DECEMBER 9, 2021

WASHINGTON STATE HOUSING FINANCE COMMISSION

# COMMISSION MEETING PACKET

## *Additional Materials*

## ***Revised***

WSHFC

### Additional Materials Include:

- Updated December 9, 2021- Agenda
- Sound Communities Presentation (Work Session)
- Revised Bond Resolution for Madison at River's Edge (Tab 4)
- Purchase Letter - Linden (Tab 7)
- Purchase Letter - Midvale Village (Tab 8)
- Bond purchase letter for Elizabeth Thomas Homes (Tab 9)
- 2022 Legislative Agenda (Tab 12)
- Financial Statements as of November 30, 2021 (Tab 17)
- Asset Management and Compliance Division Monthly Report (Tab 16)
- CDFA - CDFA Legislative and Federal Affairs Update - December 7, 2022 (Tab 18)
- Final June 30, 2021 independent auditor's report
- Lifetime Achievement Award in Affordable Housing - Bob Cook

WASHINGTON STATE HOUSING FINANCE COMMISSION

Opening doors to a better life

**WASHINGTON STATE HOUSING FINANCE COMMISSION**
**COMMISSION WORK SESSION AGENDA**

YOU ARE HEREBY NOTIFIED that the Washington State Housing Finance Commission will hold a **Work Session** on Thursday, December 9, 2021, at 11:00 a.m., to consider the items in the agenda below.

Per the Governor's proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will only be offered virtually.

**To join virtually, please go to www.zoom.us, go to "Join a Meeting," and enter:**

**Webinar/Meeting ID: 827 3305 4118**
**Passcode: 738921**

**Participants who wish to participate telephonically, please dial either: 1-(888) 788-0099 or 1-(877) 853-5247 U.S. toll-free**

**Participants wishing to provide public comments, please see public engagement opportunities on page two below for instructions.**

**I.** **TBD**: Sound Communities (20 min.)

**II.** **Lisa DeBrock:** Housing Assistance Fund (20 min.)

**III.** **Diane Klontz:** Informational Report on Department of Commerce Activities (if time allows)

**IV.** **Steve Walker:** Executive Director's Report (if time allows)

**Note: There will be a break after the conclusion of the Work Session. The Commission Meeting will reconvene at 1 p.m.**

## Public Engagement at Commission Meetings

All Board meetings of the Washington State Housing Finance Commission are open to the public. Our intention is to welcome all members of the public and to provide a clear and reasonable process through which they can share their thoughts with us.

### Different ways to Join a Commission Meeting:

1. Click **here** to go to the meeting directly
2. At www.zoom.us, go to "Join a Meeting," and enter:
   - Webinar/Meeting ID: **827 3305 4118**
   - Passcode: **738921**
3. To participate by phone, dial toll-free either: 1-(888)-788-0099 or 1-(877)-853-5247.

### During Meetings:

During Commission board work sessions and board meetings, attendees can see and hear all presentations and business taking place. Microphones will be turned off except to receive comment during public hearings and the public general comment period.

### Public Hearings:

Commission meetings often include public hearings for specific housing projects or other policy decisions. Please limit comments to those directly related to the public hearing topic.

### Public Comment:

- **Purpose of Public Comment**
  During this period, the Commissioners listen to public concerns and comments but do not generally engage in dialogue. Staff will follow up with commenters who request assistance or answers to questions, providing that contact information is shared. Anyone who wishes to speak during the public comment period can take this opportunity.

- **When to Comment**
  The public comment period takes place near the end of the afternoon Commission board meeting (not the morning work session). The starting time for the public comment period depends on the length of the Commission's other business. Typically, the public comment period is reached after about an hour (2 p.m.) but may be sooner or later.

- **Raising Your Hand in Zoom or Through Phone Participation**
  To give us a sense of the number of people wishing to speak and help us call on you in an orderly fashion, the meeting Chair will ask you to use the Zoom "raise hand" feature to indicate you would like to speak. People participating on the telephone can press *9 to virtually "raise a hand." Whether or not you are able to virtually raise a hand, the chair will provide time and opportunity for all to share their comments before closing the public comment period.

- **Timing of Comments:**
  We ask that speakers keep their comments brief (2 to 3 minutes). The chair may ask you to begin bringing your statement to a close after that time, especially if others are waiting to speak. Our intention is not to impose a specific time limit unless it seems necessary to give a large number of speakers an equal chance to share their comments.

**WASHINGTON STATE HOUSING FINANCE COMMISSION**
**COMMISSION MEETING AGENDA**

YOU ARE HEREBY NOTIFIED that the Washington State Housing Finance Commission will hold a **Special Meeting** on Thursday, December 9, 2021, at 1:00 p.m., to consider the items in the agenda below.

Per the Governor's proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will only be offered virtually.

**To join virtually, please go to www.zoom.us, go to "Join a Meeting," and enter:**

**Webinar/Meeting ID: 827 3305 4118**
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**Participants wishing to provide public comments, please see public engagement opportunities on page two above for instructions.**

**I. Chair: Approval of the Minutes from the November 18, 2021, Special Meeting.** (5 min.) **1**

**II. Chair: Conduct a Public Hearing on the following:**

**A. Redondo Heights Senior Living, OID # 19-159A** **2**
**Claire Petersky**: The proposed issuance of one or more series of tax-exempt and/or taxable revenue notes to finance a portion of the costs for the acquisition, construction and equipping of a 212-unit multifamily housing facility located at 27400 Pacific Highway S., Federal Way, WA, 98003, to be owned by Redondo Heights Senior Living Associates Limited Partnership, a Washington limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed $55,000,000. (7 min.)

**III. Consider and Act on the Following Action Items:**

**A. Resolution No. 21-107, Reauthorization of funding for the Beginning Farmer/Rancher Program** **3**
**Lisa Vatske**: A resolution approving the issuance of up to $2,000,000 in bonds to fund the Beginning Farmer/Rancher Loan Program. (10 min.)

B. **Resolution No. 21-112, Madison at River's Edge, OID # 21-93A** 4

**Lisa Vatske**: A resolution approving the issuance of one or more series of revenue bonds to finance a portion of the costs for the acquisition of an existing 120-unit multifamily housing facility located at 1741 22nd Street NE, Auburn, WA 98002, to be owned by AOF/Pacific Affordable Corp., a California nonprofit public benefit corporation and an organization described under section 501(c)(3). Proceeds of the bonds may also be used to pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed $42,000,000. The public hearing was held November 18, 2021. (5 min.)

C. **Resolution No, 21-95, 192 Shoreline, OID # 21-33A** 5

**Lisa Vatske**: A resolution approving the issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition, construction and equipping of a 250-unit multifamily housing facility located at 19022 Aurora Avenue N., Shoreline, WA 98133, to be owned by Shoreline TWG LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed $72,000,000. The public hearing was held July 22, 2021. (5 min.)

D. **Resolution No. 21-100, HopeSource III Rural Preservation Portfolio, OID # 19-122A-G** 6

**Lisa Vatske**: A resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition and rehabilitation of seven multifamily housing facilities, in Grant and Yakima counties, with an aggregate total of 190 housing units, to be owned by HopeSource III Rural Preservation Associates LLLP, a Washington limited liability limited partnership. The addresses and units are listed below. Proceeds of the bonds may also be used to pay all or a portion of the costs of issuing the bonds. The total estimated aggregate bond amount is not expected to exceed $20,000,000. The public hearing was held August 26, 2021. (5 min.)

| Project: | HopeSource III Rural Preservation Portfolio |
|---|---|
| Project Addresses, Units, and Estimated Maximum Bond Amount per Project: | Chestnut Grove Apartments<br>610 South Chestnut Street<br>Moses Lake, WA 98837<br>23 units<br>$2,300,000<br><br>Edison Park Apartments<br>2400 East Edison Avenue<br>Sunnyside, WA 98944<br>28 units<br>$3,000,000<br><br>Paragon Apartments<br>1320 South 11th Street |

| | |
|---|---|
| | Sunnyside, WA 98944<br>36 units<br>$3,800,000<br><br>Valley Commons 1 & 2 Apartments<br>700 - 725 McClain Drive<br>Sunnyside, WA 98944<br>51 units<br>$5,400,000<br><br>Vineyard 1 & 2 Apartments<br>405 Nicka Road and 810 Grandridge Road<br>Grandview, WA 98930<br>52 units<br>$5,500,000 |

**E. Resolution No. 21-105, Linden, OID # 21-36A** **7**
**Lisa Vatske**: A resolution approving the issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs for the new construction and equipping of a 200-unit multifamily housing facility located at 916 N. 143rd Street, Seattle, WA 98133, to be owned by Bellwether Linden LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed $60,000,000. The public hearing was held November 18, 2021. (5 min.)

**F. Resolution No. 21-106, Midvale Village, OID # 21-81A** **8**
**Lisa Vatske**: A resolution approving the issuance of one or more series of tax-exempt and/or taxable revenue notes to finance a portion of the costs for the acquisition, construction and equipping of a 210-unit multifamily housing facility located at 1117 North 183rd Street, Shoreline, WA 98133, to be owned by Midvale Village, LP, a to-be-formed Washington limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed $55,000,000. The public hearing was held November 18, 2021. (5 min.)

**G. Resolution No. 21-110, Elizabeth Thomas Homes, OID # 21-80A** **9**
**Lisa Vatske**: A resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the new construction of a 119-unit multifamily housing facility located at 4524 S. Henderson Street, Seattle, WA 98118, to be owned by Elizabeth Thomas Homes LLC, a Washington limited liability company. Proceeds of the bonds may also be used to pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed $32,000,000. Public hearings were held November 18, 2021 and December 7, 2021. (5 min.)

~~**H. Resolution No. 21-111, Grata at Totem Lake 4%, OID # 20-78A**~~ ~~**10**~~
~~**Lisa Vatske**: A resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the new~~

~~construction of a 125-unit multifamily housing facility located at 12410 NE Totem Lake Way, Kirkland, WA 98034, to be owned by Kirkland TWG LLLP, a Washington limited liability limited partnership. Proceeds of the bonds may also be used to pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed $37,000,000. The public hearing was held November 18, 2021. (5 min.)~~

I. **Resolution No. 21-108, Carryforward of Private Activity Bond Cap** **11**
**Lisa Vatske**: A resolution approving the carryforward of Private Activity Bond Cap. (10 min.)

J. **Steve Walker:** Request for approval of the proposed 2022 Legislative Agenda. (10 min.) **12**

K. **Steve Walker:** Request approval of the 2022 Commission Meeting Calendar. (5 min.) **13**

**IV. Informational Report on Department of Commerce Activities** (10 min.)

**V. Executive Director's Report** (10 min.)

**VI. Commissioners' Reports** (10 min.)

**VII. Chair: Consent Agenda** (5 min.)

A. **Homeownership & Homebuyer Education Programs Monthly Activities Report** **14**

B. **Multifamily Housing and Community Facilities Monthly Activities Report** **15**

C. **Asset Management and Compliance Monthly Activities Report** **16**

D. **Financial Statements as of November 30, 2021** **17**

**VIII. Chair: Miscellaneous Correspondence and Articles of Interest** (5 min.)

A. **Miscellaneous Correspondence and Articles of Interest** **18**

B. **HFC Events Calendar** **19**

**IX. Chair: Public Comment**

**X. Executive Session (if necessary)**

**XI. Adjourn**

Bill Rumpf, Chair
Consent Agenda items will only be discussed at the request of a Commissioner.

# SOUND COMMUNITIES

*Fast-Tracking Equitable Development at Scale*

# Agenda

**01**

Sound Communities

**02**

Housing Benefit Districts

**03**

Technical Assistance Project

**04**

Q&A

# Sound Communities

## Mission

To promote the development of **complete, walkable, equitable and inclusive neighborhoods** at scale across the Puget Sound region **in concert with the region's historic investment in transit**

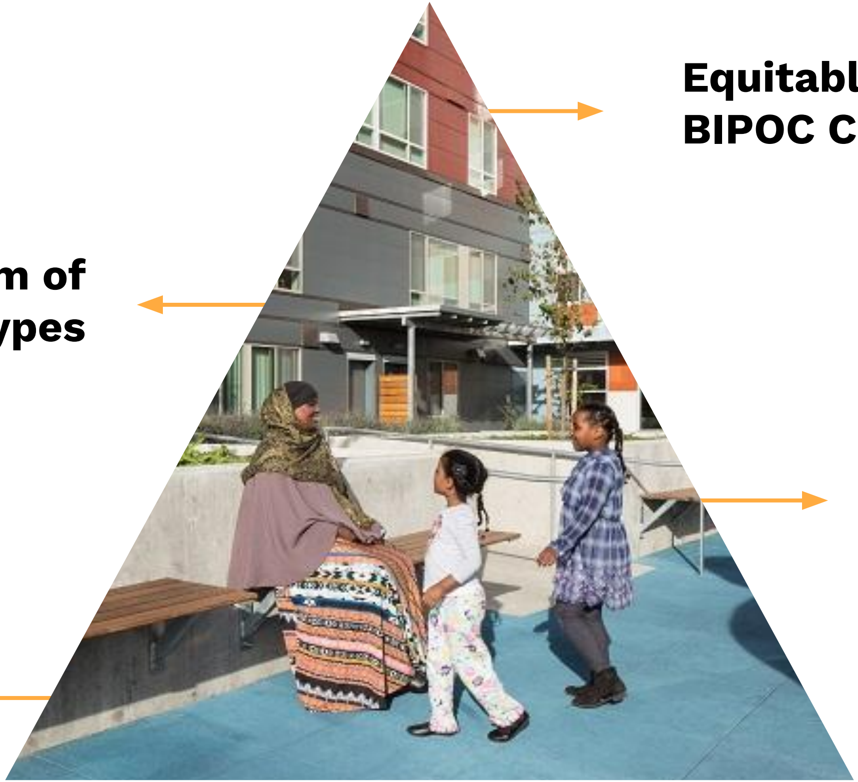
## Vision

A Puget Sound region where everyone lives in vibrant, thriving communities with access to affordable housing, public transit and amenities

# Goals

Equitable Benefit to BIPOC Communities

Full Spectrum of Housing Types



Home Ownership

Complete Communities

# Steering Committee


## Members

Josh Brown, *Puget Sound Regional Council*

Gregg Colburn, *University of Washington*

Jessyn Farrell, *Civic Ventures*

Al Levine, *University of Washington*

Patience Malaba, *Housing Development Consortium*

Rick Mohler, *University of Washington*

Peter Orser, *Weyerhaeuser Real Estate CEO (retired)*

Faith Pettis, *Pacifica Law Group*

Darryl Smith, *HomeSight*

Steve Walker *(ex officio)*, *Housing Finance Commision*

# History

## Funding

- 2019 - $150,000 seed funding from Washington State DOC
- 2020 - $150,000 funding from J.P. Morgan Chase Foundation
- 2021-2023 - $500,000 from Washington State DOC

## Work to Date

- UW Studio
- Housing Benefit District Legislation
  - 2020 - Introduced
  - 2021 - Passed House Local Government Committee

## Path Forward

- 2022 Legislative Session Pilot Program
- Technical Assistance Project

# Housing Benefit Districts


## Legislation

The bill (HB 1128) would enable local governments to fund **land acquisition around transit centers** for **low-income** and **middle-income housing** and community development projects

# How Housing Benefit Districts Work

### 1 Eligibility

**Do the Right Things**

Local government demonstrates commitment to increasing urban residential capacity

### 2 Formation

**Funding**

**A)** Local government council establishes an HBD whose boundaries are coextensive with the local government's boundaries
**B)** HBD seeks plan approval from statewide advisory board proposed to be staffed by HFC
**C)** HBD seeks voter approval for taxing and bonding authority

### 3 Planning

**Equity**

HBD applies funds towards station area (½ mile radius around transit center) must produce the following housing mix:
>=5% affordable to 0-30%AMI
>=10% affordable to 31-50% AMI
>=19% affordable to 51-80% AMI
>=33% affordable to 81-120% AMI

### 4 Investment

**Land acquisition**

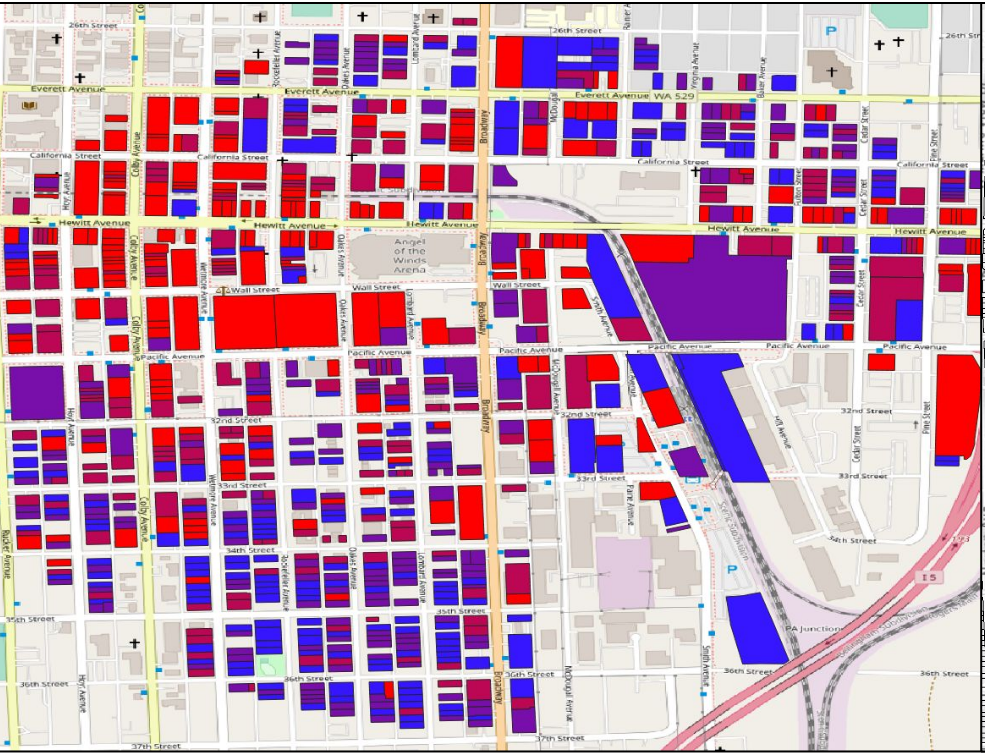
In advance of a transit station opening, HBD applies funds towards station area land assembly and infrastructure investment

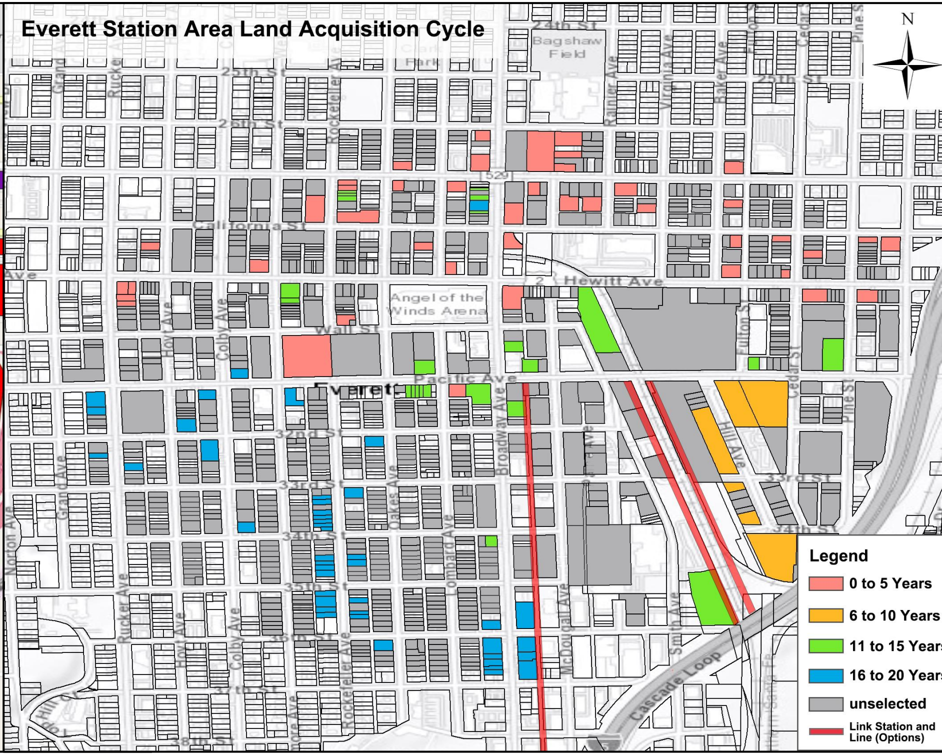
### 5 Affordability

**Land Subsidy**

Station area land is held; some of the land sold at market rate enables the discounted sale of the majority of the station area land for the purposes of affordable housing

