
HOUSE BILL 1516

State of Washington

69th Legislature

2025 Regular Session

By Representatives Hill and Taylor

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 or approaches to reduce costs
9 related to condominium construction defect liability and maintain
10 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; and relevant state
16 associations.

17 (3) In conducting the study, the insurance commissioner shall
18 collect and use relevant findings from past insurance market studies
19 conducted by the office of the insurance commissioner on or after
20 December 31, 2017, or other relevant information released on or after

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

3 (4) Consistent with RCW 43.01.036, the insurance commissioner
4 shall submit a report on its findings to the appropriate committees
5 of the legislature by December 31, 2025. The report must include:

6 (a) An actuarial analysis of how the condominium construction
7 defect liability risk pools for nonprofit organizations and
8 government entities that sponsor permanently affordable homeownership
9 units may differ from other models of condominium production, sale,
10 and ownership;

11 (b) An analysis of the role that the commissioner and insurers
12 can play to lower condominium construction defect liability costs for
13 nonprofit organizations and government entities that sponsor
14 permanently affordable homeownership units; and

15 (c) Recommendations for how current or new insurance products and
16 practices may be used to reduce insurance costs for nonprofit
17 organizations and government entities that sponsor permanently
18 affordable homeownership units.

19 (5) For the purposes of this section, "permanently affordable
20 homeownership" means a unit that, in addition to meeting the
21 definition of "affordable housing" in RCW 43.185A.010, is:

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

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

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

28 (ii) A right of first refusal for the sponsoring organization to
29 purchase the home at resale, except in cases where the sponsor
30 organization is a limited equity cooperative, defined as
31 "cooperative" in RCW 64.90.010, and the sponsor organization is not
32 partnered with a community land trust; and

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

38 (c) Sponsored by a nonprofit organization or governmental entity
39 and the sponsor:

1 (i) At the initial sale and at each successive sale of the unit,
2 executes a new ground lease or deed restriction, the forms of which
3 may include a ground lease, deed restriction, community land trust
4 lease, or affordability covenant with a duration of at least 99
5 years; and

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

8 (6) This section expires December 31, 2025.

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