
SUBSTITUTE HOUSE BILL 3070

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Housing (originally sponsored by
Representatives Miloscia, Hasegawa, Chase and Santos)

READ FIRST TIME 2/7/06.

1 AN ACT Relating to increasing nonprofit housing development
2 capacity; amending RCW 43.180.160; and adding new sections to chapter
3 43.180 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.180 RCW
6 to read as follows:

7 The legislature finds that nonprofit organizations that develop
8 affordable housing for low-income households are critical in addressing
9 the growing affordable housing crisis in Washington state. Nonprofit
10 housing developers are mission-driven entities that prioritize the
11 needs and interests of residents over maximizing profits and,
12 therefore, have a vested interest in developing, maintaining, and
13 preserving safe, quality, and affordable housing options for low-income
14 and indigent individuals and families.

15 The state also finds, however, that organizational capacity and
16 housing development experience among nonprofit organizations is
17 inconsistent across the state. This inconsistency is reflected in the
18 relative lack of nonprofit housing developers that exist in rural areas
19 of the state.

1 The legislature finds that many nonprofit housing developers choose
2 not to develop condominiums and other multiunit residential buildings
3 because private market insurance rates to cover the construction
4 liability insurance required for such projects by many lenders is
5 unaffordable. Construction liability insurance costs are particularly
6 cost prohibitive for nonprofit organizations that, rather than selling
7 or reselling individual units when construction is complete and thereby
8 recouping the cost of the construction insurance, typically retain
9 ownership of units for the purpose of maintaining affordability for
10 low-income or indigent households.

11 Given the nonprofit status and focus on serving low-income and
12 indigent households over the long term, nonprofit housing developers
13 are unique and critical to ensuring that low-income and indigent
14 households have the opportunity to obtain and retain stable housing in
15 Washington.

16 Therefore, it is the intent of the legislature to establish
17 policies and provide incentives that will increase the number of
18 nonprofit housing developers that create affordable housing
19 opportunities for low-income and indigent households, and which will
20 simultaneously increase the ability of existing nonprofit housing
21 developers to expand housing development programs and to sustain the
22 resulting affordable housing units over the long term.

23 **Sec. 2.** RCW 43.180.160 and 1999 c 131 s 2 are each amended to read
24 as follows:

25 The total amount of outstanding indebtedness of the commission may
26 not exceed (~~three~~) four billion dollars at any time. The calculation
27 of outstanding indebtedness shall include the initial principal amount
28 of an issue and shall not include interest that is either currently
29 payable or that accrues as a part of the face amount of an issue
30 payable at maturity or earlier redemption. Outstanding indebtedness
31 shall not include notes or bonds as to which the obligation of the
32 commission has been satisfied and discharged by refunding or for which
33 payment has been provided by reserves or otherwise.

34 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.180 RCW
35 to read as follows:

36 The commission is authorized to establish a multiunit residential

1 building construction liability revolving fund program to provide
2 supplemental funding for liability claims arising from the construction
3 or rehabilitation of condominium or other multiunit residential
4 buildings, as defined in RCW 64.55.010, which are owned or controlled
5 by nonprofit corporations, as defined in RCW 43.180.300.

6 In establishing this revolving fund program, and in addition to its
7 authority under this chapter, the commission is authorized to:

8 (1) Establish criteria for the eligibility of multiunit residential
9 projects and project owners for participation in the revolving fund
10 program;

11 (2) Establish the scope of coverage and other policies and
12 operating procedures for the revolving fund program;

13 (3) Establish premiums to be paid by project owners to ensure the
14 viability of the revolving fund program and that all costs incurred by
15 the commission in administering the revolving fund program will be paid
16 or reimbursed from amounts on deposit in the special account of the
17 commission authorized in this section;

18 (4) Provide for the reimbursement of premiums to the extent not
19 required for the orderly and cost-effective administration of the
20 revolving fund program;

21 (5) Establish procedures for the investigation, defense, and
22 payment of claims and the recoupment of claim payments made and costs
23 associated with respect to projects from the owners of such projects
24 over time; and

25 (6) Do all things necessary and desirable to implement the
26 revolving fund program in order to provide a cost-effective source of
27 liability funding which is supplemental to insurance and other
28 resources available to project owners.

29 The commission is authorized to establish a special account to be
30 known as the multiunit residential building construction liability
31 account, separate and apart from other funds and accounts of the
32 commission, to fund the revolving fund program. The commission will
33 participate in the capitalization of the account with a one-time
34 transfer of one million dollars of commission funds. All receipts from
35 appropriations and transfers made in accordance with this act, as well
36 as premiums collected by the commission and awards received by the
37 commission with respect to projects, shall be deposited into this
38 account. The commission shall invest in the account in a prudent

1 manner for the purposes of the revolving fund program. Investment
2 earnings in the account shall be deposited to the account. The
3 commission exclusively shall use the account to pay all administrative
4 costs of the revolving fund program and to pay liability claims arising
5 from a multiunit residential building covered by the revolving fund
6 program. Any claims against the commission or the fund arising from or
7 with respect to the revolving fund program may only be paid from
8 amounts in the account, and neither the commission nor the state of
9 Washington shall have any liability with respect to such claims.

10 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.180 RCW
11 to read as follows:

12 The state treasurer shall transfer from the housing trust fund
13 account into the multiunit residential building construction liability
14 account up to one million dollars of the funds appropriated for the
15 development of a self-insurance risk pool for nonprofit housing
16 developers. Upon transfer of such funds the department of community,
17 trade, and economic development's responsibility to create a similar
18 revolving fund ends.

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