# Strategic Investment



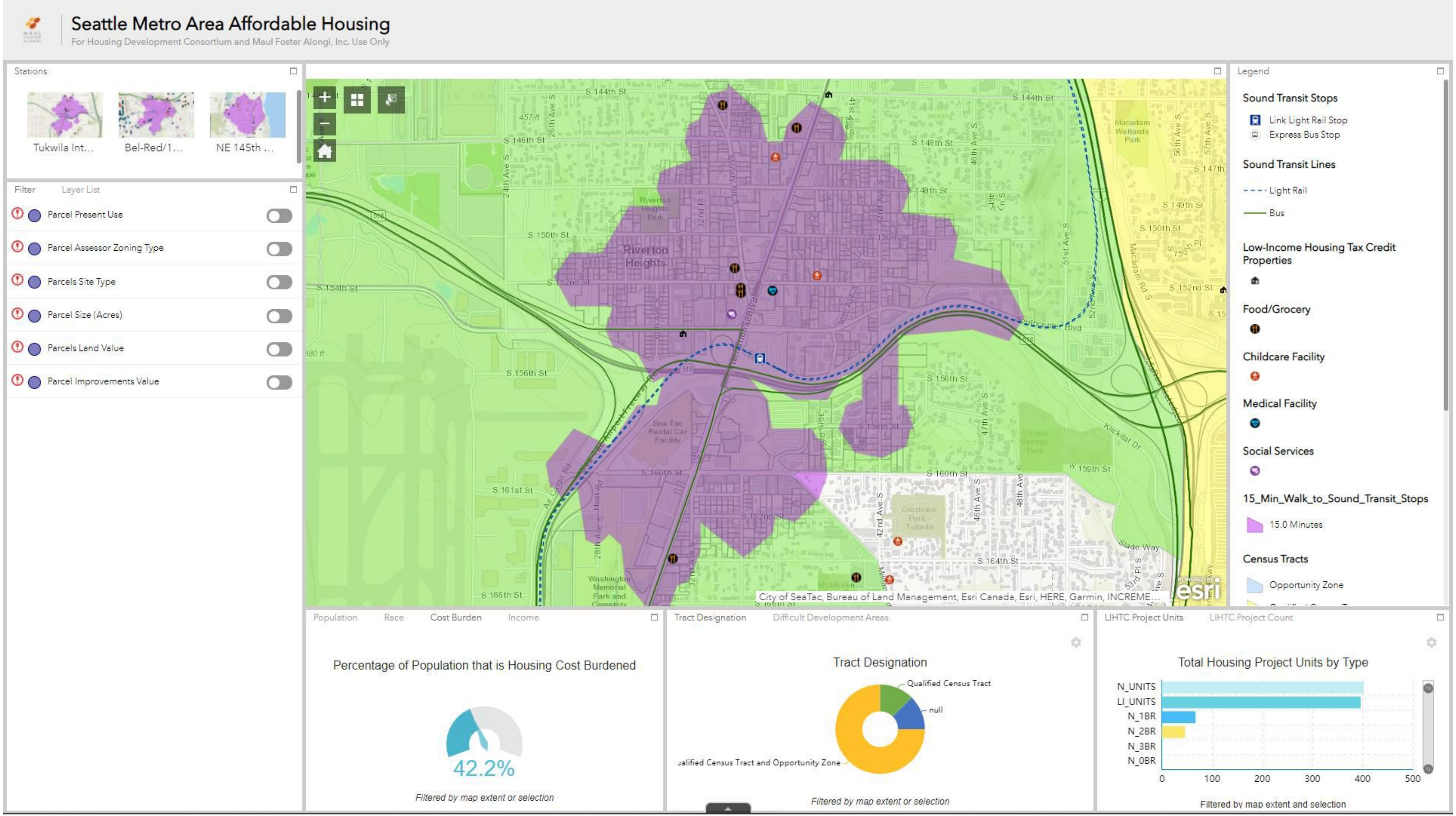


# Projected Impact

| Comparison of Housing Units Added With and Without Application of Intervention Tools at Everett Station | | | | |
|---|---|---|---|---|
| | No Tools | Tools | **Difference (units)** | **Difference (%)** |
| Extremely Low Income Housing | 0 | 728 | **728** | **-** |
| Very Low Income Housing | 402 | 1,458 | **1,056** | **263%** |
| Low Income Housing | 1,206 | 2,623 | **1,417** | **117%** |
| Middle Income Housing | 1,206 | 4,809 | **3,603** | **299%** |
| Market Rate Housing | 5,226 | 4,206 | **-1,020** | **-20%** |
| **Total** | 8,040 | 13,824 | **5,784** | **72%** |

# DOC Project Objective

- Advance regional eTOD strategic site acquisition to facilitate, incentivize, and accelerate appropriate levels of development around station areas, with a focus on affordable housing
- Partner with Everett, Renton, and Tacoma to fast-track eTOD strategic site acquisition
- Demonstrate different strategic site acquisition approaches in a variety of station areas to enable statewide application


Seattle Metro Area Affordable Housing
For Housing Development Consortium and Maul Foster Alongi, Inc. Use Only
Stations
Tukwila Int...
Bel-Red/1...
NE 145th ...
Filter
Layer List
Parcel Present Use
Parcel Assessor Zoning Type
Parcels Site Type
Parcel Size (Acres)
Parcels Land Value
Parcel Improvements Value
Legend
Sound Transit Stops
Link Light Rail Stop
Express Bus Stop
Sound Transit Lines
Light Rail
Bus
Low-Income Housing Tax Credit Properties
Food/Grocery
Childcare Facility
Medical Facility
Social Services
15_Min_Walk_to_Sound_Transit_Stops
15.0 Minutes
Census Tracts
Opportunity Zone
Riverton Heights
City of SeaTac, Bureau of Land Management, Esri Canada, Esri, HERE, Garmin, INCREME...
Population
Race
Cost Burden
Income
Percentage of Population that is Housing Cost Burdened
42.2%
Filtered by map extent or selection
Tract Designation
Difficult Development Areas
Tract Designation
Qualified Census Tract
null
Qualified Census Tract and Opportunity Zone
Filtered by map extent or selection
LIHTC Project Units
LIHTC Project Count
Total Housing Project Units by Type
N_UNITS
LI_UNITS
N_1BR
N_2BR
N_3BR
N_0BR
0
100
200
300
400
500
Filtered by map extent and selection

# What’s Next

- 2022 HBD Legislation and Pilot Program
- Technical Assistance Guide Completion in June 2022
- Funding Alternatives Study

# Q&A

Contact:

emily@soundcommunitiesps.org
206-424-1199
soundcommunitiesps.org

December 7, 2021

The Commissioners
c/o Steve Walker, Executive Director
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Re: Washington State Housing Finance Commission Multifamily Revenue Note (Linden Apartments Project), Series 2021

Dear Honorable Commissioners:

Citibank, N.A. ("Funding Lender") is pleased to offer to make a loan (the "Funding Loan") to the Washington State Housing Finance Commission (the "Commission") to be evidenced by the above-referenced Multifamily Revenue Note (the "Note") in a principal amount not to exceed $37,500,000, with the understanding that the proceeds of the Funding Loan will be used by the Commission to purchase a loan being originated by Citibank, N.A. ("Mortgage Lender") to Bellwether Linden LLLP, a Washington limited liability limited partnership ("Borrower") for purposes of financing the acquisition, construction and development of a 200-unit multifamily residential apartment project, known or to be known as Linden Apartments, located in the City of Seattle, King County, Washington, all pursuant to the provisions of the Funding Loan Agreement, dated as of December 1, 2021 (the "Funding Loan Agreement"), among the Funding Lender, the Commission and U.S. Bank National Association ("Fiscal Agent"), and a Borrower Loan Agreement, dated as of December 1, 2021 (the "Borrower Loan Agreement"), among the Commission, the Borrower, the Mortgage Lender and the Fiscal Agent.

The Note will be dated the date of closing, which is anticipated to be December 15, 2021. The Note is expected to mature on January 1, 2040. Principal on the Note will initially accrue interest at a variable rate equal to compounded average of SOFR over a rolling 30-calendar day period (subject to a floor of 0.39%) plus a margin equal to 2.01% until the Conversion Date, which can occur no later than July 1, 2025, and thereafter principal on the Note will accrue interest at a fixed rate to be locked just prior to closing not expected to exceed 6.25%. Interest only payments will be made from the closing date to the Conversion Date, and thereafter principal and interest are to be paid in monthly installments amortized over 40 years.

Our offer is subject to a legal opinion from Pacifica Law Group LLP of Seattle, Washington, acceptable to the Funding Lender, and to other conditions set forth in the Funding Loan Agreement, Borrower Loan Agreement, Construction Funding Agreement, and in the Borrower Loan application, all of which have been reviewed and approved by Borrower.

Very truly yours,

CITIBANK, N.A.

By: ______________________
Name: Michael Hemmens
Title: Vice President

December 7, 2021

The Commissioners
c/o Steve Walker, Executive Director
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Re: Washington State Housing Finance Commission Multifamily Revenue Note (Midvale by Vintage Apartments Project), Series 2021

Dear Honorable Commissioners:

Citibank, N.A. ("Funding Lender") is pleased to offer to make a loan (the "Funding Loan") to the Washington State Housing Finance Commission (the "Commission") to be evidenced by the above-referenced Multifamily Revenue Note (the "Note") in a principal amount not to exceed $53,000,000, with the understanding that the proceeds of the Funding Loan will be used by the Commission to purchase a loan being originated by Citibank, N.A. ("Mortgage Lender") to Midvale Village, LP, a Washington limited partnership ("Borrower") for purposes of financing the acquisition, construction and development of a 210-unit multifamily residential apartment project, known or to be known as Midvale by Vintage, located in the City of Shoreline, King County, Washington, all pursuant to the provisions of the Funding Loan Agreement, dated as of December 1, 2021 (the "Funding Loan Agreement"), among the Funding Lender, the Commission and U.S. Bank National Association ("Fiscal Agent"), and a Borrower Loan Agreement, dated as of December 1, 2021 (the "Borrower Loan Agreement"), among the Commission, the Borrower, the Mortgage Lender and the Fiscal Agent.

The Note will be dated the date of closing, which is anticipated to be December 22, 2021. The Note is expected to mature on January 1, 2040. Principal on the Note will initially accrue interest at a variable rate equal to compounded average of SOFR over a rolling 30-calendar day period (subject to a floor of 0.39%) plus a margin equal to 2.11% until the Conversion Date, which can occur no later than July 1, 2025, and thereafter principal on the Note will accrue interest at a fixed rate to be locked just prior to closing not expected to exceed 6.25%. Interest only payments will be made from the closing date to the Conversion Date, and thereafter principal and interest are to be paid in monthly installments amortized over 35 years.

Our offer is subject to a legal opinion from Pacifica Law Group LLP of Seattle, Washington, acceptable to the Funding Lender, and to other conditions set forth in the Funding Loan Agreement, Borrower Loan Agreement, Construction Funding Agreement, and in the Borrower Loan application, all of which have been reviewed and approved by Borrower.

Very truly yours,

CITIBANK, N.A.

By: ______________________
Name: Michael Hemmens
Title: Vice President

WASHINGTON STATE HOUSING
FINANCE COMMISSION

RESOLUTION NO. 21-112

A RESOLUTION of the Washington State Housing Finance Commission authorizing the issuance of tax-exempt and taxable nonrecourse nonprofit revenue bonds in one or more series and in an aggregate principal amount of not to exceed $42,000,000 to finance the acquisition, rehabilitation and equipping of a multifamily housing facility to be owned by Madison at Rivers Edges Apartments, LLC, a Washington limited liability company; approving the sale of the bonds to Piper Sandler & Co.; approving the form of a trust indenture, a mortgage loan origination and financing agreement, a deed of trust, bond placement agreement and tax certificate; and authorizing the Chair, Vice-Chair, Treasurer, Secretary, or his designee, and Executive Director of the Commission to execute such documents and other related documents.

APPROVED ON DECEMER 9, 2021

PREPARED BY:

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2000
Seattle, Washington 98101

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RESOLUTION NO. 21-112

A RESOLUTION of the Washington State Housing Finance Commission authorizing the issuance of tax-exempt and taxable nonrecourse nonprofit revenue bonds in one or more series and in an aggregate principal amount of not to exceed $42,000,000 to finance the acquisition, rehabilitation and equipping of a multifamily housing facility to be owned by Madison at Rivers Edges Apartments, LLC, a Washington limited liability company; approving the sale of the bonds to Piper Sandler & Co.; approving the form of a trust indenture, a mortgage loan origination and financing agreement, a deed of trust, bond placement agreement and tax certificate; and authorizing the Chair, Vice-Chair, Treasurer, Secretary, or his designee, and Executive Director of the Commission to execute such documents and other related documents.

WHEREAS, the Washington State Housing Finance Commission, a public body corporate and politic of the State of Washington (the "Commission") has been duly constituted pursuant to the authority and procedures of Laws of 1983, Chapter 161 of the State of Washington, as amended, and codified at RCW 43.180 et seq. (the "Act"); and

WHEREAS, the Act authorizes the Commission to finance eligible facilities owned and operated by nonprofit organizations described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Code grants an exemption from federal income tax for interest paid on bonds where the proceeds thereof are used to finance projects owned and operated by 501(c)(3) organizations; and

WHEREAS, the Commission adopted a Housing Finance Plan (the "Plan") on December 12, 2019, following public notice and a hearing as required by the Act; and

WHEREAS, Madison at Rivers Edges Apartments, LLC, a Washington limited liability company (the "Borrower"), the sole member and manager of which is AOF/Pacific Affordable Housing Corp., a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Code, has requested that the Commission issue bonds to provide part of the funds to finance the acquisition, rehabilitation and equipping of a multifamily residential rental facility to be owned by the Borrower and located in Auburn, Washington (the "Facilities"), pay capitalized interest, fund working capital expenditures, establish certain reserves, including a debt service reserve fund, and pay costs of issuing the Bonds (collectively, the "Project"); and

WHEREAS, it is desirable for the Commission to assist the Borrower through the issuance of its Washington State Housing Finance Commission Nonprofit Housing Revenue Bonds (Madison at River's Edge Project), Series 2021A and its Taxable Nonprofit Housing Revenue Bonds (Madison at River's Edge Project), Series 2021B, with such additional series and subseries designations as may be authorized by the Executive Director, in the aggregate principal amount of not to exceed $42,000,000 (the "Bonds"); and

WHEREAS, the Bonds are expected to be unrated and will be sold with terms consistent with and in furtherance of the Commission's policy for unrated bonds; and

WHEREAS, the Commission has previously given preliminary approval of the Project by Official Intent Declaration No. 21-93A, the Commission held a public hearing with respect to the Project on November 18, 2021, and by the closing on the Bonds the Governor will have approved the Project and the Bonds; and

WHEREAS, the Commission has received a preliminary offer to place all of the Bonds from Piper Sandler & Co. (the "Placement Agent"), which intends to privately place the Bonds with a single purchaser (the "Purchaser").

NOW, THEREFORE, BE IT RESOLVED by the Washington State Housing Finance Commission as follows:

Section 1. Definitions. Unless otherwise defined in this resolution, capitalized terms used herein shall have the meanings set forth in the following documents filed with the Commission: the Trust Indenture (the "Indenture") between the Commission and U.S. Bank National Association (the "Trustee"); the Mortgage Loan Origination and Financing Agreement among the Commission, the Borrower, a mortgage lender and the Trustee (the "Loan Agreement"); the Non-Arbitrage Certificate of the Commission (the "Tax Certificate"); the Deed of Trust, Assignment of Leases and Fixture Filing (the "Deed of Trust"); and the form of Bond Placement Agreement among the Commission, the Borrower, the Placement Agent and the Purchaser (the "Bond Placement Agreement").

Section 2. Financing Program. The Commission hereby confirms and ratifies its program for the acquisition of loans for the financing and refinancing of eligible nonprofit housing facilities under the Act which are owned by organizations described under Section 501(c)(3) of the Code through the issuance of nonrecourse revenue bonds (the "Program"). The Commission hereby finds and determines that the Program is in furtherance of the Act and the Plan.

Section 3. Authorization of the Bonds. The Commission hereby authorizes the issuance and sale of the Bonds, in multiple series, in an original aggregate principal amount not to exceed $42,000,000 pursuant to and in accordance with the provisions of the Act and the Code and Section 5 of this resolution. The Commission further authorizes the adjustment of the names of the Bonds, as is necessary to facilitate the sale of the Bonds and the accomplishment of the Project.

Section 4. Approval of Documents. It is hereby found and determined that the Indenture, Loan Agreement, Deed of Trust, Bond Placement Agreement and Tax Certificate conform to the requirements of the Commission, the Act and the Code and provide appropriate security for the Bonds consistent with the Act and the Code.

The Indenture, Loan Agreement, Deed of Trust, Bond Placement Agreement and Tax Certificate are hereby approved in substantially the forms filed with the Executive Director of the Commission. The Commission hereby authorizes the Chair, Vice-Chair, Treasurer, Executive Director and the Secretary, or his designee, to execute on its behalf such documents, the documents contemplated therein, and any other necessary documents or certificates, and to do all things necessary on its behalf to proceed with the Program and the issuance, sale and delivery of the Bonds as authorized herein. Such officers, the Executive Director and the Secretary's designee, are each authorized to approve such changes in these documents as are recommended by counsel to the Commission that are consistent with the Program and do not materially increase the obligations of the Commission as described in the documents on file with the Commission. The designee of the Secretary may execute documents on behalf of the Secretary, and all prior acts of such designee on behalf of the Secretary are hereby ratified and confirmed.

Section 5. Sale of the Bonds. The Commission hereby authorizes and approves the sale of the Bonds to Piper Sandler & Co., an underwriter listed on its roster of approved underwriting firms as described in RCW 43.180.100, in accordance with the terms and conditions set forth in the Bond Placement Agreement. The Commission hereby delegates to the

Executive Director the authority to execute the Bond Placement Agreement on behalf of the Commission in substantially the form filed with the Commission, subject to the following limitations: (a) the aggregate principal amount of the Bonds does not exceed $42,000,000; (b) the interest rate on the tax-exempt Bonds does not exceed 7.00% and the interest rate on the taxable Bonds does not exceed 8.00%; (c) the Bond Placement Agreement is executed prior to March 31, 2022; and (d) the final terms of the Bond Placement Agreement are otherwise in furtherance of the Act and the Plan.

Section 6. Executive Director. The Deputy Director is hereby authorized to act on behalf of the Executive Director for all purposes of this Resolution if it is necessary or desirable to accomplish the purposes hereof.

Section 7. Effective Date. This resolution shall become effective immediately after its adoption and signature by the Chair and attestation by the Secretary of the Commission or his designee and when effective shall act to ratify and confirm all acts taken previously in furtherance of and consistent with this resolution.

ADOPTED at a special meeting duly noticed and called this 9th day of December, 2021.

WASHINGTON STATE HOUSING
FINANCE COMMISSION

By ___________________________________
Chair

ATTEST:

_______________________________
Secretary

APPROVED AS TO FORM:

_______________________________
General Counsel

WASHINGTON STATE
HOUSING FINANCE
COMMISSION

*Opening doors to a better life*

**WASHINGTON STATE HOUSING FINANCE COMMISSION**

# 2022 LEGISLATIVE AGENDA

In all the categories below, the Commission will support legislation that seeks to end systemic racism and to advance equity. We will also advocate for as much public investment as possible to be equitably directed to a range of affordable housing initiatives; as well as for legislation that makes our state taxing system more equitable and combats climate change.

## Lead Priority:

Increase Commission debt limit to $14 billion to ensure continued issuance of federal tax-exempt bonds for affordable housing.

## Support Agenda:

Increase Rental Housing Supply

- Fund the state Housing Trust Fund at a historically high level in the biennial capital budget
- Seek a permanent source of funding for the Housing Trust Fund
- Support efforts and legislation to allow counties and cities to establish housing benefit districts for affordable housing projects.
- Support legislation to provide a REET exemption when a property is sold to a nonprofit or PHA for affordable housing.

Fund Other Housing Programs and Supportive Services

- Increase the Aged, Blind, Disabled cash grant from $197 to $417 per month
- Gain a one-year extension of the 1115 Medicaid Transformation Project that includes supportive housing and supported employment services to vulnerable populations.
- Help sustain operations of Permanent Supportive Housing by providing funding to address high insurance costs.
- Ensure that any proposed cuts to the budget do not negatively impact affordable housing programs and related services.

Close racial gaps in homeownership

- Support implementation of the Coalition for Housing Choices' Seven Point Plan for Increasing Black Homeownership in the Puget Sound Region
- Support legislation to amend lending and real-estate systems built on structural racism
- Support new programs that expand homeownership opportunities for BIPOC households

Tenant Protection

- Pass the Housing Justice Act to prevent landlords from denying housing solely based on a tenant or family member's previous arrest or incarceration.

Heritage
BANK

December 8, 2021

The Commissioners
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Re: Commitment to Purchase Bond – Washington State Housing Finance Commission Multifamily Housing Revenue Bond (Elizabeth Thomas Homes Project), Series 2021 (the "Bond")

Dear Honorable Commissioners:

Heritage Bank (the "Bank") is pleased to offer to purchase the above-referenced Bond in the amount of not to exceed $31,651,066 at a price of par. The Bond will be dated the date of closing, anticipated to be on December 23, 2021. Principal on the Bond will accrue interest at a rate of 2.30% until March 1, 2024, subject to a sixth-month extension (the "Conversion Date"). Beginning on the Conversion Date, interest will accrue at a rate of 3.86%. Borrower shall make interest-only payments monthly on the Bond up to but not including the Conversion Date. Beginning on the Conversion Date and continuing on the same day of each month until repayment in full of all outstanding principal and interest, Borrower shall make equal monthly payments of combined principal and interest in an amount necessary to amortize the principal amount outstanding on the Conversion Date over a period of 480 months. The maturity date of the Bond is 180 months after the Conversion Date.

Our offer is subject to a legal opinion from Pacifica Law Group LLP of Seattle, Washington, acceptable to the Bank, and to other conditions set forth in the Bank's Term Sheet and the loan documents.

*[Signature Page to Follow]*

Heritage
BANK

Very truly yours,

By______________________________
Alex Pace
Vice President

WASHINGTON STATE
HOUSING FINANCE
COMMISSION



December 7, 2021

Commissioners
Washington State Housing Finance Commission
Seattle, Washington

We have compiled the UNAUDITED statement of Net Position of the Washington State Housing Finance Commission (the "Commission") General Operating Fund, as of November 30, 2021 and the related statement of Activities and Changes in Net Position for the month ended in accordance with generally accepted accounting principles.

This compilation is limited to presenting, in the form of financial statements, information that is accurate to the best of our knowledge and belief. These statements have not been audited or reviewed by an independent third party.

We have elected to omit substantially all of the disclosures required by generally accepted accounting principles including the statement of cash flow. If the omitted disclosures were included in the financial statements, they might influence the users' conclusions about the Commission's financial position, results of operations and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about these matters.

