interested parties, and through  
33 major media throughout the state, a grant and loan application period  
34 of at least ninety days' duration. This announcement (~~(shall)~~) must be  
35 made as often as the director deems appropriate for proper utilization  
36 of resources. The department (~~(shall)~~) must then promptly grant as  
37 many applications as will utilize available funds less appropriate

1 administrative costs of the department (~~(, not to exceed five percent of~~  
2 ~~moneys appropriated to the affordable housing program)) as provided in  
3 RCW 43.185A.030.~~

4 (2) Until June 30, 2013, for applications submitted for funding  
5 under RCW 43.185A.030(2)(a), the department (~~(shall)) must consider  
6 total cost and per-unit cost of each project compared to similar  
7 housing projects constructed or renovated within the same geographic  
8 area.~~

9 (3) The department (~~(shall)) must develop, with advice and input  
10 from the affordable housing advisory board established in RCW  
11 43.185B.020, or a subcommittee of the affordable housing advisory  
12 board:~~

13 (a) Additional criteria to evaluate applications for assistance  
14 under this chapter; and

15 (b) Recommendations for awarding funds under RCW 43.185A.030(2)(a)  
16 in a cost-effective manner, including an implementation plan, timeline,  
17 and any other items the department identifies as important to consider.  
18 The department must submit a report with the recommendations to the  
19 legislature by December 1, 2012.

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