Prepared by: *Shirleen Noonan*
Shirleen Noonan
General Operations Manager

Approved by: *Lucas Loranger*
Lucas Loranger
Senior Controller

1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046
tel 206.464.7139 800.767.HOME fax 206.587.5113 www.wshfc.org

# WASHINGTON STATE
# HOUSING FINANCE COMMISSION
# GENERAL OPERATING FUND

November 30, 2021

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(See Accountant's Compilation Report)


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# Washington State Housing Finance Commission
# Statement of Net Position
# Fund: General Operating Fund
# Division: All

**November 30, 2021**

(See Accountant's Compilation Report)

| | Current Year | Prior Year | Variance Amount | | Variance % |
|---|---|---|---|---|---|
| ***ASSETS*** | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Demand Deposits | $ 3,554,205 | $ 9,486,748 | $ (5,932,543) | (1) | -63% |
| Money Market Accounts | 45,063,570 | 36,547,709 | 8,515,861 | (1) | 23% |
| Investment Securities | 5,253,715 | 3,008,085 | 2,245,630 | (1) | 75% |
| Interest Receivable | 164,054 | 151,556 | 12,498 | | 8% |
| Fees Receivables | 13,604,692 | 8,724,723 | 4,879,969 | (2) | 56% |
| Loan Receivable (net) | - | 1,000,000 | (1,000,000) | (3) | -100% |
| Prepaid Expenses & Other Receivable | 279,544 | 528,496 | (248,952) | (4) | -47% |
| Furniture and Fixtures (net of depreciation) | 219,494 | 131,497 | 87,997 | (5) | 67% |
| *Total Assets* | 68,139,274 | 59,578,814 | 8,560,460 | | 14% |
| Deferred Outflow of Resources (Pension & OPEB Contributions) * | 2,338,037 | 1,738,698 | 599,339 | | 34% |
| *Total Assets and Deferred Outflows* | $ 70,477,311 | $ 61,317,512 | $ 9,159,799 | | 15% |
| ***LIABILITIES*** | | | | | |
| Accounts Payable and Other Liabilities | $ 5,866,907 | $ 3,186,674 | $ 2,680,233 | (6) | 84% |
| Unearned Fee Income | 15,400,064 | 9,626,463 | 5,773,601 | (7) | 60% |
| Accrued Payroll Payable | 1,539,963 | 1,520,016 | 19,947 | | 1% |
| Net Pension Liability * | 5,906,223 | 5,869,124 | 37,099 | | 1% |
| *Total Liabilities* | 28,713,157 | 20,202,277 | 8,510,880 | | 42% |
| Deferred Inflow of Resources (Change in Investment Return/Assumptions - Pension & OPEB) * | 2,383,349 | 2,579,125 | (195,776) | | -8% |
| ***NET POSITION*** | | | | | |
| Invested in Capital Assets | 219,494 | 131,497 | 87,997 | (5) | 67% |
| Committed - Housing Washington * | 473,047 | 373,946 | 99,101 | | 27% |
| Unrestricted | 38,688,264 | 38,030,667 | 657,597 | | 2% |
| Total Net Position | 39,380,805 | 38,536,110 | 844,695 | | 2% |
| *Total Liabilities, Deferred Inflows and Net Position* | $ 70,477,311 | $ 61,317,512 | $ 9,159,799 | | 15% |

(1) Fluctuations in these accounts are considered in aggregate, increasing because of net excess revenue year to date.
(2) The receivables increase is primarily due to the recording of receivables (and unearned fee income) for the Citibank Securitization program beginning in June 2021.
(3) The balance in the prior year represents an Impact Capital draw on the Line of Credit authorized by the Commission.
(4) The higher prepaids expense and other receivables balance in the prior year is due to a LAP loan that was recorded to other receivables until the loan closed and greater prepaid fees for bond cap allocation.
(5) The increase in net capital assets reflects the capitalization of the Community Build project (automating the external tax credit application process), offset by the continued depreciation of prior investments in assets.
(6) The increase in accounts payables and other liabilities is due to higher accruals associated with the Idaho Master Servicing Agreement, as well as, the quarterly transfer of Daily Price Program income to the Commission Fund occurring earlier in the prior year.
(7) The increase in unearned fee income is primarily due to the recording of unearned revenue (and receivables) related to the Citibank Securitization program starting in June 2021 and the 2nd half of tax credit fees for Commission issued 4% bond tax credits beginning in March 2020.
* These balances are adjusted only at year-end.

Totals may not add due to rounding.

**Washington State Housing Finance Commission**
**Statement of Activities and Changes in Net Position**
**Fund: General Operating Fund**
**Division: All**
**For The Year To Date Ending: November 30, 2021**
(See Accountant's Compilation Report)

| | Current Period | Current Year to Date | Prior Year to Date | Variance Amount | | % |
|---|---|---|---|---|---|---|
| *Revenues:* | | | | | | |
| Fee Income | $ 2,751,310 | $ 23,075,430 | $ 23,137,556 | $ (62,126) | | 0% |
| Interest Earned | 66,686 | 355,279 | 383,790 | (28,511) | | -7% |
| Other | 21,508 | 79,555 | 162,322 | (82,767) | (1) | -51% |
| *Total Unadjusted Revenues* | 2,839,504 | 23,510,264 | 23,683,669 | (173,405) | | -1% |
| *Expenses:* | | | | | | |
| Salaries, Wages, and Employee Benefits | 781,223 | 3,863,072 | 4,042,549 | (179,477) | | -4% |
| Travel & Conferences | 6,336 | 37,198 | 20,439 | 16,759 | (2) | 82% |
| Professional Fees | 107,524 | 660,978 | 571,031 | 89,947 | (3) | 16% |
| Office Expense | 157,088 | 910,609 | 867,858 | 42,751 | | 5% |
| *Total Expenses* | 1,052,171 | 5,471,857 | 5,501,878 | (30,021) | | -1% |
| *Adjustments* | | | | | | |
| *Revenues:* | | | | | | |
| Gains/(Loss) on Investments | (55,838) | (458,117) | (159,519) | (298,598) | | 187% |
| Grant Revenue | 122,574 | 719,321 | 888,301 | (168,980) | | -19% |
| *Expenses:* | | | | | | |
| Grant Pass-Through | 122,574 | 719,321 | 888,301 | (168,980) | | -19% |
| *Total Adjustments* | (55,838) | (458,117) | (159,519) | (298,598) | | 187% |
| Excess of Revenues over Expenses | 1,731,495 | 17,580,290 | 18,022,272 | (441,982) | | -2% |
| Less transfer to Commission Fund * | (500,632) | (2,720,997) | (3,150,557) | 429,560 | | -14% |
| Excess of Revenues over Expenses (Net of Transfers) | 1,230,863 | 14,859,293 | 14,871,715 | (12,422) | | 0% |
| Net Position | | | | | | |
| Total net position, beginning of period | 38,149,942 | 24,521,512 | 23,664,395 | 857,117 | | 4% |
| Current Increase (Decrease) - to Net position | 1,230,863 | 14,859,293 | 14,871,715 | (12,422) | | 0% |
| Total net position, end of year | $ 39,380,805 | $ 39,380,805 | $ 38,536,110 | $ 844,695 | | 2% |

(1) The decrease in other income is primarily due to reduced number of property transfers in the Compliance division.
(2) The increase in travel and conference expenses is primarily due to a greater attendance of the virtual NCSHA fall conference and out of state in person conferences in the current year.
(3) The increase in professional fees is primarily due to executive professional search and consulting fees.
* Effective 1/1/2013, 25% of the Home Advantage Program revenue are transferred to the Single-family bond program's Commission Fund to ensure future indenture and program flexibility as the portfolio of MBS's and bonds diminish.

**Washington State Housing Finance Commission**
**Detailed Statement of Activities**
**Fund: General Operating Fund**
**Division: All**
**For The Year To Date Ending: November 30, 2021**
(See Accountant's Compilation Report)

| | Variance-YTD vs. PY Actuals | | Prior YTD | **YTD** | YTD | Variance-YTD Budget to Actual | |
|---|---|---|---|---|---|---|---|
| | % | Amount | Actual | **Actual** | Budget | Amount | % |
| *Revenues:* | | | | | | | |
| Program Fees | 20.9% | $ 1,371,690 | $ 6,571,853 | $ 7,943,543 | $ 7,399,555 | $ 543,988 | 7.4% |
| Issuance, Application, and Servicing Fees | -8.7% | (1,433,817) | 16,565,704 | 15,131,887 | 9,704,888 | 5,426,999 | 55.9% |
| Interest Revenue | -7.4% | (28,511) | 383,790 | 355,279 | 204,863 | 150,416 | 73.4% |
| Other Income | -51.0% | (82,767) | 162,322 | 79,555 | 195,338 | (115,783) | -59.3% |
| *Total Unadjusted Revenues* | -0.7% | (173,405) | 23,683,670 | 23,510,263 | 17,504,644 | 6,005,620 | 34.3% |
| *Expenses:* | | | | | | | |
| Salaries & Wages - Staff & Temp. Svcs | -2.2% | (66,232) | 3,047,437 | 2,981,205 | 3,441,369 | (460,164) | -13.4% |
| Employee Benefits - Staff | -11.4% | (113,246) | 995,112 | 881,866 | 975,423 | (93,557) | -9.6% |
| Conference, Education & Training | 43.5% | 8,851 | 20,359 | 29,210 | 37,958 | (8,748) | -23.0% |
| Travel out of state - Staff | NA | 5,873 | - | 5,873 | 73,439 | (67,566) | -92.0% |
| Travel in state - Staff | 2543.8% | 2,035 | 80 | 2,115 | 26,974 | (24,859) | -92.2% |
| Accounting Fees | -12.8% | (14,374) | 112,573 | 98,199 | 98,583 | (384) | -0.4% |
| Legal Fees | -5.5% | (10,255) | 187,111 | 176,856 | 271,250 | (94,394) | -34.8% |
| Financial Advisor Fees | 0.0% | - | 125,000 | 125,000 | 137,000 | (12,000) | -8.8% |
| Investment Management Fees | 4.0% | 2,604 | 65,444 | 68,048 | 66,667 | 1,381 | 2.1% |
| Office Rent/Conf. Room Rentals | 19.9% | 63,951 | 321,073 | 385,024 | 392,618 | (7,594) | -1.9% |
| Furniture & Equipment Rental | -41.0% | (4,901) | 11,961 | 7,060 | 7,298 | (238) | -3.3% |
| Advertising | -65.0% | (54,148) | 83,349 | 29,201 | 157,834 | (128,633) | -81.5% |
| Publications/ Subscriptions/ Dues | -1.3% | (443) | 33,168 | 32,725 | 45,401 | (12,676) | -27.9% |
| Deliveries | -5.0% | (80) | 1,585 | 1,505 | 1,577 | (72) | -4.6% |
| Insurance | 29.8% | 5,304 | 17,812 | 23,116 | 17,838 | 5,278 | 29.6% |
| Equipment & Building Maintenance | 316.6% | 19,989 | 6,314 | 26,303 | 33,930 | (7,627) | -22.5% |
| Software Maint. Support & Other Info Svcs | 2.9% | 9,215 | 314,817 | 324,032 | 377,712 | (53,680) | -14.2% |
| Non-capitalized Equipment/Supplies | -42.7% | (6,710) | 15,702 | 8,992 | 22,303 | (13,311) | -59.7% |
| Postage | 0.6% | 14 | 2,370 | 2,384 | 3,488 | (1,104) | -31.7% |
| Printing | -9.3% | (251) | 2,709 | 2,458 | 10,561 | (8,103) | -76.7% |
| State Services | 28.4% | 554 | 1,950 | 2,504 | 9,508 | (7,004) | -73.7% |
| Supplies | 73.6% | 3,084 | 4,189 | 7,273 | 19,355 | (12,082) | -62.4% |
| Telephone | 60.7% | 9,816 | 16,159 | 25,975 | 25,765 | 210 | 0.8% |
| Contract Services | 138.4% | 111,971 | 80,903 | 192,874 | 365,888 | (173,014) | -47.3% |
| Depreciation | -7.6% | (2,642) | 34,700 | 32,058 | 49,123 | (17,065) | -34.7% |
| Other Misc. Expenses | -100.0% | 2 | (2) | - | - | - | NA |
| *Total Expenses* | -0.5% | (30,018) | 5,501,877 | 5,471,856 | 6,710,008 | (1,238,152) | -18.5% |
| *Adjustments* | | | | | | | |
| *Revenues:* | | | | | | | |
| Investments Gain (Loss) | 187.2% | (298,598) | (159,519) | (458,117) | - | (458,117) | NA |
| Grant Revenue | -19.0% | (168,980) | 888,301 | 719,321 | 2,961,983 | (2,242,662) | -75.7% |
| *Expenses:* | | | | | | | |
| Grant Pass-Through | -19.0% | (168,980) | 888,301 | 719,321 | 2,961,983 | (2,242,662) | -75.7% |
| | 187.2% | (298,598) | (159,519) | (458,117) | - | (458,117) | NA |
| *Excess of Revenues over Expenses- adjusted* | -2.5% | (441,985) | 18,022,274 | 17,580,290 | 10,794,636 | 6,785,655 | 62.9% |
| Less transfer to Commission Fund | -13.6% | 429,560 | (3,150,557) | (2,720,997) | - | (2,720,997) | NA |
| *Excess of Revenues over Expenses (Net of Transfers)* | -0.1% | $ (12,424) | $ 14,871,717 | $ 14,859,293 | $ 10,794,636 | $ 4,064,658 | 37.7% |

Totals may not add due to rounding.

# ASSET MANAGEMENT & COMPLIANCE ACTIVITY REPORT
# REPORTING MONTH: November 2021

The Asset Management & Compliance Division is charged with ensuring the long-term viability of Commission financed or assisted projects. This is accomplished through project compliance monitoring efforts and training of program users.

**PROGRAM PURPOSE:** To ensure that the public benefits of all Commission housing programs are fulfilled.

**BUSINESS OBJECTIVE: Review 100% of compliance annual reports within 12 months from report receipt dates and issue compliance status letters.**

Within the 12-month period, staff will:

- review Owner's Annual Certification and other reporting materials for every project.
- review resident certification packages for 5% - 20% (depending on type of review year) of the units in each project.
- notify the Internal Revenue Service of any noncompliance discovered in tax credit assisted projects.
- notify the Multifamily Housing division of any significant noncompliance issues.

## Tax Credit Reports *

| Calendar Year 2021 | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | TOTAL | GOAL | % COMPLETED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REPORTS REVIEWED | 0 | 41 | 73 | 104 | 132 | 118 | 69 | 83 | 117 | 91 | 93 | | 921 | 1,010 | 91% |

| Calendar Year 2020 | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | TOTAL | GOAL | % COMPLETED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REPORTS REVIEWED | 13 | 36 | 170 | 155 | 149 | 111 | 91 | 68 | 62 | 50 | 62 | 30 | 997 | 990 | 101% |

Tax credit reports are due January 31st of every year for the previous calendar year.

## Bond Reports **

| Calendar Year 2021 | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | TOTAL | GOAL | % COMPLETED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REPORTS REVIEWED | 32 | 40 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 77 | 75 | 103% |

| Calendar Year 2020 | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | TOTAL | GOAL | % COMPLETED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REPORTS REVIEWED | 59 | 19 | 2 | 1 | 3 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 86 | 85 | 101% |

Bond reports are due January 7th of every year for the previous calendar year.

***Notes:*** * Tax credit reporting bridges two fiscal program years.

** Goal total for bonds indicates both bond property annual reports and initial reports for Acquisition-Rehab bonds and New Construction bonds quarterly reporting as needed. New properties with both bonds and tax credits are reviewed as bonds until placed in service, then converted to tax credits for annual reviews.

# ASSET MANAGEMENT & COMPLIANCE ACTIVITY REPORT
# REPORTING MONTH: November 2021

**BUSINESS OBJECTIVE:** ***Complete on-site review of $33^{1/3}$% of all projects by December 31, 2021.***

Within the 12-month calendar year, the Commission will:

- conduct on-site inspections of $33^{1/3}$% of projects monitored according to HUD's Uniform Physical Conditions Standards.
- inspect 20% of all low-income units for health and safety issues.
- notify the Internal Revenue Service of any project noncompliance discovered through the inspections.

## Project Inspections

| **Calendar Year 2021** | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | TOTAL | GOAL | % COMPLETED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ON-SITES COMPLETED | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | | 0 | 360 | 0% |

| **Calendar Year 2020** | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | TOTAL | GOAL | % COMPLETED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ON-SITES COMPLETED | 40 | 30 | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 0** | 70 | 360 | 19% |

**All physical inspections have been suspended due to the COVID-19 pandemic, on the authority of IRS Notice 2020-53, effective July 1, 2020, which waives the requirement for housing finance agencies to perform physical inspections through December 31, 2020. IRS issued an additional inspection waiver with IRS Notice 2021-12, which extends the inspection waiver through September 30, 2021.

**NOTE*:*** Cumulative totals for all goals may be greater or lesser than goal totals as new projects are coming on-line throughout the year; placed in service dates for projects can move forward or be delayed, affecting the number of reports and/or inspections that need to be completed each year. Inspections are sometimes canceled due to delayed placed in service dates or for other reasons. Monthly numbers may also change based on new information from other funders with whom we share inspection tasks, such as Rural Development, the Department of Housing and Urban Development, the State Department of Commerce, the City of Tacoma and the City of Seattle.

**COMPLIANCE TRAININGS*:*** The next Tax Credit Compliance Workshops are scheduled for**:**

**TBA**
**Online Tax Credit class was conducted November 16-19, 2021.**

The next Bond Compliance Workshop is scheduled for**:**

**TBA**
**A recorded version of the previous class is available on our website.**

# CDFA Legislative and Federal Affairs Update - December 7, 2021

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December 7, 2021 | View Archives

Legislative and Federal Affairs UPDATE

CDFA is the Voice of Development Finance in Washington D.C.

## Spotlight

### President Biden Signs $1T Bipartisan Infrastructure Bill Into Law

President Biden signed a $1 trillion infrastructure bill into law on Monday, enacting a key piece of his domestic spending agenda that will funnel billions to states and local governments to upgrade outdated roads, bridges, transit systems, and more. Details of the bill are available in the **CDFA Advocacy Center**.

### CDFA Publishes Annual Volume Cap Report: An Analysis of 2019-2020 Private Activity Bond & Volume Cap Trends

The Council of Development Finance Agencies has published the CDFA Annual Volume Cap Report: An Analysis of 2019-2020 Private Activity Bond and Volume Cap Trends. The CDFA Annual Volume Cap Report provides an overview of volume cap trends and how private activity bonds (PABs) are used from state to state. The 2019-2020 Annual Volume Cap Report is the most comprehensive analysis of PAB volume cap trends and data ever undertaken by CDFA.

## Legislative Features

### Potential Flexibility in ARP Fiscal Recovery Funds Highlights Importance of Strategic Planning for State and Local Governments

The House is evaluating the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act (Flexibility Act) legislation that the Senate passed on Oct. 19, 2021. If the House approves the current Flexibility Act, it would allow states, tribes, territories and localities to use certain COVID-19 relief funds for new categories of spending, including for natural disasters and new types of infrastructure projects.

### House Passes $1.7T Build Back Better Act Containing LIHTC, NHTC, NMTC, Renewable Energy Provisions

On November 19, the U.S. House of Representatives passed the Build Back Better Act, a $1.7 trillion bill that includes an expansion of the low-income housing tax credit (LIHTC), the introduction of the neighborhood homes tax credit (NHTC), an additional tribal allocation of the new markets tax credit (NMTC) and $325 billion in renewable energy tax incentives.

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**Volume Cap Data Highlights a Need for Legislative Reforms**
After reaching an all-time high in 2019, total issuance of private activity bonds appeared to decrease slightly in 2020, though the Council of Development Finance Agencies said the recent data shows that reforms are needed to make issuance more efficient and accessible. Total private activity bond issuance in 2020 dipped to $27.7 billion from $30.5 billion in 2019, according to CDFA's Annual Volume Cap Report released November 5. However, CDFA, which has compiled a yearly report on private activity cap trends for the last 16 years, expects bond issuance to increase steadily as it has over the last decade.

**Expansion of Qualified Private Activity Bond Categories Under the Infrastructure Investment and Jobs Act**
The Act amends the tax-exempt bond provisions of the Internal Revenue Code (Code) to enhance the financing options available to state and local governments to address the highlighted infrastructure needs. Specifically, the package adds two new categories of exempt facility private activity bonds (PABs) and additional volume cap for transportation PABs.

**Nearly 750,000 Affordable Homes, Including LIHTC-financed Homes, At-Risk of Loss by 2031, but Build Back Better Act Would Preserve Many**
Every year, thousands of affordable homes are at risk of being lost. However, provisions in the Build Back Better Act (BBBA) could alleviate some of that loss. Many homes at risk of loss can be preserved with new federal funds, such as those in the Build Back Better Act.

**LIHTC Provisions Added to Build Back Better Act**
Key low-income housing tax credit (LIHTC) provisions were added to the House version of the Build Back Better (BBB) plan in early November after they were left out of the White House's initial framework. The latest House package calls for increasing the 9% LIHTC allocation cap by 10% plus inflation each year from 2022 to 2024 when it will have risen to $3.97 per capita or a small state minimum of about $4.58 million.

**Housing Provision in Reconciliation Bill Eases Private Activity Bond Cap**
States would enjoy more private activity bond volume flexibility under an affordable housing provision in the Build Back Better bill. The legislation would reduce the so-called financing test for tax-exempt private activity bonds to 25% from 50%. Lowering the threshold would free up states' private activity volume for more affordable housing, or any other projects eligible for PABs financing.

**House Agriculture Committee Fact Sheet on Build Back Better Provisions**
The agricultural provisions in the Build Back Better plan include billions of dollars for critical investments in agriculture and our rural communities. Included in this package are multiple bipartisan proposals that House Agriculture Committee Members have fought to include. These timely investments will provide resources to mitigate climate change, improve the quality of life in rural communities, and commit millions of dollars to agricultural education across the country.

**Preliminary Estimates Show Build Back Better Legislation Will Reduce Deficits**
The Build Back Better Act invests meaningfully in American families and workers, while laying the foundation for meeting imperative climate goals. With the release of the text of the Build Back Better Act in the House and scoring from the Joint Committee on Taxation, we can update the estimate of fiscal savings.

## Upcoming Events


**CDFA Federal Financing Webinar Series: Preserving Local Food Systems with Federal Financing**
Tuesday, December 14, 2021 - 2:00 PM - 3:30 PM Eastern
During this installment of the CDFA Federal Financing Webinar Series, hear from experts at the USDA about their various programs available for rural food systems and agricultural producers to recover from the pandemic.

**Fundamentals of Economic Development Finance Course**
January 26-27, 2022 - Daily: 12:00 - 5:00 PM Eastern
CDFA's Fundamentals of Economic Development Finance Course is the foundation for all of CDFA's educational offerings. This course helps attendees understand the variety of development finance tools available, from bonds, tax credits and TIF, to federal financing programs, RLFs, and access to capital lending resources.

## Federal Features

**Biden-Harris Administration Announces Reforms to Increase Equity for Underserved Small Business Owners**
The Biden-Harris Administration is announcing a set of reforms to the federal procurement process to help meet the President's ambitious target of increasing the share of federal contracts to SDBs, advance the President's Management Agenda, and increase opportunity for all underserved businesses.

**New National Electric Vehicle Programs Release Requests for Information**
As part of the recently passed Infrastructure Investment and Jobs Act, two new electric vehicle programs will receive funds to address climate change by reducing carbon emissions. The National Electric Vehicle Program will provide funding to the States to strategically deploy EV charging infrastructure. In addition, the new law establishes a Charging and Fueling Infrastructure Program.

**EPA Invites 39 New Projects to Apply for Water Infrastructure Loans**
The U.S. Environmental Protection Agency (EPA) announced that 39 new projects are being invited to apply for Water Infrastructure Finance and Innovation Act (WIFIA) loans and four projects are being added to a waitlist. The agency anticipates that, as funds become available, $6.7 billion in WIFIA loans will help finance over $15 billion in water infrastructure projects to protect public health and water quality across 24 states.

**USDA Begins Accepting Applications for $1.15B in Loans and Grants to Help Rural Communities Get High-Speed Internet**
USDA Secretary Tom Vilsack announced the Department has begun accepting applications for up to $1.15 billion in loans and grants to help people in rural areas get access to high-speed internet. This announcement comes on the heels of the recently enacted Bipartisan Infrastructure Law, which provides another nearly $2 billion in additional funding for the ReConnect program.

**DOE Awards Over $16M for 23 Projects That Will Reduce Carbon Emissions Across the Manufacturing Sector**
The U.S. Department of Energy (DOE) and the REMADE Institute announced more than $16 million in research and development funding for 23 projects that will reduce energy use and carbon emissions associated with industrial-scale materials production, processing, and recycling. These projects will advance the technology needed to increase the reuse, remanufacturing, recovery, and recycling of industrial materials.

**USDA Invests $222M in Rural Community Infrastructure to Help People in 44 States, Guam, and Puerto Rico**
The USDA is investing $222 million to build and improve critical community facilities in 44 states, Guam, Northern Mariana Islands, and Puerto Rico. This community infrastructure funding will benefit nearly 2.5 million people in rural communities. It also includes $132 million to support health care, food security, and emergency response services for more than 850,000 rural residents in 37 states.

**HUD Awards $36M for Local Economic and Housing Programs**
More than 250 communities will be able to increase the economic impact of their local community development and affordable housing programs with the help of $36 million in "capacity-building" grants awarded by the HUD. The funds will support three national organizations and are ultimately expected to produce approximately 8,000 units of affordable housing nationwide and stimulate nearly $150 million in total investment.

**Minority Business Development Agency Permanently Authorized in Infrastructure Deal**
U.S. Secretary of Commerce Gina M. Raimondo is pleased to announce that the U.S. Department of Commerce Minority Business Development Agency (MBDA) is made permanent and will be expanded and elevated with the passage of this historic legislation. This action allows the agency to increase its programs and outreach to the Nation's more than 9 million minority-owned businesses.

**Treasury Issues State Small Business Credit Initiative Program Implementation Guidance**
On November 10, the U.S. Department of the Treasury issued capital program implementation guidance for the State Small Business Credit Initiative (SSBCI) Program. The new version of the program will provide a combined $10 billion to states, the District of Columbia, territories, and Tribal governments to empower small businesses to access capital needed to invest in job-creating opportunities as the country emerges from the pandemic.

**Fact Sheet: Bipartisan Infrastructure Deal Boosts Clean Energy Jobs, Strengthens Resilience, Advances Environmental Justice**
The White House released this Fact Sheet on the Bipartisan Infrastructure Deal. The Bipartisan Infrastructure Deal passed by Congress will strengthen our nation's resilience to extreme weather and climate change while reducing greenhouse gas emissions, expanding access to clean drinking water, building up a clean power grid, and more.

## Federal Financing Clearinghouse Spotlight

CDFA's **Federal Financing Clearinghouse** is the only online resource cataloging the development finance programs offered by the federal government. Check out our featured agencies and programs below. **>>> Learn More**

U.S. Dept. of Transportation (DOT)

**Emergency Relief (ER) Program**

This program, commonly referred to as the emergency relief or ER program, supplements the commitment of resources by States, their political subdivisions, or other Federal agencies to help pay for...

U.S. Dept. of Treasury

**Federal Financing Bank - Borrowing Policy**

The Secretary of the Treasury purchases obligations issued by the Federal Financing Bank under to provide the financing of Bank purchases of obligations issued, sold, or guaranteed by Federal...

U.S. Environmental Protection Agency (EPA)

**Drinking Water State Revolving Fund (DWSRF)**

The DWSRF program provides low interest loans to eligible recipients for drinking water infrastructure projects. Under the DWSRF, EPA provides grants to all 50 states plus Puerto Rico to capitalize...

U.S. Small Business Administration (SBA)

**Economic Injury Disaster Loan (EIDL)**

These loans of up to $2 million help meet financial obligations and operating expenses. Loan advances up to $10,000 are also offered.

## Legislative and Federal Headlines

**USDA Invests $633M in Climate-Smart and Resilient Infrastructure for People in Rural Communities**

*USDA* | Dec. 3 | Access to Capital | Community Development | Disaster Recovery & Relief | Energy Finance | Federal | Resiliency | Rural Development | U.S. Dept. of Agriculture (USDA)

**PAB Limits Fall Short in Addressing Affordable Housing Shortage**

*The Bond Buyer* | Nov. 30 | Bond Finance | Federal | Internal Revenue Service (IRS) | Bond Volume Cap

**Reclaiming the Waste: Money May Come to Find, Clean Contaminated Sites**

*Journal-News* | Nov. 29 | Brownfield Financing | Legislative | Redevelopment | State Finance Program

**Infrastructure Investment and Jobs Act: Selected Changes Impacting P3s**

*The National Law Review* | Nov. 24 | Bond Finance | Economic Development | Energy Finance | Green Finance | Infrastructure Finance | Legislative | Public-Private Partnership (P3) Financing | Water Finance

**Now That Countries Have Made Their Climate Pledges, How Will They Pay for Them?**

*ABC News* | Nov. 24 | Energy Finance | Green Finance | Infrastructure Finance | Legislative | Public-Private Partnership (P3) Financing

**USDA Awards $90.2M in Grants to Strengthen Local and Regional Markets for U.S. Agricultural Products**

*USDA* | Nov. 23 | Agriculture Finance | Federal | Food Systems Finance | U.S. Dept. of Agriculture (USDA)

**USDA Invests $86M to Improve Equitable Access to Jobs, Education, Health Care and Housing for Rural Communities**
*USDA* | Nov. 22 | Access to Capital | Community Development | Economic Development | Federal | Rural Development | Tribal Finance | U.S. Dept. of Agriculture (USDA)

**SBA Announces Updated Guidance Regarding Applicant Deadlines for COVID Economic Injury Disaster Loan Program**
*U.S. SBA* | Nov. 22 | Access to Capital | Disaster Recovery & Relief | Federal | U.S. Small Business Administration (SBA) | COVID-19

**Developing WIFIA's Guarantee Capabilities for Taxable Municipal Bonds**
*Water World* | Nov. 20 | Bond Finance | Energy Finance | Green Finance | Infrastructure Finance | Legislative | Water Finance

**Corporate Minimum Tax in Build Back Better Faces Opposition**
*The Bond Buyer* | Nov. 17 | Bond Finance | Infrastructure Finance | Legislative

**Comprehensive $1.2T Infrastructure Bill to Provide Critical Support for Clean Energy**
*JD Supra* | Nov. 17 | Access to Capital | Energy Finance | Federal | Infrastructure Finance | Revolving Loan Funds (RLFs)

**Expansion of Qualified Private Activity Bond Categories Under the Infrastructure Act**
*Ballard Spahr* | Nov. 16 | Bond Finance | Infrastructure Finance | Legislative | Member News

**National Rural Housing Coalition Convenes on Housing Advocacy**
*Yahoo! Finance* | Nov. 15 | Housing Finance | Legislative | Rural Development | U.S. Dept. of Agriculture (USDA)

**Fact Sheet: Building A New Era of Nation-to-Nation Engagement**
*The White House* | Nov. 15 | Access to Capital | Community Development | Disaster Recovery & Relief | Economic Development | Federal | Food Systems Finance | Tribal Finance

**Nearly 1.9M People Could be Affordably Housed as a Result of the Primary LIHTC Unit Financing Provisions of the Nov. 3 BBB Reconciliation Bill**
*Novogradac* | Nov. 9 | Housing Finance | Legislative | Tax Credits

**GAO Releases Report on Opportunity Zones and Challenges Facing the IRS**
*Government Accountability Office* | Nov. 8 | Federal | Internal Revenue Service (IRS) | Opportunity Zones

**$1T Infrastructure Bill Benefits Valley Ag and Rural Communities**
*Your Central Valley* | Nov. 8 | Agriculture Finance | Infrastructure Finance | Legislative | Rural Development | Water Finance

**CDFI Fund Opens CY 2021 NMTC Allocation Round; Application Deadline Jan. 13, 2022**
*Novogradac* | Nov. 5 | Federal | Tax Credits | U.S. Dept. of Treasury CDFI Fund

**Governments Must Drastically Improve Efforts to Reduce Emissions**

*Successful Farming* | Nov. 5 | Agriculture Finance | Federal | Food Systems Finance | Incentives | Resiliency

**Chairman Neal Says He'll Keep Fighting for Municipal Market in Washington**
*The Bond Buyer* | Nov. 3 | Bond Finance | Infrastructure Finance | Legislative

>>> SEARCH HEADLINES

## New Additions to the Online Resource Database

**CDFA 2019-2020 Annual Volume Cap Report: An Analysis of Private Activity Bond & Volume Cap Trends**
Bond Finance | CDFA Original Research | Housing Finance | Legislative
The CDFA Annual Volume Cap Report provides an overview of volume cap trends and how private activity bonds (PABs) were used from state to state. The 2019-2020 Annual Volume Cap Report is the most comprehensive analysis of PAB volume cap trends and data ever undertaken by CDFA.

>>> MORE LEGISLATIVE RESOURCES
>>> MORE FEDERAL RESOURCES



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WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Bill Rumpf
*Chair*

Steve Walker
*Executive Director*

# memorandum

To: Commissioners, Steve Walker

From: Bob Cook; Lucas Loranger

Date: November 30, 2021

Re: Final June 30, 2021 independent auditor's report

The Audit Committee met on November 18, 2021 and heard a presentation of the draft audit report and the auditor's required communications from Moss Adams, LLP, our independent audit firm. They issued the final audit report November 22, 2021 with an unmodified or 'clean' opinion.

A copy of the report is attached. Please contact us if you have any questions.

Thank you for your ongoing support of the Commission!

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

# WASHINGTON STATE HOUSING FINANCE COMMISSION

June 30, 2021 and 2020

MOSSADAMS

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# Report of Independent Auditors

To the Board of Commissioners
Washington State Housing Finance Commission

## Report on the Financial Statements

We have audited the accompanying financial statements of the Washington State Housing Finance Commission, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Housing Finance Commission as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3–11 and the schedules of proportionate share of net pension liability, schedule of contributions, and schedule of proportionate share of OPEB liability on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplemental schedules of program net position, program revenues, expenses, and changes in program net position, program cash flows and notes and bonds payable on pages 46 through 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of program net position, program revenues, expenses, and changes in program net position, program cash flows and notes and bonds payable are fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Seattle, Washington
November 22, 2021

As management of the Washington State Housing Finance Commission (the Commission, we, or our), we offer readers of the Commission's financial statements this narrative overview and analysis of our financial activities for the year ended June 30, 2021. This overview and analysis is required by accounting principles generally accepted in the United States of America for governmental entities.

**FINANCIAL HIGHLIGHTS**

During the fiscal year ended, or as of June 30, 2021 (FY 2021):

Net position increased $117.2 million to $810.5 million primarily due to the $114.4 million increase in net position of Program-Related Investments (PRI). The increase in the PRI resulted from an excess of revenues over expenses totaling $79.2 million, mostly from the down payment assistance revenues from Homeownership's Home Advantage daily-priced mortgage program (Home Advantage) coupled with the operating transfer from the General Operating Fund (GOF) of $35.0 million.

During the fiscal year, cash, cash equivalents, and investments increased by $271.9 million due to proceeds from loans related to the multifamily recycling program ($112.3 million) coupled with PRI fee revenue and mortgage loan repayments, and other receipts. Mortgage loans increased by $37.0 million as new loans were issued through PRI. Assets and deferred outflows of resources increased by $205.5 million, largely due to these factors.

Total bonds payable of $565.1 million were outstanding, net of premiums and discounts, $51.1 million below the prior year balance. This decrease resulted from the net issuance of bonds ($111.9 million) and the net payment of principal ($163.0 million).

PRI and GOF program fees and grant revenue increased by $16.4 million due primarily to an increase in program fees associated with Home Advantage as average loan amount increased nearly 10% year over year. Bond program revenues (mortgage interest, unrealized loss on mortgage-backed securities (MBS), investment earnings and other) decreased by $37.3 million due to a $35.1 million net decrease in the unrealized gain on MBSs and decreased interest revenue from a lower balance of MBSs.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements are presented in a manner similar to that of a private business using the economic resources measurement focus and the accrual basis of accounting.

The financial statements report information for all Commission programs and operations. The statements of net position include all Commission assets, liabilities and deferred inflows and outflows of resources. All revenues and expenses of the Commission are accounted for in the statements of revenues, expenses, and changes in net position. Program financial statements are presented as supplemental schedules. These schedules separate the financial statements into General Operating Fund, Program-Related Investments, and Bond Fund.

### Economic Outlook

During the fiscal year, the 10-year Treasury note yield, the benchmark often used to price mortgage rates, rebounded to 1.45% on June 30, 2021 from its June 30, 2020 rate of 0.66%. The extremely low rate in 2020 was influenced by the market's uncertainty early in the COVID-19 pandemic. Despite the increase in that yield, average 30-year mortgages rates which typically follow it fell slightly year over year to about 3.02% from 3.13%. These continued low mortgage rates along with desire for more space by many people working from home due the pandemic encouraged many first-time homebuyers to enter the market. A tight supply of Single-family homes exacerbated largely by these factors resulted in significant house price increases, making purchases by the Commission's low- to moderate-income target customers more difficult. According to the S&P CoreLogic Case-Schiller U.S. National Home Price Index, home prices increased 19.7% nationally year-over-year, while Seattle had the third highest increase in the country, 25%, during the year.

Home loans purchased in the Home Advantage program, which uses traditional, taxable mortgage funding, were 8,212 down 9.3% from the record number in fiscal year 2020. The dollar value of the loans purchased was $2.6 billion, down only 0.9% from the prior year due to a higher average loan amount. We generated $100.0 million in lendable proceeds for our House Key Opportunity program through the issuance of tax-exempt bonds. The program targets first-time homebuyers in lower-income households, generally providing a lower interest rate and additional down payment options.

Demand for the 9% Low-Income Housing Tax Credit (LIHTC) for Multifamily housing continues to significantly outstrip supply. Therefore, many developers of affordable housing are using the 4% LIHTC program in conjunction with tax-exempt bonds. That program is constrained by the amount of private-activity bond volume cap available for such projects and has recently been two to three times oversubscribed.

Short-term interest rates represented by 1-month LIBOR, remained at the low level of 0.10% on June 30, 2021, the same as it was the prior year. This index is used to evaluate the cost of variable-rate debt and correlates to rates earned on short-term investments. The effect of the COVID-19 pandemic has continued longer than initially anticipated contributing to the ongoing low rates. Based upon indications of the Federal Reserve Board (the Fed), we believe interest rates will remain at or near historically low levels for the next few years, although inflation has recently increased above their target for a few months. Any uptick in short-term rates would increase the carrying cost of the Commission's unhedged variable-rate debt in its Single-family program. However, there would be an offsetting increase in the return on the Commission's short-term investments effectively creating a natural interest-rate hedge. We do not expect a significant effect on the Commission's conduit bond production.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statements of Net Position

The following table summarizes the changes in assets and deferred outflows of resources, liabilities, deferred inflows of resources, and net position between June 30, 2021 and 2020, (in millions):

| | 2021 | 2020 | Change | |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 497.5 | $ 287.2 | $ 210.3 | 73.2% |
| Investments | 132.9 | 71.3 | 61.6 | 86.4 |
| Accrued interest receivable | 3.6 | 3.6 | - | -- |
| Fees receivable, net | 11.8 | 6.0 | 5.8 | 96.7 |
| Other receivables | 1.8 | 3.2 | (1.4) | (43.8) |
| Mortgage-backed securities, fair value | 574.3 | 681.3 | (107.0) | (15.7) |
| Mortgage loans, net | 436.6 | 399.6 | 37.0 | 9.3 |
| Prepaid fees and other | 0.5 | 0.5 | - | -- |
| Total assets | 1,659.0 | 1,452.7 | 206.3 | 14.2 |
| Deferred outflows of resources | 3.5 | 4.3 | (0.8) | (18.6) |
| Total assets and deferred outflows of resources | $ 1,662.5 | $ 1,457.0 | $ 205.5 | 14.1% |

| | 2021 | 2020 | Change | |
|---|---|---|---|---|
| Liabilities | | | | |
| Accounts payable and other liabilities | $ 77.9 | $ 60.2 | $ 17.7 | 29.4% |
| Accrued interest payable | 1.4 | 1.8 | (0.4) | (22.2) |
| Unearned revenue and other | 15.2 | 8.7 | 6.5 | 74.7 |
| Derivative instrument - interest rate swap | 1.9 | 2.9 | (1.0) | - |
| Notes payable | 187.3 | 70.7 | 116.6 | 100.0 |
| Bonds and notes payable, net | 565.1 | 616.2 | (51.1) | (8.3) |
| Total liabilities | 848.8 | 760.5 | 88.3 | 11.6 |
| Deferred inflows of resources | 3.2 | 3.2 | - | - |
| Net position | | | | |
| Restricted | | | | |
| Bond operations | 168.5 | 166.6 | 1.9 | 1.1 |
| Grants and donations to PRI | 0.9 | 0.9 | - | - |
| Net investment in capital assets | 0.1 | 0.1 | - | - |
| Unrestricted | | | | |
| General operations | 24.0 | 23.2 | 0.8 | 3.4 |
| Housing Washington | 0.5 | 0.4 | 0.1 | 25.0 |
| Program-Related Investments | 616.5 | 502.1 | 114.4 | 22.8 |
| Total net position | 810.5 | 693.3 | 117.2 | 16.9 |
| Total liabilities, deferred inflows of resources, and net position | $ 1,662.5 | $ 1,457.0 | $ 205.5 | 14.1% |

**FINANCIAL ANALYSIS OF THE COMMISSION (continued)**

Cash, cash equivalents, and investments increased by $271.9 million, while MBSs and mortgage loans outstanding decreased by $70.0 million over the prior year. These are the primary components of an increase in assets of $205.5 million. The increase in the bonds and notes payable of $65.5 million is due to an increase of the fully collateralized loan required for the multifamily recycling program, offset by a decrease in Single-family bonds outstanding.

The net position of the Commission increased $117.2 from the June 30, 2020 amount. This increase resulted from the net operating income, before contributions and distributions, across all funds.

The net position of the Bond Fund is classified as restricted because trust indentures direct the use of the funds. The Commission has designated its remaining net position to a General Operating Fund and to Program-Related Investments.

The General Operating Fund net position is a reserve to protect the Commission from future uncertainty. With the reserve in place, the Commission is positioned to meet its future, long-term project monitoring commitments and to independently meet unforeseen fiscal or legal challenges.

The Commission has also designated a net position for Program-Related Investments. Investments target strategic, higher-risk programs that support the financing and production of housing for low-income and special populations as well as facilities used to provide community services primarily to low-income persons. These investments complement, supplement, and enhance other Commission programs and have been a catalyst to generate $34.6 million in investments and donations by partners who wish to support the program purpose. The Commission manages and deploys those funds in addition to its own.

### Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the changes in revenues and expenses between 2021 and 2020, (in millions):

| | 2021 | 2020 | Change | |
|---|---|---|---|---|
| Revenues | | | | |
| Bond programs mortgage interest | $ 21.4 | $ 23.0 | $ (1.6) | (7.0%) |
| Bond programs investments and other income | 2.5 | 3.8 | (1.3) | (34.2) |
| Bond program gain on mortgage-backed securities | (10.4) | 24.7 | (35.1) | (142.1) |
| Other bond fees | 1.1 | 0.4 | 0.7 | 175.0 |
| Program fees and grants | 138.3 | 118.2 | 20.1 | 17.0 |
| General operating fund interest income | 0.2 | 3.5 | (3.3) | (94.3) |
| Total revenues | $ 153.1 | $ 173.6 | $ (20.5) | (11.8%) |
| Expenses | | | | |
| Bond programs interest expense | $ 18.5 | $ 19.6 | $ (1.1) | (5.6%) |
| Other bond programs expenses | 1.1 | 1.6 | (0.5) | (31.3) |
| Salaries and wages | 8.8 | 9.5 | (0.7) | (7.4) |
| Other general operating fund and Program-Related Investments expenses | 7.5 | 7.4 | 0.1 | 1.4 |
| Total expenses | $ 35.9 | $ 38.1 | $ (2.2) | (5.8%) |
| Return remaining contribution for closed program | - | (0.1) | 0.1 | NA |
| Change in net position | $ 117.2 | $ 135.4 | $ (18.2) | (13.4%) |

The primary components of total revenues for the bond fund are mortgage-related interest earnings and the unrealized gain (loss) on MBSs. Bond interest expense is the primary component of total expense for the bond fund. Commission revenues in the General Operating and PRI Funds are mostly generated from issuer fees and the premium generated from Home Advantage mortgage-backed security sales. During fiscal year 2020, the Commission's General Operating Fund revenue and expense included $3.7 million of housing counseling and foreclosure relief funds grants which were passed-through to qualifying counseling agencies.

## DEBT ADMINISTRATION

The Commission has long-term debt obligations of $565.1 million, net of bond premium and discounts, and short-term notes payable of $187.3 million, at June 30, 2021. A trustee or paying agent administers monetary activities and holds all monies in the Commission's Bond Fund. They ensure that bond resolution requirements are met, including payments of debt service and funding of necessary reserves. At June 30, 2021, amounts held by the trustees and paying agents represent full funding of these requirements.

Most of the debt of the Commission is tax-exempt, issued under the Internal Revenue Code and Treasury Regulations. The Federal Tax Reform Act of 1986 imposes an annual cap on the aggregate amount of federally tax-exempt private activity bonds. Our Single-family Homeownership program relies on private activity bonds subject to this volume cap. We may also issue taxable debt to supplement our tax-exempt authority and for lending where program requirements are inconsistent with federal restrictions.

The Commission also issues bonds on behalf of multi-family housing developers and not-for-profit organizations. However, the bonds issued under these programs meet the definition of conduit debt obligations for which we have not extended any additional commitments for debt service payments beyond the collateral and payments received from the underlying mortgages. As of June 30, 2021, such bonds have an aggregate outstanding principal amount payable of $6.4 billion. Because these bonds are considered conduit bonds, in accordance with accounting standards generally accepted in the United States of America, the Commission does not include the assets, liabilities, and related activities for these obligations. For additional information see Notes 2 and 6.

The Commissioners have adopted policies that govern the process followed to issue debt. We issue bonds in the Single-family Homeownership Program to purchase MBSs backed by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), or Federal Home Loan Mortgage Corporation (Freddie Mac). These securities carry a credit rating agency rating equal to that of the United States.

The Commission evaluates and uses available debt management techniques to achieve our goals of reducing interest expense and preserving the maximum amount of bonding authority in the Single-family Homeownership Program. In implementing these practices, we often retire higher interest rate debt when opportunities for economic refunding occur.

The Revised Code of Washington Section 43.180.160 limits the Commission's outstanding debt to eight billion dollars. We have no general obligation bonds and do not currently have an issuer credit rating.

Net bonds and notes payable as of June 30, 2021, was $752.4 million, an increase of about $65.5 million from 2020. Changes enumerated by program are summarized in the following table (in millions):

| | 2020 | Issued | Redeemed | Changes | 2021 |
|---|---|---|---|---|---|
| Single-family | $ 564.3 | $ 111.9 | $ 133.6 | $ (21.7) | $ 542.6 |
| Home ownership (NIPB) | 51.9 | - | 29.4 | (29.4) | 22.5 |
| Short-term notes payable | 70.7 | 363.6 | 247.0 | 116.6 | 187.3 |
| | $ 686.9 | $ 475.5 | $ 410.0 | $ 65.5 | $ 752.4 |

### COMPARISON OF FISCAL YEAR 2020 WITH 2019

### Statements of Net Position

The following table summarizes the changes in combined adjusted net position between June 30, 2020 and 2019, (in millions):

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 287.2 | $ 131.8 | $ 155.4 | 117.9% |
| Investments | 71.3 | 132.3 | (61.0) | (46.1) |
| Accrued interest receivable | 3.6 | 3.9 | (0.3) | (7.7) |
| Fees receivable, net | 6.0 | 8.7 | (2.7) | (31.0) |
| Other receivables | 3.2 | 0.9 | 2.3 | 255.6 |
| Mortgage-backed securities, fair value | 681.3 | 616.1 | 65.2 | 10.6 |
| Mortgage loans, net | 399.6 | 341.5 | 58.1 | 17.0 |
| Prepaid fees and other | 0.5 | 0.7 | (0.2) | (28.6) |
| Total assets | 1,452.7 | 1,235.9 | 216.8 | 17.5 |
| Deferred outflows of resources | 4.3 | 2.9 | 1.4 | 48.3 |
| Total assets and deferred outflows of resources | $ 1,457.0 | $ 1,238.8 | $ 218.2 | 17.6% |

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| Liabilities | | | | |
| Accounts payable and other liabilities | $ 60.1 | $ 59.2 | $ 1.0 | 1.7% |
| Accrued interest payable | 1.8 | 1.8 | - | - |
| Unearned revenue and other | 8.7 | 9.1 | (0.4) | (4.4) |
| Derivative instrument - interest rate swap | 2.9 | 1.8 | 1.1 | - |
| Project equity held for borrower | 70.7 | - | 70.7 | 100.0 |
| Bonds and notes payable, net | 616.2 | 606.8 | 9.4 | 1.5 |
| Total liabilities | 760.4 | 678.7 | 81.7 | 12.1 |
| Deferred inflows of resources | 3.3 | 2.2 | 1.1 | - |
| Net position | | | | |
| Restricted | | | | |
| Bond operations | 166.6 | 130.5 | 36.1 | 27.7 |
| Grants and donations to PRI | 0.9 | 1.1 | (0.2) | (18.2) |
| Net investment in capital assets | 0.1 | 0.2 | (0.1) | (50.0) |
| Unrestricted | | | | |
| General operations | 23.2 | 22.5 | 0.7 | 3.1 |
| Housing Washington | 0.4 | 0.4 | - | - |
| Program-Related Investments | 502.1 | 403.2 | 98.9 | 24.5 |
| Total net position | 693.3 | 557.9 | 135.4 | 24.3 |
| Total liabilities, deferred inflows of resources, and net position | $ 1,457.0 | $ 1,238.8 | $ 218.2 | 17.6% |

**COMPARISON OF FISCAL YEAR 2020 WITH 2019 (continued)**

The following summarizes the changes in revenues and expenses between fiscal years 2020 and 2019, (in millions):

| | 2020 | 2019 | Change | |
|---|---|---|---|---|
| Revenues | | | | |
| Bond programs mortgage interest | $ 23.0 | $ 20.5 | $ 2.5 | 12.2% |
| Bond programs investments and other income | 3.8 | 2.6 | 1.2 | 46.2 |
| Bond program gain (loss) on mortgage-backed securities | 24.7 | 18.3 | 6.4 | 35.0 |
| Other bond fees | 0.4 | 1.5 | (1.1) | (73.3) |
| Program fees and grants | 118.2 | 91.3 | 26.9 | 29.5 |
| General operating fund interest income | 3.5 | 3.9 | (0.4) | (10.3) |
| Total revenues | $ 173.6 | $ 138.1 | $ 35.5 | 25.7% |
| Expenses | | | | |
| Bond programs interest expense | $ 19.6 | $ 17.4 | $ 2.2 | 12.6% |
| Other bond programs expenses | 1.6 | 2.5 | (0.9) | (36.0) |
| Salaries and wages | 9.5 | 8.7 | 0.8 | 9.2 |
| Other general operating fund and Program-Related Investments expenses | 7.4 | (0.2) | 7.6 | (3,800.0) |
| Total expenses | $ 38.1 | $ 28.4 | $ 9.7 | 34.2% |
| Return remaining contribution for closed program | (0.1) | - | (0.1) | NA |
| Change in net position | $ 135.4 | $ 109.7 | $ 25.7 | 23.4% |

During the fiscal year ended June 30, 2020, the Commission's total assets increased by $216.8 million largely attributable to an increase in cash and cash equivalents, net MBSs, and mortgage loans.

The Commission's $135.4 million increase in net position resulted from the net operating income, before contributions and distributions of PRI, GOF, and the bond fund.

**ADDITIONAL INFORMATION**

Please direct questions and inquiries to the Senior Director of Finance or the Senior Controller at Washington State Housing Finance Commission, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104, or by telephone at 206-464-7139.

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | June 30, 2021 | June 30, 2020 |
|---|---|---|
| CASH AND CASH EQUIVALENTS | $ 497,479,516 | $ 287,158,987 |
| INVESTMENTS | | |
| U.S. government and agencies securities | 47,619,992 | - |
| Investment agreements | 85,321,065 | 71,347,495 |
| | 132,941,057 | 71,347,495 |
| ACCRUED INTEREST RECEIVABLE | 3,638,791 | 3,606,393 |
| FEES RECEIVABLE, net | 11,782,688 | 5,998,868 |
| OTHER RECEIVABLES | 1,788,020 | 3,186,571 |
| MORTGAGE-BACKED SECURITIES, cost | 541,003,456 | 637,513,468 |
| Cumulative unrealized gain on mortgage-backed securities | 33,312,653 | 43,765,579 |
| MORTGAGE-BACKED SECURITIES, fair value | 574,316,109 | 681,279,047 |
| MORTGAGE LOANS, net | 436,579,018 | 399,552,110 |
| PREPAID FEES AND OTHER | 498,719 | 514,236 |
| TOTAL ASSETS | 1,659,023,918 | 1,452,643,707 |
| DEFERRED OUTFLOWS OF RESOURCES | 3,452,856 | 4,294,417 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | $ 1,662,476,774 | $ 1,456,938,124 |

 See accompanying notes to financial statements.

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

| | June 30, 2021 | June 30, 2020 |
|---|---|---|
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | $ 77,880,055 | $ 60,174,149 |
| ACCRUED INTEREST PAYABLE | 1,392,802 | 1,781,701 |
| UNEARNED REVENUE AND OTHER | 15,248,392 | 8,668,576 |
| DERIVATIVE INSTRUMENT - INTEREST RATE SWAP | 1,907,517 | 2,897,121 |
| NOTES PAYABLE | 187,306,788 | 70,675,039 |
| BONDS PAYABLE | | |
| Current interest bonds | 498,220,000 | 541,995,000 |
| Taxable bonds | 56,281,928 | 64,794,841 |
| Unamortized bond premium | 10,614,772 | 9,437,581 |
| | 565,116,700 | 616,227,422 |
| TOTAL LIABILITIES | 848,852,254 | 760,424,008 |
| DEFERRED INFLOWS OF RESOURCES | 3,248,429 | 3,251,067 |
| NET POSITION | | |
| Restricted | | |
| Bond operations | 168,564,329 | 166,555,877 |
| Grants and donations to Program-Related Investments | 809,424 | 984,384 |
| Net investment in capital assets | 80,611 | 139,887 |
| Unrestricted | | |
| General operations | 23,967,853 | 23,150,561 |
| Housing Washington | 473,047 | 373,946 |
| Program-Related Investments | 616,480,827 | 502,058,394 |
| | 810,376,091 | 693,263,049 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION | $ 1,662,476,774 | $ 1,456,938,124 |

# Washington State Housing Finance Commission
## Statements of Revenues, Expenses, and Changes in Net Position

| | Years Ended June 30, 2021 | 2020 |
|---|---|---|
| REVENUES | | |
| Interest earned on mortgage loans and mortgage-backed securities | $ 21,391,114 | $ 22,961,823 |
| Other interest and investment income | 2,757,571 | 7,293,346 |
| Unrealized gain (loss) on mortgage-backed securities | (10,452,926) | 24,764,879 |
| Other fee income | 135,733,686 | 117,113,953 |
| Nonoperating revenues - grants | 3,696,435 | 1,473,316 |
| | 153,125,880 | 173,607,317 |
| EXPENSES | | |
| Interest on debt | 18,518,909 | 19,619,289 |
| Amortization of bond premium | (1,434,908) | (767,005) |
| Bond issuance costs | 1,225,829 | 950,812 |
| Servicing and commission fees | 1,204,588 | 1,262,909 |
| Salaries and wages | 8,789,791 | 9,505,963 |
| Communication and office expense | 2,048,091 | 2,292,180 |
| Professional fees | 1,259,436 | 1,318,047 |
| Trustee and paying agent fees | 99,964 | 96,030 |
| Other | 604,703 | 2,376,803 |
| Nonoperating expenses - grants | 3,696,435 | 1,473,316 |
| | 36,012,838 | 38,128,344 |
| EXCESS OF REVENUES OVER EXPENSES | 117,113,042 | 135,478,973 |
| RETURN REMAINING CONTRIBUTION FOR CLOSED PROGRAM | - | (98,312) |
| CHANGE IN NET POSITION | 117,113,042 | 135,380,661 |
| NET POSITION | | |
| Balance, beginning of year | 693,263,049 | 557,882,388 |
| Balance, end of year | $ 810,376,091 | $ 693,263,049 |



See accompanying notes to financial statements.

| | Years Ended June 30, 2021 | Years Ended June 30, 2020 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Receipts for interest on mortgages | $ 21,493,556 | $ 22,701,308 |
| Receipts for other fee income | 141,022,091 | 118,056,344 |
| Receipts for loans and mortgage prepayments | 245,051,035 | 131,733,288 |
| Payments for acquisition of loans and mortgages | (170,919,301) | (231,807,198) |
| Payments for bond program expenses | (2,613,176) | (2,780,241) |
| Payments to employees and suppliers | (13,586,504) | (13,763,186) |
| Net cash from (used for) operating activities | 220,447,701 | 24,140,315 |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (1,127,973,031) | (823,689,618) |
| Sale of investments | 1,066,379,471 | 884,678,901 |
| Interest received on investments | 2,773,827 | 7,952,252 |
| Net cash from (used for) investing activities | (58,819,733) | 68,941,535 |
| NONCAPITAL FINANCING ACTIVITIES | | |
| Return contribution for program closed | - | (98,312) |
| Proceeds from sale of bonds and notes | 113,835,270 | 82,993,249 |
| Proceeds from short-term loan | 386,008,469 | 155,953,988 |
| Repayments of collateralized loans | (269,376,720) | (85,278,949) |
| Interest paid on debt | (19,021,543) | (19,608,660) |
| Debt repayments | (162,752,915) | (71,635,497) |
| Net cash from (used for) capital financing activities | 48,692,561 | 62,325,819 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 210,320,529 | 155,407,669 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 287,158,987 | 131,751,318 |
| End of year | $ 497,479,516 | $ 287,158,987 |

See accompanying notes to financial statements.

| | Years Ended June 30, 2021 | Years Ended June 30, 2020 |
|---|---|---|
| RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH USED FOR OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | $ 117,113,042 | $ 135,478,973 |
| Adjustments to reconcile excess of revenues over expenses to net cash from operating activities: | | |
| Amortization of mortgage discount | (256,743) | (203,463) |
| Amortization of mortgage premium | 1,041 | 36 |
| Amortization of bond premium | (1,434,908) | (767,005) |
| Acquisition of mortgage loans | (170,919,301) | (231,807,198) |
| Repayments of mortgage loans | 245,051,035 | 131,733,288 |
| Unrealized (gain) loss on securities | 10,452,926 | (24,764,879) |
| Cash from changes in operating assets and liabilities: | | |
| Interest and other receivables | (6,953,278) | (2,023,620) |
| Interest and other payables | 27,393,887 | 16,494,183 |
| Net cash from (used for) operating activities | $ 220,447,701 | $ 24,140,315 |

## Note 1 – Description of Business

**Organization** – The Washington State Housing Finance Commission (the Commission, WSHFC, we, or our) was created in 1983 by the legislature of the State of Washington (the State) to "act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs thereby making additional funds available at affordable rates to help provide housing throughout the state." The state legislature later authorized the Commission to issue bonds to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations, beginning farmers/ranchers, sustainable energy and energy efficiency retrofit programs. Our debt limit is eight billion dollars.

The Commission has eleven voting members. Two commissioners, the state treasurer and the director of the Department of Commerce, serve ex officio. The chair of the Commission is appointed by and serves at the pleasure of the governor. The governor appoints the remaining eight members to four-year terms, subject to confirmation by the Washington State Senate.

The Commission is legally separate from the State and does not impose a financial burden on, nor accrue any financial benefit to, the State. Legal restrictions on the Washington State legislature's ability to impose its will on the Commission and the inability of the governor to remove the majority of the voting members of the Commission prevent the State from being considered to be financially accountable for the Commission. However, in the State's Annual Comprehensive Financial Report (ACFR), the Commission is presented as a discrete component unit of the State.

**Program funds** – The Commission summarizes its financial activities in the General Operating Fund, Program-Related Investments, and Bond Fund.

*General Operating Fund* – The General Operating Fund accounts for the fiscal activities related to the administration of our ongoing program responsibilities. Revenues are derived primarily from fees earned on bond issues, homeownership daily pricing program, housing tax credit allocations, and compliance monitoring, as well as interest income on General Operating Fund and Program-Related Investments. Except for certain pass-through grants and loans, all funds we receive are generated by our activities and are not direct appropriations from the State.

The Commission adopted a General Operating Fund Reserve Policy ("Reserve Policy") in 1989. General reserves provide income to fund current operations, help to ensure a sufficient, long-term revenue stream so we can remain independent of State funds and safeguard our ability to meet future legal and program obligations. Earnings above the reserve requirements are generally transferred to Program-Related Investments at the direction of the Commissioners, except for a portion of earnings on the homeownership daily pricing program which are transferred to the Single-family Indenture.

Effective June 30, 2019, our Reserve Policy requires that we maintain general reserves of $30 million based upon capital adequacy analyses, net of the impact of any deferred pension liability as required by Governmental Accounting Standards Board (GASB) No. 68 and, effective July 1, 2017, any deferred other postemployment benefit (OPEB) liability as required by GASB No. 75. Therefore, the reserves reflect $24.0 million and $23.3 million, respectively, for the years ending June 30, 2021 and 2020.

**Note 1 – Description of Business (continued)**

*Program-Related Investments* – The Reserve Policy dedicates the use of reserves above those needed in the General Operating Fund for Program-Related Investments (the PRI). We strategically invest the PRI in programs that support our activities such as the financing and production of low-income and special needs housing and facilities that provide community services. Investments also include resources provided by other funders for use in established down payment assistance and other programs in which our missions align. Revenues include interest on these investments and down payment assistance fees associated with the homeownership daily pricing program.

*Bond Fund* – A Trust, Funding Agreement, or Financing Agreement dictates the terms of each bond transaction. We record these activities in the Bond Fund and further separate them by program type as follows:

*Single-family Homeownership Program* – Transactions in this program are from the sale of Single-family Homeownership Program mortgage revenue bonds, the purchase of mortgage-backed securities (MBS) of our pooled loans and the related debt service transactions on the bonds. There are three program indentures, each of which contains multiple series indentures: the General (Single-family) Indenture; the Homeownership Bond Program (NIBP) Indenture; and the Special Single-family Program Indenture. Each indenture is a special obligation of the Commission, payable solely from the bond funds established pursuant to the indenture. Debt service comes from payments received on the MBS pools and from any other money held in the trust estate by the bond trustee. Assets of the indentures are pledged as collateral for the debt and are $673.1 million and $730.7 million as of June 30, 2021 and 2020, respectively. We loan proceeds of this program to first-time homebuyers whose income does not exceed established limits. Mortgage rates for these programs range from 2.00% to 7.45%.

The supplemental schedules of program net position, results of program revenues, expenses, and changes in program net position, and program cash flows combines the results of the General (Single-family) and the Special Single-family Program.

*Conduit Financing Programs* – all other bonds and debt instruments that we issue are conduit debt, i.e., limited-obligation bonds issued for the express purpose of providing financing for a specific third party that is not a part of the financial reporting entity. Bonds are issued for Multifamily Housing, Beginning Farmers/Ranchers, Energy Efficiency and Nonprofit Housing and Facilities. Financing proceeds for the Conduit Financing Programs are used to purchase qualified mortgages or MBSs from mortgage lenders. The issuer of the MBSs, the mortgagor, the letter of credit provider or the lender will pay the bond trustee principal and interest in amounts calculated to meet periodic debt service payments on the bonds. Conduit debt securities bear the name of the Commission. However, we have no obligation for payment of such debt beyond the resources provided by the loan with the third-party beneficiary.

Underwriters sell bonds in the capital market, or we privately place them with a sophisticated investor such as a financial institution. However, as of fiscal years ending June 30, 2021 and 2020, all bonds and related debt instruments under these programs meet the accounting standard definition of conduit debt obligations and, as such, are not included in our financial statements. Additional information regarding the conduit debt obligations is included in Note 6.

## Note 2 – Summary of Significant Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. We have applied all applicable GASB pronouncements. The remainder of this note describes our more significant accounting policies.

**Measurement focus and basis of accounting** – We use the flow of economic resources measurement as the focus of our accounting of transactions. With this measurement focus, the statement of net position reflects all assets, deferred inflows and outflows of resources and all liabilities associated with our operations. The statement of revenues, expenses, and changes in net position for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in our net total position. We use the accrual basis of accounting, recording revenue when earned and expenses when we incur the liability.

**Unclassified statement of net position** – Our business cycle is greater than one year. As such, all assets and liabilities on the statement of net position are shown as unclassified.

**Cash and cash equivalents** – The Commission considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less to be cash and cash equivalents. While the cash deposits in the Multifamily Recycling program are held exclusively in the Local Government Investment Pool, other cash deposits held in the Bond Fund are held in the corporate trust departments of commercial banks in the bond issue's name. As of June 30, 2021 and 2020, they held $155.1 million and $143.1 million, respectively, in uncollateralized or uninsured cash equivalents in the bond fund, primarily in government money market funds. Cash deposits of the General Operating Fund and Program-Related Investment Funds are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Investments** – We categorize investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy uses valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are reported at fair value, unless they meet an exception as outlined under accounting standards generally accepted in the United States of America.

An asset management company manages some of our investments in the General Operating and Program-Related Investment Funds. Our investments include marketable securities issued or guaranteed by the U.S. government. We determine and record fair value based on quoted market prices as of June 30, 2021 and 2020.

Investments in the Bond Fund at June 30, 2021, and June 30, 2020 were short term repurchase agreements. For additional information regarding investments, see Note 3.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Mortgage-backed securities** – Mortgage-backed securities are presented at their fair value based on quoted market prices as of June 30, 2021 and 2020.

**Mortgage loans** – Mortgage loans are stated at their unpaid principal balance, net of interfund loans and the allowance for loan losses.

**Provision for loan losses** – The provision for loan losses is estimated for each fund.

*General Operating Fund* – Most fees in the General Operating Fund are billed and collected in advance, so no provision for loss is deemed to be necessary.

*Program-Related Investments* – We estimate losses on our loans in Program-Related Investments based on its past loan loss experience, known and inherent risks in the portfolio and current economic conditions. The allowance for loan losses is increased by charges to expense and decreased by charge-offs (net of recoveries). The loan loss reserve was $13,509,206 and $12,902,133 as of June 30, 2021 and 2020, respectively. No provision for loss is made on loan balances funded by partner investments because the Commission does not guarantee return of those investments.

*Bond Fund* – We purchase MBSs with the proceeds of non-recourse revenue bonds payable solely from the assets specifically pledged under the trust indenture for the bonds. No assets of the Commission, other than those assets held under such trust indentures, are pledged to the payment of the bonds. We do not reserve for loan loss provisions because the assets held by all the outstanding Single-family Homeownership Program indentures are MBSs guaranteed by Fannie Mae, Ginnie Mae, or Freddie Mac.

**Other assets** – Furniture, fixtures, equipment and leasehold improvements are accounted for in the General Operating Fund and are stated at cost, less accumulated depreciation and amortization. Our policy is to capitalize assets with a cost of $5,000 or more. Depreciation and amortization are charged to current operations on the straight-line method over the estimated useful lives of the assets, generally between three and ten years. See Note 5 for additional information concerning furniture, fixtures and equipment.

**Unearned revenue** – Unearned revenue represents the unearned portion of the Commission’s bond fees, tax credit reservation fees, and compliance monitoring fees that are received in advance. We record these fees when earned as other fee income on the statement of revenues, expenses and changes in net position.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Interfund transfers and balances for Single-family program liquidity management** – Interfund transfers may be completed for short-term program purposes and are considered loans to and from the impacted funds. At fiscal year-end, we record any balance as an interfund loan in the corresponding fund.

During the fiscal years ending June 30, 2021, and June 30, 2020, the Commission supported its Home Advantage program's Master Servicer by purchasing and holding certain loans for a short time until pooled into MBSs. Resources used from the Single-family Program fund and the PRI were in excess of those needed for program purposes. Balances remaining outstanding are as follows:

| At June 30, 2021 | Single-family Bond Program | Program-Related Investments | Total |
|---|---|---|---|
| Interfund loans receivable (payable) | $ (40,000,000) | $ 40,000,000 | $ - |

| At June 30, 2020 | Single-family Bond Program | Program-Related Investments | Total |
|---|---|---|---|
| Interfund loans receivable (payable) | $ (55,000,000) | $ 55,000,000 | $ - |

**Deferred outflow and inflow of resources** – Deferred outflows of resources represent consumption of resources that are applicable to future reporting periods and deferred inflows of resources represent acquisition of resources that are applicable to future reporting periods. Deferred outflow of resources represents the year-end estimated fair value of the Commission's derivative instruments as of June 30 and the value of pension and OPEB contributions made during the fiscal year, which is after the liability measurement date. The difference between actuarial projected and actual earnings on pension plan assets are represented as deferred outflows (inflows) of resources. For additional information regarding the derivative, see Note 6 and regarding pension liability, OPEB and the related deferred outflows and inflows of resources, see Note 8.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, and information about the fiduciary net position of the Public Employees' Retirement System (PERS) of the State of Washington and additions to or deductions from PERS's fiduciary net position have been determined on the same basis as PERS reports them.

**Other postemployment benefits** – For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense related to OPEB, and information about any changes in the liability have been determined on the same basis as reported by the Office of Financial Management (OFM) of the State of Washington.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Conduit debt obligations** – Conduit debt obligations are defined as debt instruments where:

1. The Commission, as the issuer, is joined by an unrelated third-party obligor, and a debt holder or trustee.
2. The debt obligation is neither a parity bond of the Commission nor is it cross collateralized with other debt of the Commission.
3. Debt proceeds are intended and received by a party other than the Commission or the third-party obligor; and
4. The Commission is not primarily obligated for the debt service payments.

Prior to debt issuance the Commission determines if the debt obligation meets this definition. Debt issued that meets the definition of a conduit debt obligation are reportable in note disclosure (see Note 6).

The assets, liabilities and related activities of all other bonds are included in our financial statements.

**Bonds payable** – Current interest serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond premium and discount, if any. Certain bonds are variable rate bonds remarketed on a periodic basis and are subject to market rate fluctuation.

**Unamortized bond premium and unamortized bond discount** – Unamortized bond premium and unamortized bond discounts are amortized using the bonds outstanding method.

**Bond issuance costs** – Bond issuance costs, including underwriter's fees, are expensed at issuance.

**Compensated absences** – Permanent employees of the Commission earn annual leave, sick leave and may earn compensatory leave or exchange time. Annual leave is earned based on length of service, and an employee may accumulate a maximum of 240 hours. An employee receives compensation for their unused annual leave upon termination. Employees earn eight hours of sick leave per month. Employees receive 25% of the value of accrued sick leave upon retirement or death. Non-exempt work period employees earn compensatory time at the rate of time-and-one-half for more than 40 hours worked in a week, with a maximum accrual of 240 hours. Employees classified as exempt work period employees may earn exchange time for actual time worked beyond their work schedule, up to a maximum of 174 hours. Upon separation or transfer to another agency, the employee may use accumulated, authorized compensatory time to postpone his/her cessation of employment. In consideration of these factors, the Commission accrues all costs associated with compensated absences and 25% of sick leave, including an allowance for payroll taxes.

**Net position** – We classify net position into three components:

*Restricted net position* has constraints placed on use by external parties such as creditors, grants, laws or regulations.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation. We do not hold any debt related to capital assets.

*Unrestricted net position* consists of the remaining assets and liabilities.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition** – We recognize revenue on an accrual basis. The primary source of our revenue is fee income generated on our program activities. We earn fees on bond issues, compliance monitoring, and the sale of MBSs originated in the Home Advantage Program. We record these as fee income on the statement of revenues, expenses and changes in net position and allocate them to the Bond Fund, General Operating Fund, and Program-Related Investments. Fee income by category for the years ended June 30:

| | 2021 | 2020 |
|---|---|---|
| Commission fees | $ 16,757,481 | $ 15,392,115 |
| HomeOwnership Program fees | 105,210,612 | 91,747,766 |
| Other program fees | 9,741,830 | 7,961,007 |
| Other income | 4,023,763 | 2,013,065 |
| | $ 135,733,686 | $ 117,113,953 |

In addition, we earn interest on mortgage loans outstanding, MBSs and other investments.

**Income taxes** – The Commission, as an instrumentality of the state of Washington, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

**Arbitrage rebate** – We utilize an independent valuation specialist to calculate arbitrage earnings. We accrue any liability and make required payments to the United States Department of the Treasury.

**Use of estimates** – The preparation of the statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. We use estimates in determining the allowance for doubtful accounts, valuation of certain investments, valuation of interest rate swap, arbitrage rebate liability, loan loss provisions, accrued sick leave and other contingencies. Actual results may differ from those estimates.

**Risks and uncertainties** – We are authorized to invest in securities and loans that are exposed to interest rate, market, credit and/or other risks. It is possible that changes in the values of these assets will occur in the near term, and those changes could subsequently affect the amounts reported in the statement of net position.

### Note 3 – Cash, Cash Equivalents, and Investments

#### General operating and Program-Related Investment funds

**Cash and cash equivalents** – External entities hold our deposits, exposing them to custodial credit risk, meaning that if an institution fails, we might lose the funds. We minimize this risk by limiting deposits to those entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of June 30, 2021 and 2020, cash deposits held by the General Operating Fund met these requirements.

We hold most of our deposits in money market funds or in the Local Government Investment Pool operated by the State Treasurer pursuant to RCW 43.250 in which we are a voluntary participant. We report amortized cost on these funds.

Cash and cash equivalents by institution at June 30:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| JP Morgan Chase | $ 2,850,247 | 1.71% | $ 2,465,873 | 3.07% |
| Local Government Investment Pool | 163,410,882 | 98.16% | 76,903,840 | 95.86% |
| All others | 223,107 | 0.13% | 860,755 | 1.07% |
| | $ 166,484,236 | 100% | $ 80,230,468 | 100% |

#### Investments

While RCW 43.180.080(5) grants us the authority to invest our funds, it provides no investment guidelines or restrictions. The State law limits the type and character of investment of “public funds.” Considering our authorizing legislation, Washington State court decisions, and the sources of our dedicated funds, we find that the investment limitations on public funds do not apply to us. However, as a matter of policy, we currently invest our dedicated funds in a manner generally consistent with the investment limitations on public funds. To minimize our exposure to credit risk, we have adopted an investment policy that limits investments, summarized as follows.

**Note 3 – Cash, Cash Equivalents, and Investments (continued)**

The Commission may invest in non-governmental investments, including certificates of deposit, banker's acceptances, and repurchase agreements. In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the U.S. government.

2. Federal Home Loan Bank notes and bonds.

3. Federal Land Bank bonds.

4. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.

5. The obligations of certain government-sponsored entities whose obligations are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System.

6. Shares of mutual funds with portfolios consisting of only U.S. government bonds or U.S. government guaranteed bonds issued by federal agencies with average maturities of less than four years.

Investments are managed to this policy through an agreement with Nuveen Asset Management.

Custodial credit risk is the risk that we could not recover the value of our investments or collateral security if a depository institution or counterparty fails. We manage this risk by prequalifying institutions that we use to place investments. As of June 30, 2021 and 2020, investment securities were registered and held in our custodian agent's name.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. We manage this risk by limiting investments to those permitted in our investment policies, diversifying the investment portfolio, and prequalifying the institutions where we place the investments.

**Note 3 – Cash, Cash Equivalents, and Investments (continued)**

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of our investment in a single issuer. Our policy limits the investment in any single institution (except for United States Government Securities) to no more than 20% of the portfolio.

| As of June 30, 2021<br>Classification/Provider | Total Investment | Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| US Government and Agency Obligations | | | | |
| US Treasury Notes | $ 27,241,003 | $ 27,241,003 | $ - | $ - |
| US Agencies | 17,857,424 | - | 17,857,424 | - |
| Other Municipal Agencies | 2,521,565 | - | 2,521,565 | - |
| Total General and PRI Fund Investments | $ 47,619,992 | $ 27,241,003 | $ 20,378,989 | $ - |

| As of June 30, 2020<br>Classification/Provider | Total Investment | Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| US Government and Agency Obligations | | | | |
| US Treasury Notes | $ 15,526,461 | $ 15,526,461 | $ - | $ - |
| US Agencies | 19,165,289 | - | 19,165,289 | - |
| Other Municipal Agencies | 2,411,511 | - | 2,411,511 | - |
| Total General and PRI Fund Investments | $ 37,103,261 | $ 15,526,461 | $ 21,576,800 | $ - |

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Examining the maturities of our investment securities, listed in the following table, can reveal information about interest rate risk.

Investments as of June 30, 2021

| Type | Total | Maturities (In Years) Less than 1 | 1-5 | >5 |
|---|---|---|---|---|
| US Treasury Notes | $ 27,241,003 | $ 1,995,595 | $ 25,245,408 | $ - |
| US Agencies | 17,857,424 | 1,961,388 | 15,712,678 | 183,358 |
| Other government securities | 2,521,565 | 166,005 | 2,355,560 | - |
| Total General and PRI Fund Investments | $ 47,619,992 | $ 4,122,988 | $ 43,313,646 | $ 183,358 |

Investments as of June 30, 2020

| Type | Total | Maturities (In Years) Less than 1 | 1-5 | >5 |
|---|---|---|---|---|
| US Treasury Notes | $ 15,526,461 | $ 564,809 | $ 14,961,652 | $ - |
| US Agencies | 19,165,289 | 6,951,418 | 12,017,401 | 196,470 |
| Other government securities | 2,411,511 | 154,538 | 2,256,973 | - |
| Total General and PRI Fund Investments | $ 37,103,261 | $ 7,670,765 | $ 29,236,026 | $ 196,470 |

**Note 3 – Cash, Cash Equivalents, and Investments (continued)**

**Investment securities – bond funds**

**Single-family Homeownership Program** – The Single-family program indentures require that investments be made with proper regard for the preservation of principal and with maturities that provide sufficient liquidity to meet obligations. During the fiscal years ending June 30, 2021 and 2020, investments held in the Single-family program indentures included non-purpose MBSs and short-term repurchase agreements.

**US agencies** – During the year, the Commission invests available Single-Family bond fund reserves by purchasing MBSs originated through its Single-Family Homeownership programs in advance of issuing bonds. These investments are recorded at fair market value, however no Non-Purpose MBSs were held at June 30, 2021 or June 30, 2020.

**Short-term repurchase agreements** – In December 2017, the Commission entered into a Mortgage Loan purchase and sale agreement (ML Liquidity Repurchase Agreement) with our Master Servicer, Idaho Housing & Finance Association (IHFA), to provide funds to the Master Servicer to purchase approved mortgage loans originated under our Home Advantage program. The purpose of this agreement is to promote the continued success of the program by assuring timely purchase of qualified mortgage loans. We intend to hold such loans less than 90 days.

| Single-family Bond Program Investments as of June 30, 2021<br>Classification/Provider | Total Investment | Fair Value Measurements Using<br>Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Repurchase Agreements | | | | |
| Idaho Housing Finance Agency | $ 85,321,065 | $ - | $ - | $ 85,321,065 |
| Total Single-family Bond Program Investments | $ 85,321,065 | $ - | $ - | $ 85,321,065 |

| Single-family Bond Program Investments as of June 30, 2020<br>Classification/Provider | Total Investment | Fair Value Measurements Using<br>Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Repurchase Agreements | | | | |
| Idaho Housing Finance Agency | $ 34,244,234 | $ - | $ - | $ 34,244,234 |
| Total Single-family Bond Program Investments | $ 34,244,234 | $ - | $ - | $ 34,244,234 |

**Multifamily Housing Program** – Cash and Cash equivalents of $175.9 million and $63.6 million held at June 30, 2021 and June 30, 2020 respectively, consist of funds representing collateral for a line of credit supporting our Multifamily Recycling program. This collateral is directed by the line of credit agreement to be held in an account within the Local Government Investment Pool operated by the State Treasurer pursuant to RCW 43.250.

### Note 4 – Mortgage-Backed Securities

The Commission uses the proceeds of its Single-family Homeownership Program bonds to purchase mortgage-backed securities. Ginnie Mae, Fannie Mae or Freddie Mac, backed by the full faith and credit of the U.S. government, guarantee the payment of principal and interest on the MBSs.

For the fiscal year ended June 30, 2021, the net decrease in fair market value from that of the prior year-end based upon quoted market prices was $10,452,926 and for the fiscal year ended June 30, 2020, the net increase in fair market value from that of the prior year-end based upon quoted market prices was $24,764,879. The following table shows the sources of the gains and losses on MBSs on the statements of revenue, expenses, and changes in net position for 2021 and 2020 by program.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Single-family Program Bonds | Homeownership Program Bonds | Total | Single-family Program Bonds | Homeownership Program Bonds | Total |
| MBS, at fair value | $ (7,892,552) | $ (2,560,374) | $ (10,452,926) | $ 23,500,455 | $ 1,264,424 | $ 24,764,879 |

Cumulative unrealized gains at June 30, 2021 and 2020, were $33,312,653 and $43,765,579, respectively, and are included in the balance of MBSs on the statement of net position.

### Note 5 – Furniture, Fixtures and Equipment

Furniture, fixtures and equipment as shown below at June 30, 2021 and 2020, are included in prepaid fees and other on the statements of net position.

| | Useful Life | July 1, 2020 | Increase | Decrease | June 30, 2021 |
|---|---|---|---|---|---|
| Furniture, fixtures and equipment | 3 to 10 years | $ 2,080,351 | $ 27,000 | $ - | $ 2,107,351 |
| Leasehold improvements | 4 to 5 years | 176,058 | - | - | 176,058 |
| Total assets | | 2,256,409 | 27,000 | - | 2,283,409 |
| Less accumulated depreciation | | (2,116,522) | (86,276) | - | (2,202,798) |
| Net book value | | $ 139,887 | $ (59,276) | $ - | $ 80,611 |

| | Useful Life | July 1, 2019 | Increase | Decrease | June 30, 2020 |
|---|---|---|---|---|---|
| Furniture, fixtures and equipment | 3 to 10 years | $ 2,004,413 | $ 75,938 | $ - | $ 2,080,351 |
| Leasehold improvements | 4 to 5 years | 176,058 | - | - | 176,058 |
| Total assets | | 2,180,471 | 75,938 | - | 2,256,409 |
| Less accumulated depreciation | | (1,957,766) | (158,756) | - | (2,116,522) |
| Net book value | | $ 222,705 | $ (82,818) | $ - | $ 139,887 |

**Note 6 – Bonds and Notes Payable**

Single-family mortgage revenue bonds issued by the Commission are limited obligations payable solely from and secured by a pledge of the MBSs (including any insurance payments made with respect thereto), restricted investments, undisbursed bond proceeds and the earnings thereon held under the indenture or financing agreement authorizing the bonds.

Default on our Single-family mortgage revenue bonds, including failure to provide punctual payment of the principal amount or any interest installment due, could result in the principal and accrued interest of the outstanding bonds becoming due in full, providing the Trustee receives written consent of at least 25% of the bond owners prior to so declaring.

As of June 30, 2021, we had outstanding bonds of $554.5 million bearing interest varying in rates as listed below:

| | FY 2021 | |
|---|---|---|
| | Low | High |
| Single-family Program | 0.03% | 4.00% |
| Homeownership Program | 2.45% | 5.10% |

In addition to the Single-family mortgage revenue bonds the Commission has issued bonds that meet the definition of conduit debt obligations. The proceeds are used by private sector borrowers for the acquisition, construction and rehabilitation of affordable multifamily housing and nonprofit facilities. We have not extended any additional commitments for the debt service payments of the bonds beyond the collateral and the payments on the underlying mortgage or promissory notes and maintenance of the tax-exempt status of the conduit debt obligations.

Municipal Certificates 2021-1 Series A and Series X (the Certificates) of $571,961,262 were issued May 20, 2021 in a Fixed Income Trust to replace a single note-holding beneficiary of several of the Commission’s multifamily bond transactions (the Bond Transactions) with multiple investors (the Certificateholders). The Bond Transactions did not change, and borrowers remain obligated to make all payments under such notes. All assets in each of the Bond Transaction’s trust estate are pledged to and pass through to the Certificateholders as the full and complete payment of their investment. These Municipal Certificates meet the criteria to be conduit debt obligations and as such no assets or liabilities are reported.

As of June 30, 2021, and June 30, 2020, the conduit debt obligations have an aggregate outstanding principal amount payable of $6.4 billion and $6.1 billion, respectively, none of which was recognized as a liability by the Commission.

**Note 6 – Bonds and Notes Payable (continued)**

**Derivative instruments – interest rate swaps**

*Single-family Homeownership Program* – The Commission has entered into interest rate swap agreements ("swaps") in connection with issuing variable rate mortgage revenue bonds. The swaps are intended to create debt with synthetic interest rates lower than would have been attainable from long-term fixed rate bonds to achieve our goal of lending to low- and moderate-income first-time homebuyers at below market, fixed interest rates. The swaps are hedging derivative instruments. Additional information, including the fair market value of each swap, is listed below.

Using rates as of June 30, 2021, debt service requirements of the outstanding variable rate debt and associated net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates change, variable rate bond interest payments and net swap payments will vary.

| Fiscal Year | Principal | Interest | Interest Rate Swap, Net | Total |
|---|---|---|---|---|
| 2022 | $ 22,810,000 | $ 130,934 | $ 602,807 | $ 23,543,741 |
| 2023 | 22,500,000 | 130,500 | 607,201 | 23,237,701 |
| 2024 | 22,500,000 | 32,625 | 151,800 | 22,684,425 |

The terms and counterparty credit ratings of the outstanding swaps as of June 30, 2021, are shown below. The notional amounts of the swaps match principal amounts of the associated debt as of June 30, 2021. The notional amounts are expected to approximately follow scheduled or anticipated reductions in the principal amounts of the associated debt.

| Associated Bond Series | Current Notional Amount | Current Principal Amount | Effective Date | Fixed Rate Paid | Rate Received | Fair Value | Swap Termination Date | Counterparty Credit Rating |
|---|---|---|---|---|---|---|---|---|
| 2016 VR-1N | $ 310,000 | $ 310,000 | July 22, 2008 | 3.629% | SIFMA plus 10bps | $ (5,385) | December 1, 2021 | Aaa |
| 2018 1N-MM | 22,500,000 | 22,500,000 | November 28, 2018 | 2.730% | SIFMA | (1,902,132) | December 1, 2048 | Aa2 |
| | $ 22,810,000 | $ 22,810,000 | | | | $ (1,907,517) | | |

Our swap advisor estimated the fair values presented in the preceding table. They approximate the termination payments that would have been due had we terminated them as of June 30, 2021. A negative fair value represents the estimated amount payable by the Commission had we terminated the swaps on June 30, 2021. The interest rate swaps do not have an observable market; therefore, the fair value classification is a Level 3 input.

The variable debt maturity for the 2016 VR-1N issue exceeds that of the swaps by a range of 25 to 25.5 years. After the swaps terminate, we may not obtain subsequent interest rate agreements that limit interest at or below these levels.

**Note 6 – Bonds and Notes Payable (continued)**

The International Swap Dealers Association Master Agreement is the model for our swap agreements. They include standard termination events by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party irrespective of causality based upon the market value of the swap. We have termination risk if we become liable for termination payments to the counterparty or if we cannot find a replacement to the swaps under favorable financial terms. Our swap contracts reduce this risk by limiting the counterparty's ability to terminate due to the following Commission actions or events: payment defaults, other defaults that remain uncured for 30 days after notice, bankruptcy, and insolvency.

The terms of the swaps expose us to credit risk with the counterparties on a termination event. The swap agreements contain collateral requirements based upon counterparty credit ratings and the fair value of the swaps. These bi-lateral requirements are established to mitigate potential credit risk exposure. There are no collateral requirements as of June 30, 2021 and 2020.

The Commission may incur amortization risk because we may receive prepayments from the mortgage loans portfolio that cannot be used to call other bonds of the same Series or to cross-call into other Series. The flexibility of our operating policy and other series of bonds, as well as the use of Planned Amortization Class (PAC) Bonds for restricted principal payments, minimizes this risk. Additionally, we may terminate the swaps at market value at any time.

The Commission bears basis risk, the risk that the variable interest payments on our bonds will not equal the variable interest receipts from our swaps. Basis risk exists because we pay a variable rate on its bonds based on a weekly remarketing rate or indexed rate provided by the calculation agent, while we receive a variable rate based upon the weekly SIFMA rate, plus a spread, where applicable, as shown in the preceding table. Basis risk will vary over time due to inter-market conditions. As of June 30, 2021, the interest rate on our variable rate debt with swaps was 0.03% (2016 VR-1N) and 0.58% (2018 1N-MM) per annum while the variable interest rate on the corresponding swaps was 0.03% per annum (SIFMA at June 30, 2021). We considered the risk when structuring the related bonds and determined it was within acceptable tolerance levels.

A change in the tax code could fundamentally alter the long-term historical relationship between taxable and tax-exempt short-term interest rates, changing the Commission's receipts under its swap contracts. We determined that it was not economically feasible to transfer this tax risk to the swap counterparties.

## Note 6 – Bonds and Notes Payable (continued)

### Bond refunding

The Commission refunds bonds on a current basis. Current refundings result from redemption of the prior bonds within 90 days of the issuance of the new, refunding bonds. During the fiscal year ended June 30 2021, we refunded two series of bonds reducing debt service by $26.4 million and resulting in an economic gain of $17.4 million as shown in the following table:

| | REFUNDING ISSUE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Date of Issue | Bond Series | Amount | Effective Rate | Bond Series | Amount | Reduction in Debt Service | Economic Gain (Loss) |
| 2021 | 11/30/2020 | Single-family Series 2020 2N | 39,995,486 | 2.305% | Series 2013 1A-R/1N-R | $ 455,000 | $ 13,194,114 | $ 9,327,632 |
| | | | | | Series 2017 1A-R 1N | 1,720,328 | | |
| | | | | | Series 2017 2A-R/2N | 900,000 | | |
| | | | | | Series 2017 3N/3N-R/3A-R | 12,895,860 | | |
| | | | | | Series 2018 1N | 2,735,000 | | |
| | | | | | Series 2016 1A-R 1N | 21,035,000 | | |
| | | | | | Series 2016 2A-R 2N | 185,000 | | |
| | | | | | Series 2017 1A-R 1N | 69,298 | | |
| 2021 | 5/27/2021 | Single-family Series 2021 1N | 43,839,784 | 1.787% | Series 2010 1A-R/1N-R | $ 1,934 | $ 13,241,933 | $ 8,031,641 |
| | | | | | HPB Series 2009 AC3/2011 B | 13,845,000 | | |
| | | | | | Series 2013 1A-R/1N-R | 2,219 | | |
| | | | | | Series 2014 1A-R/1N-R | 199 | | |
| | | | | | Series 2015 1A-R/1N | 1,493 | | |
| | | | | | Series 2016 1A-R 1N | 395,000 | | |
| | | | | | Series 2016 2A-R 2N | 6,700,000 | | |
| | | | | | Series 2017 1A-R 1N | 2,697,360 | | |
| | | | | | Series 2017 2A-R/2N | 7,944,258 | | |
| | | | | | Series 2017 3N/3N-R/3A-R | 10,312,177 | | |
| | | | | | Series 2018 1N | 772,378 | | |
| | | | | | Series 2019 1N | 1,149,923 | | |
| | | | | | Series 2019 2A/2N | 8,569 | | |
| | | | | | Series 2020 1A/1N | 9,274 | | |

During the fiscal year ended June 30, 2020, we refunded two series of bonds reducing debt service by $10.3 million and resulting in an economic gain of $5.7 million as shown in the following table:

| | REFUNDING ISSUE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Date of Issue | Bond Series | Amount | Effective Rate | Bond Series | Amount | Reduction in Debt Service | Economic Gain (Loss) |
| 2020 | 11/26/2019 | Single-family Series 2019 2A/2N | 21,234,039 | 2.690% | Series 2010 1A-R/1N-R | $ 2,130,757 | $ 4,717,409 | $ 2,574,099 |
| | | | | | Series 2013 1A-R/1N-R | 807,353 | | |
| | | | | | Series 2014 1A-R/1N-R | 662,028 | | |
| | | | | | Series 2014 2A-R 2N 2N-R | 378,953 | | |
| | | | | | Series 2015 1A-R/1N | 4,222,628 | | |
| | | | | | Series 2016 1A-R 1N | 1,137,639 | | |
| | | | | | Series 2016 2A-R 2N | 1,546,061 | | |
| | | | | | Series 2017 1A-R 1N | 6,798,190 | | |
| | | | | | Series 2017 2A-R/2N | 616,305 | | |
| | | | | | Series 2017 3N/3N-R/3A-R | 729,125 | | |
| | | | | | Series 2018 1N | 1,595,000 | | |
| | | | | | Series 2019 1N | 610,000 | | |
| 2020 | 5/28/2020 | Single-family Series 2020 1A/1N | 21,369,233 | 2.360% | Series 2010 1A-R/1N-R | $ 3,082,616 | $ 5,596,140 | $ 3,133,021 |
| | | | | | Series 2013 1A-R/1N-R | 1,028,480 | | |
| | | | | | Series 2014 2A-R 2N 2N-R | 745,914 | | |
| | | | | | Series 2015 1A-R/1N | 804,766 | | |
| | | | | | Series 2016 1A-R 1N | 991,647 | | |
| | | | | | Series 2016 2A-R 2N | 1,425,132 | | |
| | | | | | Series 2017 1A-R 1N | 6,404,210 | | |
| | | | | | Series 2017 2A-R/2N | 999,403 | | |
| | | | | | Series 2017 3N/3N-R/3A-R | 1,344,722 | | |
| | | | | | Series 2018 1N | 3,200,000 | | |
| | | | | | Series 2019 1N | 1,215,000 | | |
| | | | | | Series 2019 2A/2N | 127,343 | | |

**Note 6 – Bonds and Notes Payable (continued)**

**Future principal and interest payments and bonds outstanding** – Bonds mature in varying amounts through 2051 based on their scheduled terms. However, some may be refinanced or redeemed early. As of June 30, 2021, future principal and interest requirements are as follows:

| | | | | Direct Placements | | All Other Bonds | |
|---|---|---|---|---|---|---|---|
| Fiscal Year June 30, | Total Principal Redemptions | Total Interest Payments | Total Debt Service | Total Principal Redemptions | Total Interest Payments | Total Principal Redemptions | Total Interest Payments |
| 2022 | $ 21,000,000 | $ 15,043,747 | $ 36,043,747 | $ - | $ 183,022 | $ 21,000,000 | $ 14,860,725 |
| 2023 | 19,245,000 | 14,624,526 | 33,869,526 | - | 183,022 | 19,245,000 | 14,441,504 |
| 2024 | 20,645,000 | 14,233,183 | 34,878,183 | - | 183,022 | 20,645,000 | 14,050,161 |
| 2025 | 19,770,000 | 13,798,805 | 33,568,805 | - | 183,022 | 19,770,000 | 13,615,783 |
| 2026 | 22,075,000 | 13,354,917 | 35,429,917 | - | 183,022 | 22,075,000 | 13,171,895 |
| 2027–2031 | 117,295,000 | 58,004,186 | 175,299,186 | - | 915,108 | 117,295,000 | 57,089,078 |
| 2032–2036 | 90,985,000 | 42,087,235 | 133,072,235 | - | 915,108 | 90,985,000 | 41,172,127 |
| 2037–2041 | 92,968,686 | 31,717,911 | 124,686,597 | 3,818,686 | 798,161 | 89,150,000 | 30,919,750 |
| 2042–2046 | 90,683,242 | 18,089,984 | 108,773,226 | 4,083,242 | 119,285 | 86,600,000 | 17,970,699 |
| 2047–2051 | 59,835,000 | 3,511,078 | 63,346,078 | - | - | 59,835,000 | 3,511,078 |
| | $ 554,501,928 | $ 224,465,572 | $ 778,967,500 | $ 7,901,928 | $ 3,662,772 | $ 546,600,000 | $ 220,802,800 |

Changes in bonds outstanding during the fiscal year ended June 30, 2021, are summarized in the following table:

| | June 30, 2020 | Issued | Redeemed | June 30, 2021 |
|---|---|---|---|---|
| Direct placement | $ 10,309,841 | $ - | $ 2,407,913 | $ 7,901,928 |
| All other bonds and notes | 596,480,000 | 110,465,000 | 160,345,000 | 546,600,000 |
| | $ 606,789,841 | $ 110,465,000 | $ 162,752,913 | $ 554,501,928 |

**Warehouse facility**

During the fiscal year ending June 30, 2019, we entered into a repurchase agreement with PlainsCapital Bank to purchase a 100% interest in eligible mortgage loans held by the Commission. This agreement allows us to access short term funds of up to $40 million, to meet the liquidity needs in support of our temporary investments in Home Advantage mortgage loans, held in the Single-family program bond fund. This credit agreement is collateralized by the underlying mortgage loans. Failure of the Commission to make required payments timely could result in immediate demand for payment, our loss of ownership of the underlying collateral and suspension of the agreement. Activity and balances for the fiscal years ending June 30, 2021 and 2020 are summarized in the following table:

| | **FY 2021** | **FY 2020** |
|---|---|---|
| Beginning Balance | $ 7,141,235 | $ - |
| Draws | 237,577,486 | 92,340,184 |
| Principal Repayments | (233,274,513) | (85,198,949) |
| Ending Balance | $ 11,444,208 | $ 7,141,235 |

**Note 6 – Bonds and Notes Payable (continued)**

**Line of Credit facility**

During the fiscal year ending June 30, 2020, the Commission entered into a revolving loan and security agreement ("Line of Credit") with a private lender. Draws on the line are used to make qualified bond redemptions and are fully collateralized by bond prepayments received and deposited into a Local Government Investment Pool account established for this purpose. The line is repaid with proceeds from new bonds issued in conduit programs using recycled volume cap. An equal amount of monies on deposit are provided to the new bond borrower. Failure of the Commission to make required payments timely could result in immediate demand for payment, our loss of ownership of the collateral, loss of the recyclable volume cap preserved, and suspension of the agreement. Draws made during the year totaled $126,100,983 while repayments were $13,772,207, leaving a balance outstanding as of June 30, 2021 of $175,862,580.

**Note 7 – Commitments**

**Mortgage loans** – The Commission has committed to purchase mortgage loans to the extent qualified loans are available under our Single-family programs currently in the acquisition phase. Our commitments as of June 30, 2021, totaled $63,309,931.

**Operating lease** – The Commission has a lease commitment for office space on a long-term basis. Lease expense for the office space for the fiscal years ended June 30, 2021 and 2020, was $741,882 and $743,880, respectively. The Commission's existing lease commitment expired on June 30, 2021. We entered a new Commitment on December 9, 2020 for the period covering July 1, 2021 through June 30, 2024, with minimum lease payments due of $910,490

**Lines of credit** – On April 22, 2013, the Commission agreed to provide Impact Capital, a Community Development Financial Institution, a revolving liquidity loan, with an amount not to exceed $2 million. We renewed the agreement in October 2017 increasing the maximum to $5 million. There was no balance outstanding as of June 30, 2021. The balance outstanding as of June 30, 2020 was $1,000,000

**Note 8 – Employee Benefit Plans**

**Deferred compensation plan** – The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits our employees to defer a portion of their salaries until future years. The State pays the deferred compensation to employees upon termination, retirement, death, or unforeseeable emergency. We record the funds as salary expense when paid to the State; therefore, neither an asset nor liability is recorded on our financial statements.

**Note 8 – Employee Benefit Plans (continued)**

**Retirement (pension) plan** – The Commission's employees participate in the Public Employees' Retirement System (PERS) of the State. PERS, established by the legislature in 1947, is a cost-sharing multiple-employer retirement system. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of legislative committees; community colleges, college and university employees not in national higher education retirement programs such as TIAA/CREF; judges of district and municipal courts; noncertified employees of school districts, and employees of local government. Approximately 50.6% of PERS salaries are from State employment. Our employees are eligible to participate in Plans 2 and 3. Plan 2 is a defined benefit plan. Plan 3 includes defined benefit and defined contribution components. Each employee is responsible for their plan selection.

Commission employees may retire at the age of 65 with five years of service or at age 55 with 20 years of service. The employee's retirement benefit is the product of three factors, the PERS plan percentage (Plan 2, 2%, Plan 3, 1%), average final compensation (the greatest compensation during any consecutive 60-month period) and years of service. Retirement benefits taken before age 65 are actuarially reduced. A cost-of-living allowance on the benefit is added, based on the Seattle Consumer Price Index, capped at 3% annually. PERS Plans 2 and 3 benefits include duty and non-duty disability payments and a one-time duty-related death benefit.

A combination of investment earnings and employer and employee contributions finance PERS retirement. Employee contributions accrue interest at a rate specified by the Department of Retirement Services (DRS). The DRS-established rate of interest on employee contributions was 5.5%, compounded quarterly. Retirement benefit provisions are established in State statutes and may be amended only by the State legislature. An employee can withdraw their total contributions and interest earnings upon their termination. PERS defined benefits are vested after an employee completes five years of eligible service for Plan 2 participants. For PERS plan 3 participants, defined benefits are vested after ten years of eligible service or after five years if twelve months of that service are earned after age 44.

Each biennium the legislature establishes employer and employee contribution rates. The Office of the State Actuary determines the contribution requirements to fully fund the plan in accordance with chapters RCW 41.40 and 41.45. All employers are required to contribute at the level established by the legislature. PERS Plan 1 accepts no new enrollments, and no Commission employees participate in the plan. However, the employer rate for participants in Plans 2 and 3 includes a component to address the PERS Plan 1 unfunded, actuarial accrued liability.

**Note 8 – Employee Benefit Plans (continued)**

The Commission and employee required contribution rates and amounts to the pension plan for the fiscal years 2021 and 2020 are:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Rate | Amount | Rate | Amount |
| Employer contributions | | | | |
| Plan 1 component | 4.85% | $ 347,220 | 4.76% | $ 341,550 |
| Plan 2 and 3 component | 8.10% | 566,864 | 8.10% | 568,293 |
| | 12.95% | $ 914,084 | 12.86% | $ 909,843 |
| Employee Contributions | | | | |
| Plan 2 | 7.90% | $ 478,833 | 7.90% | $ 487,715 |

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial statements, which are available from:

Washington State Department of Retirement Systems
PO Box 48380
Olympia, WA 98504-8380
www.drs.wa.gov

The DRS retirement plans are accounted for in pension trust funds using the flow of economic-resources-measurement focus and the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. DRS reports investments held by the plans at fair value. As of the most recent period available, fiscal year ended June 30, 2020, DRS reports a total net pension liability for Plan 1 of $3.5 billion, and a total net pension liability for Plan 2 and 3 of $1.3 billion.

At June 30, 2021, the Commission recognized its proportionate share of the net pension liabilities of Plan 1 and Plans 2 and 3 of $1,646,824 and $820,030 respectively and included them in accounts payable and other liabilities within the General Operating Fund. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020. Plan liabilities were rolled forward using each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. The Commission's proportion of net pension liability was based upon its contributions in relation to all other employer and non-employer contributions to the plan. The Commission's proportions used for measurement of its obligations as of June 30, 2021 and 2020, were:

| | 2021 | 2020 | Change |
|---|---|---|---|
| Plan 1 | 0.0471% | 0.0465% | 0.00060% |
| Plans 2 and 3 | 0.0613% | 0.0600% | 0.00130% |

The change in Commission proportions was determined to be immaterial, therefore a deferral of the impact of the change was not recognized.

## Note 8 – Employee Benefit Plans (continued)

For the years ended June 30, 2021 and 2020, the Commission recognized pension expense of $139,530 and $321,290, respectively. For those years, we recognized deferred outflows and inflows of resources related to pension obligations from the following sources:

| As of June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on pension plan investments: | | |
| Plan 1 | $ - | $ 7,087 |
| Plans 2 and 3 | - | 18,378 |
| Net difference due to change in assumptions | | |
| Plans 2 and 3 | - | 518,485 |
| Net difference between expected and actual experience | | |
| Plans 2 and 3 | 181,314 | - |
| Contributions subsequent to the measurement date | | |
| Plans 2 and 3 | 897,546 | - |
| Total | $ 1,078,860 | $ 543,950 |

| As of June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on pension plan investments: | | |
| Plan 1 | $ - | $ 119,565 |
| Plans 2 and 3 | - | 845,167 |
| Net difference | | |
| Plans 2 and 3 | - | 227,136 |
| Net difference between expected and actual experience | | |
| Plans 2 and 3 | 41,495 | - |
| Contributions subsequent to the measurement date | | |
| Plans 2 and 3 | 893,759 | - |
| Total | $ 935,254 | $ 1,191,868 |

The $897,546 reported as deferred outflows of resources related to pensions resulting from the Commission’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

**Note 8 – Employee Benefit Plans (continued)**

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows for years ending June 30:

| All other Amortization thereafter | | |
|---|---|---|
| 2022 | $ | 349,149 |
| 2023 | | 73,173 |
| 2024 | | (29,514) |
| 2025 | | (93,576) |
| 2026 | | 28,226 |
| 2027 | | 29,041 |
| 2028 | | 6,137 |
| | $ | 362,636 |

The total pension liability in the June 30, 2019, actuarial valuation, which was rolled forward to June 30, 2020, was determined using the following actuarial assumptions.

| | |
|---|---|
| Inflation | |
| Economic | 2.75% |
| Salary | 3.50% |
| Investment rate of return | 7.40% |
| Discount rate | 7.40% |

Mortality rates were based on the Society of Actuaries' Publication H-2010 mortality rates, and vary by member status (active, retiree, or survivor). The Office of State Actuary applied age offsets for each system and recognized future improvements in mortality by applying the long-term MP-2017 generational improvement scale. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

The long-term expected rate of return on pension plan investments was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). WSIB uses the CMAs and their target asset allocations to simulate future investment returns at various future times. The long-term expected rate of return of 7.4% approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 50-year measurement period.

**Note 8 – Employee Benefit Plans (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class (as of PERS year-end June 30, 2020), including an inflation component of 2.20%, are summarized in the following table:

| Asset Class | Target Allocation | % Long-Term Expected Rate of Return |
|---|---|---|
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
| | 100% | |

The discount rate used to measure the total pension liability was 7.40%. The rate was determined by completing an asset sufficiency test on whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.40% long-term discount rate to determine funding liabilities for calculation of future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on investment assets was assumed for the test. Contributions from plan members and employers are assumed to continue at contractually required rates. Based upon those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.40% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

| | Discount Rate Sensitivity | | |
|---|---|---|---|
| | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
| Plan 1 | $ 2,082,857 | $ 1,646,824 | $ 1,296,625 |
| Plan 2 and 3 | $ 4,878,209 | $ 820,030 | $ (2,587,597) |

**Note 8 – Employee Benefit Plans (continued)**

**Other postemployment benefit plan**

Commission employees are eligible to participate in the single employer defined benefit other postemployment benefit (OPEB) plan administered by the State Health Care Authority (HCA). The plan, as authorized through RCW 41.05.065, is designed by the Public Employee Benefits Board (PEBB), created within HCA, and determines the terms and conditions of employee and retired employee participation and coverage, including eligibility criteria. The PEBB OPEB plan benefits are provided in accordance with a substantive plan rather than a formalized contract or plan document and, as such, rely on communication of the plan terms by HCA with employers and plan members as well as the historical practice of plan cost sharing by employers.

The PEBB OPEB plan is funded by monthly contributions with amounts established by the Legislature as a part of the biennium budget process. For the 2020 and 2019 fiscal years this monthly amount was $168 and $168 per employee, respectively. There are no plan assets, rather the monthly contributions are used to pay for current benefits provided. The plan does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees eligible for retirement electing to continue coverage and pay the administratively established health insurance premiums at the time they retire under the provisions of the retirement plan to which they belong.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in this risk pool receive an implicit subsidy because the retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy from the reduced premiums. The explicit subsidy is established through an annual recommendation by the HCA administrator which is included in the Governor's budget with the final amount approved by the state Legislature. In calendar year 2020, the explicit subsidy was up to $183 per enrollee member per month. The subsidy will remain at $183 per enrollee member per month in calendar year 2021.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The Commission is required to make monthly contributions on behalf of all active, health care eligible employees (headcount), regardless of enrollment status. The allocation method used by the state to determine our proportionate share of the OPEB related liabilities, deferred inflows, deferred outflows, and expense is the percentage of our headcount as a percentage of the state's total headcount.

**Note 8 – Employee Benefit Plans (continued)**

This same method is used to determine the transactions subsequent to the measurement date, specifically the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2020, and the reporting date of June 30, 2021. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the Fiscal Year 2021 4th Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Additional information will be included in the Washington State 2021 Annual Comprehensive Financial Report on OFM's website (www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report). Additional information on health care trend rates and other actuarial date is available on the Office of the State Actuary's website (leg.wa.gov/osa).

For fiscal years ending June 30, 2021 and June 30, 2020, HCA reports total OPEB liability of $6.1 billion and $5.8 billion, respectively. At June 30, 2021, the Commission recognized its proportionate share of the OPEB liability of $3,439,368, which is included in accounts payable and other liabilities within the General Operating Fund. The OPEB liability was measured as of June 30, 2020, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Commission's proportion was based upon our headcount in relation to the headcount of all state employees at the same date resulting in allocations of 0.0568% and 0.0598% used for the measurement of its obligations as of June 30, 2021 and 2020, a decrease between years of 0.003%. The impact of this change is included in the related deferred inflows and outflows of resources and amortized over nine years, which is equal to the average expected remaining service lives of all active and inactive members.

As of June 30, 2021, components of the change in of our proportionate share of the total OPEB liability are as follows:

| | |
|---|---|
| Beginning OPEB Liability | $ 3,473,340 |
| Change in proportionate Share | (176,730) |
| Service cost | 142,724 |
| Interest cost | 119,390 |
| Differences between expected and actual experience | (18,295) |
| Changes in assumptions | 77,392 |
| Changes of benefit terms | - |
| Benefit payments | (56,844) |
| Other | (121,608) |
| Ending OPEB Liability | $ 3,439,369 |

**Note 8 – Employee Benefit Plans (continued)**

For the years ended June 30, 2021 and 2020, the Commission recognized OPEB expense of $22,934 and $156,022, respectively. For those years recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

| As of June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions | $ 236,503 | $ 811,145 |
| Changes in experience | 75,454 | 16,263 |
| Changes in proportion | 94,026 | 219,293 |
| Transactions subsequent to the measurement date | 60,496 | - |
| Total | $ 466,479 | $ 1,046,701 |

| As of June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions | $ 201,944 | $ 1,007,071 |
| Changes in experience | 92,749 | - |
| Changes in proportion | 107,458 | 38,784 |
| Transactions subsequent to the measurement date | 59,891 | - |
| Total | $ 462,042 | $ 1,045,855 |

The $60,496 reported as deferred outflows resulting from transactions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred inflows and deferred outlfows of resources will be recognized as OPEB expense in subsequent years as follows:

| Amortization of Deferred Inflow of Resources | |
|---|---|
| 2022 | $ (117,573) |
| 2023 | (117,573) |
| 2024 | (117,573) |
| 2025 | (117,573) |
| 2026 | (117,577) |
| Thereafter | (52,849) |
| | $ (640,718) |

**Note 8 – Employee Benefit Plans (continued)**

The total OPEB liability in the June 30, 2020, was determined using the following actuarial assumptions.

| | |
|---|---|
| Inflation | |
| Economic | 2.75% |
| Salary | 3.50% |
| (Salaries are also expected to grow by promotions and longevity) | |
| | |
| Health care trend rates | |
| Initial rate(s) | 2.3% - 11.0% |
| Expected by 2080 | 4.30% |

Mortality rates were based on the Society of Actuaries' Publication H-2010 mortality rates, and vary by member status (active, retiree, or survivor). The Office of State Actuary applied age offsets for each system and recognized future improvements in mortality by applying the long-term MP-2017 generational improvement scale. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based upon the results of the 2013-2018 Demographic Experience Study Report. The post-retirement participation percentages and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2019 Report on Financial Condition and Economic Experience Study.

Because the OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was 2.21% for the June 30, 2020, measurement date.

The following represents the Commission's proportionate share of the OPEB liability calculated using the discount rate of 2.21% as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

| Discount Rate Sensitivity | | |
|---|---|---|
| 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
| $ 4,164,227 | $ 3,439,369 | $ 2,874,962 |

**Note 8 – Employee Benefit Plans (continued)**

The table below represents the Commission's proportionate share of the OPEB liability calculated using the health care trend rates range of 2-11% percent reaching an ultimate range of 4.3%, as well as what our proportionate share of the total OPEB liability would be if it were calculated using health care trend rates that were one percentage point lower (1-10%) or one percentage point higher (3-12%) than the current rate:

| Health Care Cost Trend Sensitivity | | |
|---|---|---|
| 1% Decrease | Current Discount Rate | 1% Increase |
| $ 2,802,720 | $ 3,439,369 | $ 4,292,912 |

**Note 9 – Risk Management**

The Commission is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and acts of terrorism for which we carry commercial insurance. As of June 30, 2021, there were no known asserted or unasserted claims or judgments against the Commission.

The Commission may be subject to various threatened or pending legal actions, contingencies, and commitments in the normal course of conducting its business. We provide for costs or income related to a settlement of these matters when a loss or gain is probable, and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations and liquidity is not predictable because any such effect depends on future results of operations and the amount and timing of the resolution of any such matters. However, we believe that the ultimate resolution of any such matters will not have a material adverse or beneficial effect on our financial position.

**Note 10 – Related Party Transactions**

The Commission provides staff and administrative services to the following state agencies for the years ended June 30, 2021 and 2020:

| Charges for Services | 2021 | 2020 |
|---|---|---|
| Washington Higher Education Facilities Authority | $ 304,420 | $ 298,433 |
| Tobacco Settlement Authority | 40,559 | 37,030 |
| **Receivable From** | | |
| Washington Higher Education Facilities Authority | $ 79,396 | $ 75,226 |
| Tobacco Settlement Authority | 8,503 | 20,068 |

# Required Supplementary Information

## Schedule of Proportionate Share of Net Pension Liability

**Schedule of Proportionate Share of Net Pension Liability**

| **PLAN 1** | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| WSHFC's portion of net pension liability | 0.0471% | 0.0465% | 0.0462% | 0.0455% | 0.0439% |
| WSHFC's proportionate share of the net pension liability | $ 1,646,824 | $ 1,790,818 | $ 2,052,105 | $ 2,168,328 | $ 2,361,147 |
| WSHFC's covered employee payroll | N/A | N/A | N/A | N/A | N/A |
| WSHFC's proportionate share of the net pension liability as a percentage of its covered employee payroll | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 68.64% | 67.12% | 63.22% | 61.24% | 57.03% |
| **PLAN 2 and 3** | | | | | |
| WSHFC's portion of net pension liability | 0.0613% | 0.0600% | 0.0594% | 0.0586% | 0.0564% |
| WSHFC's proportionate share of the net pension liability | $ 820,030 | $ 604,966 | $ 1,023,732 | $ 2,030,714 | $ 2,845,451 |
| WSHFC's covered employee payroll | $ 7,175,419 | $ 6,526,599 | $ 6,157,091 | $ 5,762,602 | $ 5,293,776 |
| WSHFC's proportionate share of the net pension liability as a percentage of its covered employee payroll | 11.43% | 9.27% | 16.63% | 35.24% | 53.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.22% | 97.77% | 95.77% | 90.97% | 85.82% |

## Schedule of Contributions

| **PLAN 1** | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Statutorily-required contributions | $ 341,322 | $ 333,507 | $ 309,065 | $ 273,962 | $ 249,236 |
| Contributions related to the statutorily-required contributions | 341,322 | 333,507 | 309,065 | 273,962 | 249,236 |
| Contribution (deficiency) excess | $ - | $ - | $ - | $ - | $ - |
| WSHFC's covered-employee payroll | N/A | N/A | N/A | N/A | N/A |
| Contribution as a percentage of covered-employee payroll | N/A | N/A | N/A | N/A | N/A |
| **PLAN 2 and 3** | | | | | |
| Statutorily-required contributions | $ 565,120 | $ 490,407 | $ 458,084 | $ 357,892 | $ 325,504 |
| Contributions in related to the statutorily-required contributions | 565,120 | 490,407 | 458,084 | 357,892 | 325,504 |
| Contribution (deficiency) excess | $ - | $ - | $ - | $ - | $ - |
| WSHFC's covered-employee payroll | 7,175,419 | 6,526,599 | 6,157,091 | 6,157,091 | 6,157,091 |
| Contribution as a percentage of covered-employee payroll | 7.88% | 7.51% | 7.44% | 6.21% | 6.15% |

*Plan 1 – No Commission employees are eligible for PERS 1. Commission contributions are required in order to address the PERS 1 unfunded actuarial accrued liability. Therefore, covered payroll and contributions as a percentage of covered payroll is not applicable to Plan 1.*

## Schedule of Proportionate Share of OPEB Liability

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| WSHFC's portion of OPEB Liability | 0.05680% | 0.05985% | 0.05805% | 0.05840% |
| WSHFC's proportionate share of the OPEB liability | $ 3,439,369 | $ 3,473,340 | $ 2,948,312 | $ 3,399,762 |
| WSHFC covered employee payroll | $ 7,175,419 | $ 6,526,599 | $ 6,157,091 | $ 5,762,602 |
| WSHFC's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 47.93% | 53.22% | 47.88% | 59.00% |

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Statutorily-required contributions | $ 161,040 | $ 148,176 | $ 132,450 | $ 130,800 |
| Contributions related to the statutorily-required contributions | 161,040 | 148,176 | 132,450 | 130,800 |
| Contribution (deficiency) excess | $ - | $ - | $ - | $ - |
| WSHFC's covered-employee payroll | $ 7,175,419 | $ 6,526,599 | $ 6,157,091 | $ 5,762,602 |
| Contribution as a percentage of covered-employee payroll | 2.24% | 2.27% | 2.15% | 2.27% |
| Total number of monthly insurance payments | 880 | 882 | 883.00 | 872.00 |
| Monthly contribution | $ 183 | $ 168 | 150.00 | 150.00 |
| Total | $ 161,040 | $ 148,176 | $ 132,450 | $ 130,800 |
| Calendar year 2020 subsidy | 183.00 | | | |
| Calendar year 2021 subsidy | 183.00 | | | |

# Supplemental Information

# Washington State Housing Finance Commission
## Schedule of Program Net Position

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | Restricted Bond Fund: Single-family Bond Program | Restricted Bond Fund: Homeownership Bond Program (NIBP) | Restricted Bond Fund: Multifamily Housing Bond Program | Program-Related Investments | General Operating Fund | June 30, 2021 | June 30, 2020 |
|---|---|---|---|---|---|---|---|
| CASH AND CASH EQUIVALENTS | $ 151,696,895 | $ 3,399,980 | $ 175,898,405 | $ 133,053,210 | $ 33,431,026 | $ 497,479,516 | $ 287,158,987 |
| INVESTMENTS | | | | | | | |
| U.S. government and agencies securities | - | - | - | 42,829,248 | 4,790,744 | 47,619,992 | - |
| Investment agreements and other investments | 80,321,065 | 5,000,000 | - | - | - | 85,321,065 | 71,347,495 |
| | 80,321,065 | 5,000,000 | - | 42,829,248 | 4,790,744 | 132,941,057 | 71,347,495 |
| ACCRUED INTEREST RECEIVABLE | 1,627,505 | 135,137 | - | 1,718,604 | 157,545 | 3,638,791 | 3,606,393 |
| FEES RECEIVABLE, net | | - | - | | 11,782,688 | 11,782,688 | 5,998,868 |
| OTHER RECEIVABLES | 1,710,937 | - | - | 77,083 | - | 1,788,020 | 3,186,571 |
| INTERFUND LOANS | (40,000,000) | - | - | 40,000,000 | - | - | - |
| MORTGAGE-BACKED SECURITIES, cost | 515,092,462 | 25,910,994 | - | - | - | 541,003,456 | 637,513,468 |
| Cumulative unrealized gain on mortgage-backed securities | 31,211,888 | 2,100,765 | - | - | - | 33,312,653 | 43,765,579 |
| MORTGAGE-BACKED SECURITIES, fair value | 546,304,350 | 28,011,759 | - | - | | 574,316,109 | 681,279,047 |
| MORTGAGE LOANS, net | - | - | - | 436,579,018 | - | 436,579,018 | 399,552,110 |
| PREPAID FEES AND OTHER | - | - | - | - | 498,719 | 498,719 | 514,236 |
| TOTAL ASSETS | 741,660,752 | 36,546,876 | 175,898,405 | 654,257,163 | 50,660,722 | 1,659,023,918 | 1,452,643,707 |
| DEFERRED OUTFLOWS OF RESOURCES | 1,907,517 | - | - | - | 1,545,339 | 3,452,856 | 4,294,417 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | $ 743,568,269 | $ 36,546,876 | $ 175,898,405 | $ 654,257,163 | $ 52,206,061 | $ 1,662,476,774 | $ 1,456,938,124 |

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | Restricted Bond Fund Single-family Bond Program | Homeownership Bond Program (NIBP) | Multifamily Housing Bond Program | Program-Related Investments | General Operating Fund | June 30, 2021 | 2020 |
|---|---|---|---|---|---|---|---|
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | $ 30,067,246 | $ 390 | $ - | $ 36,966,912 | $ 10,845,507 | $ 77,880,055 | $ 60,174,149 |
| ACCRUED INTEREST PAYABLE | 1,298,221 | 58,756 | 35,825 | - | - | 1,392,802 | 1,781,701 |
| UNEARNED-REVENUE AND OTHER | - | - | - | - | 15,248,392 | 15,248,392 | 8,668,576 |
| DERIVATIVE INSTRUMENT - INTEREST RATE SWAP | 1,907,517 | - | - | - | - | 1,907,517 | 2,897,121 |
| NOTES PAYABLE | 11,444,208 | - | 175,862,580 | - | - | 187,306,788 | 70,675,039 |
| BONDS PAYABLE | | | | | | | |
| Current interest bonds | 497,920,000 | 300,000 | - | - | - | 498,220,000 | 541,995,000 |
| Taxable bonds | 34,083,242 | 22,198,686 | - | - | - | 56,281,928 | 64,794,841 |
| Unamortized bond premium | 10,614,772 | - | - | - | - | 10,614,772 | 9,437,581 |
| | 542,618,014 | 22,498,686 | - | - | - | 565,116,700 | 616,227,422 |
| TOTAL LIABILITIES | 587,335,206 | 22,557,832 | 175,898,405 | 36,966,912 | 26,093,899 | 848,852,254 | 760,424,008 |
| DEFERRED INFLOWS OF RESOURCES | 1,657,778 | - | - | - | 1,590,651 | 3,248,429 | 3,251,067 |
| NET POSITION | | | | | | | |
| Restricted | | | | | | | |
| Bond operations | 154,575,285 | 13,989,044 | - | - | - | 168,564,329 | 166,555,877 |
| Grants and donations to Program-Related Investments | - | - | - | 809,424 | - | 809,424 | 984,384 |
| Net investment in capital assets | - | - | - | - | 80,611 | 80,611 | 139,887 |
| Unrestricted | | | | | | | |
| General operations | - | - | - | - | 23,967,853 | 23,967,853 | 23,150,561 |
| Housing Washington | - | - | - | - | 473,047 | 473,047 | 373,946 |
| Program-Related Investments | - | - | - | 616,480,827 | - | 616,480,827 | 502,058,394 |
| | 154,575,285 | 13,989,044 | - | 617,290,251 | 24,521,511 | 810,376,091 | 693,263,049 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF AND NET POSITION | $ 743,568,269 | $ 36,546,876 | $ 175,898,405 | $ 654,257,163 | $ 52,206,061 | $ 1,662,476,774 | $ 1,456,938,124 |

# Washington State Housing Finance Commission
## Schedule of Program Revenues, Expenses and Changes in Program Net Position

| | Restricted Bond Fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | Single-family Bond Program | Homeownership Bond Program (NIBP) | Multifamily Housing Bond Program | Program-Related Investments | General Operating Fund | Years Ended June 30, 2021 | 2020 |
| REVENUES | | | | | | | |
| Interest earned on mortgage loans and mortgage-backed securities | $ 19,523,815 | $ 1,867,299 | $ - | $ - | $ - | $ 21,391,114 | $ 22,961,823 |
| Other interest and investment income (loss) | 2,169,653 | 171,153 | 186,281 | - | 230,484 | 2,757,571 | 7,293,346 |
| Gain (loss) on mortgage-backed securities | (7,892,552) | (2,560,374) | - | - | - | (10,452,926) | 24,764,879 |
| Other fee income | 982,521 | 129,107 | - | 79,784,543 | 54,837,515 | 135,733,686 | 117,113,953 |
| Nonoperating revenues - grants | - | - | - | - | 3,696,435 | 3,696,435 | 1,473,316 |
| | 14,783,437 | (392,815) | 186,281 | 79,784,543 | 58,764,434 | 153,125,880 | 173,607,317 |
| EXPENSES | | | | | | | |
| Interest on debt | 16,972,020 | 1,367,455 | 179,434 | - | - | 18,518,909 | 19,619,289 |
| Amortization of bond premium | (1,355,103) | (79,805) | - | - | - | (1,434,908) | (767,005) |
| Bond issuance costs | 1,225,829 | - | - | - | - | 1,225,829 | 950,812 |
| Servicing and commission fees | 1,075,481 | 129,107 | - | - | - | 1,204,588 | 1,262,909 |
| Salaries and wages | - | - | - | - | 8,789,791 | 8,789,791 | 9,505,963 |
| Communication and office expense | - | - | - | - | 2,048,091 | 2,048,091 | 2,292,180 |
| Professional fees | - | - | 6,847 | - | 1,252,589 | 1,259,436 | 1,318,047 |
| Trustee and paying agent fees | 85,070 | 14,894 | - | - | - | 99,964 | 96,030 |
| Other | 44,160 | - | - | 560,543 | - | 604,703 | 2,376,803 |
| Nonoperating expenses - grants | - | - | - | | 3,696,435 | 3,696,435 | 1,473,316 |
| | 18,047,457 | 1,431,651 | 186,281 | 560,543 | 15,786,906 | 36,012,838 | 38,128,344 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENSI | (3,264,020) | (1,824,466) | - | 79,224,000 | 42,977,528 | 117,113,042 | 135,478,973 |
| RETURN REMAINING CONTRIBUTION FOR CLOSED PROGRAM | - | - | - | - | - | - | (98,312) |
| CHANGE IN NET POSITION | (3,264,020) | (1,824,466) | - | 79,224,000 | 42,977,528 | 117,113,042 | 135,380,661 |
| NET POSITION | | | | | | | |
| Balance, beginning of year | 146,808,294 | 19,747,583 | - | 503,042,778 | 23,664,394 | 693,263,049 | 557,882,388 |
| Contribution (distribution) of equity | 11,031,011 | (3,934,073) | - | 35,023,473 | (42,120,411) | - | - |
| Balance, end of year | $ 154,575,285 | $ 13,989,044 | $ - | $ 617,290,251 | $ 24,521,511 | $ 810,376,091 | $ 693,263,049 |

| | Restricted Bond Fund | | | | | |
|---|---|---|---|---|---|---|
| | Single-family Housing Bond Program | Homeownership Bond Program (NIBP) | Multifamily Housing Bond Program | Program-Related Investments | General Operating Fund | Year Ended June 30, 2021 |
| OPERATING ACTIVITIES | | | | | | |
| Receipts for interest on mortgages | $ 19,530,988 | $ 1,962,568 | $ - | $ - | $ - | $ 21,493,556 |
| Receipts for other fee income | 1,111,521 | 129,107 | - | 79,647,294 | 60,134,169 | 141,022,091 |
| Receipts for loans and mortgage prepayments | 134,864,884 | 13,923,339 | - | 96,262,812 | - | 245,051,035 |
| Payments for acquisition of loans and mortgages | (52,022,509) | - | - | (118,896,792) | - | (170,919,301) |
| Payments for bond program expenses | (2,469,010) | (144,166) | - | - | - | (2,613,176) |
| Payments to employees and suppliers | - | - | (6,847) | 1,549,441 | (15,129,098) | (13,586,504) |
| Net cash from (used for) operating activities | 101,015,874 | 15,870,848 | (6,847) | 58,562,755 | 45,005,071 | 220,447,701 |
| INVESTING ACTIVITIES | | | | | | |
| Purchase of investments | (1,117,386,815) | - | - | (10,586,216) | - | (1,127,973,031) |
| Sale of investments | 1,066,309,985 | - | - | - | 69,486 | 1,066,379,471 |
| Interest received on investments | 2,131,271 | 156,665 | 186,281 | - | 299,610 | 2,773,827 |
| Net cash from (used for) investing activities | (48,945,559) | 156,665 | 186,281 | (10,586,216) | 369,096 | (58,819,733) |
| NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Proceeds from sale of bonds and notes | 113,835,270 | - | - | - | - | 113,835,270 |
| Proceeds from collateralized loans | 237,577,486 | - | 148,430,983 | - | - | 386,008,469 |
| Repayments of collateralized loans | (233,274,513) | - | (36,102,207) | - | - | (269,376,720) |
| Short term loan provided to other fund | - | - | - | - | - | - |
| Interest paid on debt | (17,222,673) | (1,578,574) | (220,296) | - | - | (19,021,543) |
| Debt repayments | (133,585,809) | (29,167,106) | - | - | - | (162,752,915) |
| Transfer of bond proceeds | (13,845,000) | 13,845,000 | - | - | - | - |
| Contributions | 7,096,938 | - | - | 35,023,473 | (42,120,411) | - |
| Net cash from (used for) noncapital financing activities | (39,418,301) | (16,900,680) | 112,108,480 | 35,023,473 | (42,120,411) | 48,692,561 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 12,652,014 | (873,167) | 112,287,914 | 83,000,012 | 3,253,756 | 210,320,529 |
| CASH AND CASH EQUIVALENTS | | | | | | |
| Beginning of year | 139,044,881 | 4,273,147 | 63,610,491 | 50,053,198 | 30,177,270 | 287,158,987 |
| End of year | $ 151,696,895 | $ 3,399,980 | $ 175,898,405 | $ 133,053,210 | $ 33,431,026 | $ 497,479,516 |

| | Restricted Bond Fund | | | | | |
|---|---|---|---|---|---|---|
| | Single-family Housing Bond Program | Homeownership Bond Program (NIBP) | Multifamily Housing Bond Program | Program-Related Investments | General Operating Fund | Year Ended June 30, 2021 |
| RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENSES TO NET CASH FROM OPERATING ACTIVITIES | | | | | | |
| Excess (deficit) of revenues over expenses | $ (3,264,020) | $ (1,824,466) | $ - | $ 79,224,000 | $ 42,977,528 | $ 117,113,042 |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash from operating activities | | | | | | |
| Amortization of mortgage discount | (256,743) | - | - | - | - | (256,743) |
| Amortization of mortgage premium | 1,041 | - | - | - | - | 1,041 |
| Amortization of bond premium | (1,355,103) | (79,805) | - | - | - | (1,434,908) |
| Acquisition of mortgage loans | (52,022,509) | - | - | (118,896,792) | - | (170,919,301) |
| Repayments of mortgage loans | 134,864,884 | 13,923,339 | - | 96,262,812 | - | 245,051,035 |
| Unrealized (gain) loss on securities | 7,892,552 | 2,560,374 | - | - | - | 10,452,926 |
| Cash from changes in operating assets and liabilities | | | | | | |
| Interest and other receivables | (1,777,777) | (75,884) | (186,281) | 469,823 | (5,383,159) | (6,953,278) |
| Interest and other payables | 16,933,549 | 1,367,290 | 179,434 | 1,502,912 | 7,410,702 | 27,393,887 |
| Net cash from (used for) operating activities | $ 101,015,874 | $ 15,870,848 | $ (6,847) | $ 58,562,755 | $ 45,005,071 | $ 220,447,701 |

| Series | Issue Date | Original Amount | Final Maturity Date | Balance Outstanding 6/30/2021 | Balance Outstanding 6/30/2020 |
|---|---|---|---|---|---|
| **Single-family (Open Indenture)** | | | | | |
| Single-family Series 2013 1A-R/1N-R | 3/27/2013 | 62,515,000 | 6/1/2043 | 21,325,000 | 23,445,000 |
| Single-family Series 2014 1A-R/1N-R | 1/28/2014 | 36,700,000 | 6/1/2043 | 285,000 | 1,310,000 |
| Single-family Series 2014 2A-R 2N 2N-R | 12/18/2014 | 50,515,000 | 6/1/2044 | 8,675,000 | 11,765,000 |
| Single-family Series 2015 1A-R/1N | 12/10/2015 | 63,845,000 | 6/1/2038 | 22,840,000 | 27,105,000 |
| Single-family Series 2016 1A-R 1N VR-1N | 5/26/2016 | 65,500,000 | 12/1/2046 | 38,480,000 | 43,380,000 |
| Single-family Series 2016 2A-R 2N | 11/30/2016 | 67,045,000 | 12/1/2046 | 40,315,000 | 51,455,000 |
| Single-family Series 2017 1A-R 1N | 4/27/2017 | 67,370,000 | 12/1/2047 | 37,955,000 | 45,465,000 |
| Single-family Series 2017 2A-R/2N | 9/28/2017 | 35,230,000 | 6/1/2047 | 19,340,000 | 30,315,000 |
| Single-family Series 2017 3N/3N-R/3A-R | 12/28/2017 | 70,475,000 | 12/1/2047 | 26,725,000 | 66,280,000 |
| Single-family Series 2018 1N/1N-MM | 10/18/2018 | 98,190,000 | 12/1/2048 | 76,145,000 | 92,625,000 |
| Single-family Series 2019 1N | 3/20/2019 | 78,210,000 | 6/1/2049 | 47,720,000 | 76,385,000 |
| Single-family Series 2019 2A/2N | 11/26/2019 | 38,535,000 | 12/1/2049 | 37,035,000 | 38,385,000 |
| Single-family Series 2020 1A/1N | 5/28/2020 | 41,765,000 | 6/1/2050 | 40,775,000 | 41,765,000 |
| Single-family Series 2020 2N | 11/30/2020 | 38,835,000 | 12/1/2050 | 38,675,000 | - |
| Single-family Series 2021 1N | 5/27/2021 | 71,630,000 | 12/1/2049 | 71,630,000 | - |
| Special Single-family | 10/18/2012 | 26,171,376 | 10/1/2042 | 4,083,242 | 5,444,050 |
| | | | | 532,003,242 | 555,124,050 |
| Unamortized Bond Premium | | | | 10,614,772 | 9,188,454 |
| | | | | $ 542,618,014 | $ 564,312,504 |
| **Homeownership Program Bonds** | | | | | |
| HPB 09 Series AC1/2010 Series A - NBIP | 6/29/2010 | 100,000,000 | 10/1/2041 | - | 855,000 |
| Homeownership Program Bonds 09 AC2/11 A | 3/24/2011 | 99,990,000 | 10/1/2041 | 300,000 | 2,480,000 |
| Homeownership Program Bonds 09 AC3/11 B | 9/29/2011 | 116,440,000 | 10/1/2041 | - | 18,980,000 |
| Homeownership Program Bonds 2013A | 1/30/2013 | 23,675,203 | 3/1/2040 | 3,818,686 | 4,865,791 |
| Homeownership Program Bonds2015 AB | 5/28/2015 | 69,370,000 | 5/1/1941 | 18,380,000 | 24,485,000 |
| | | | | 22,498,686 | 51,665,791 |
| Unamortized Bond Premium | | | | - | 249,127 |
| | | | | $ 22,498,686 | $ 51,914,918 |

MOSSADAMS


SMITH'S
Luncheon
Sponsored by:
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EXIT


EXIT
2017
WYOMING CDA
2018
2020
ELLEN DUFFY
NEW YORK CITY HDC
2021
ROBERT COOK
WASHINGTON HFC