

WASHINGTON STATE HOUSING FINANCE COMMISSION

Affordable Housing Down Every Road



ANNUAL REPORT



Spokane Falls Gondola, Riverfront Park

2015 Commissioners

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Ex Officio

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Public Member

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Public Member

Mario Villanueva
Public Member

Letter From Our Chair

From the roads of Washington state, you can take in such iconic sights as Seattle’s Space Needle, Yakima’s fields and orchards, Spokane’s Riverfront Park, and the majestic Mount Rainier—as well as cities and towns of every description.

But whether you get there by gravel road, ferry, or four-lane freeway, almost every community in Washington is facing a shortage of affordable housing.

The homeless struggle to survive on city streets. Rural farmworker families share small rooms with relatives. Artists are pushed out of once-affordable neighborhoods by

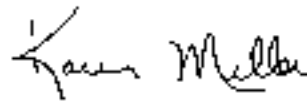
expensive condos. Homeowners and homebuyers in the suburbs try to hang on and build equity.

In all these places and more, you’ll find the Housing Finance Commission, creating solutions. Our financing tools and expertise provide opportunities for Washington residents everywhere to live affordably and plan for the future.

In 2015, in communities all over the state, affordable housing was an urgent topic of discussion. In this report, we share some facts about local housing challenges and how we’re helping to beat them.

Next time you’re on the road—any road—in Washington state, look around. You might just pass a new apartment complex with kids in the playground; an older apartment building that seems to have a new roof and siding; a quiet house where people are planting a tree.

We’ve been there.



Karen Miller, Chair

Washington State
Housing Finance Commission



See our programs in action

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“Almost every community in Washington is facing a shortage of affordable housing.”

Karen Miller, Chair

2015

Impact Down Every Road

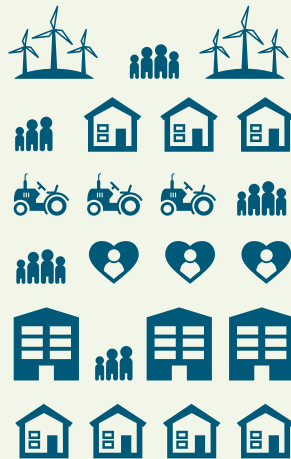
Small Budget. Big Impact.

The Commission's operating expenses are dwarfed by our investments in Washington state communities.

\$16.7 million
operating expense

\$1.5 billion

investments in Homeownership, Multifamily Housing and Community Projects



Homeownership Impact

Our Home Advantage program continues to soar. More and more residents from across Washington state are turning to this program for downpayment assistance, home loans and free homebuyer education classes.

Mortgage Loans

\$772 million

3,996

households served
3,875 Home Advantage loans
121 House Key loans

+57% from 2014

Down-payment and closing-costs loans*

\$27.5 million

3,443

homebuyers served
(buyers using our home loans)

+37% from 2014

Mortgage Credit Certificates*

\$432 million

2,060

credit certificates

+23% from 2014

Free Homebuyer Education Seminars

8,992

potential homebuyers attended a seminar, including **3,745 online**

3,996

in-person seminars held statewide

536 instructors trained

* These programs may be used in tandem with our first-mortgage loan.

Multifamily Impact

Affordable rental housing is still a huge challenge for many individuals and families. Our bond and tax credit program attracted even more interest in 2015, from nonprofit organizations serving homeless and low-income families to private developers serving seniors.

 **4,830**

units of housing created, including:

- 386 for seniors
- 478 for disabled households
- 192 for homeless households
- 44 for farmworker households

\$400.5 million

issued in bonds

\$205.5 million

allocated in housing credits



Combined Bonds and 4% Tax Credits

\$377 million

in bonds

\$47 million

in tax credits

3,972

rental housing units created or preserved



9% Housing Tax Credits

\$158.5 million

in tax credits

858

units created or preserved



Nonprofit Housing

\$23.5 million

in bonds issued to create 84 units and refinance more than 268 existing units

Asset Management Impact

Our Asset Management and Compliance team makes sure the projects we finance remain viable for the long term. Technical assistance and on-site visits maintain our relationships with these projects for decades.

75,000+

units in 934 properties monitored statewide

600+

property owners and managers trained in compliance monitoring and reporting

275+

properties inspected each year

A view of the Seattle area



Nearly 23%
of households are low-income renter households



About 85%
of the lowest-income renter households cannot access affordable housing

Nearly 70,000
of the lowest-income renter households are severely burdened by the cost of monthly rent



Capoeira is a martial art, a dance, and a game that teaches self-defense, rhythm, Portuguese language, bodily awareness and balance. Youth and adults alike learn respect and tolerance.

Syed Taqi, capoeira professor, lives and works in Artspace Mt. Baker Lofts

“Artists are a good investment for the community... an anchor for revitalization...”

Seattle is one of the top 10 creative cities in the nation. Here, artists help neighborhoods come alive—but first, they need affordable housing.

After years of transitional housing and couch surfing, capoeira professor Syed Taqi now calls Artspace Mt. Baker Lofts home. “To say that Artspace has improved my quality of life would be an understatement,” says Syed. “It totally flipped my life around.”

The Commission’s \$7.5 million investment in Mt. Baker Lofts provides live/work opportunities for 57 artists and their families who earn between 30 and 60 percent of the area median income.

Dancers, painters, musicians, actors, sculptors, and writers collaborate, support one another, and practice their art under one roof.

“The Commission recognizes that artists are a good investment for the community—for that, I’m grateful,” says Julie Alexander, Artspace asset manager. “Our loft is an anchor for the revitalization of Seattle’s Mt. Baker neighborhood and light rail station.”

*“I was once a 13-year-old boy who couldn’t read,
and I am now a business owner...keeping a sacred tradition alive.”*

Syed Taqi, capoeira professor



Multifamily Housing Program

Syed agrees that the Lofts create a vibrant creative culture. “Living in the Lofts and teaching classes on-site at the Seattle Capoeira Center helps me focus on my business and gives my students a sense of home, not just another martial arts studio,” says Syed.

“I continually seek ways to give capoeira back to young people who need it as much as I did while growing up in the projects of Chicago,” he adds. “I was once a 13-year-old boy who couldn’t read, and I am now an artist and a business owner who has traveled the world, keeping a sacred tradition alive.

“Through my art, I hope to see other youth transformed as profoundly as I have been.”



Top: Artspace Mt. Baker Lofts
Bottom: Pike Place Market

A view of Yakima County



Nearly 25%
of households are low-
income renter households



About 85%
of the lowest-income renter households
cannot access affordable housing



More than 25%
of people work in agriculture
earning an average of
\$26,429 a year



Guadalupe Ramirez, hop farmer, and his daughter in their home at Mother Joseph Villa

SHARE

“We can significantly change the trajectory for families in just one generation.”

223 Nestled in Yakima County, between the cities of Zillah and Sunnyside, is the town of Granger. It may be small (population: 3,000), but its impact on the local and state economy is big.

“Granger is, in many respects, a hub,” explains John Probst, multifamily housing development manager for Genesis Housing Services. “It’s centrally located, it’s in the heart of an agricultural region. The need for affordable housing is huge.”

With nearly \$7 million in tax credits from the Washington State Housing Finance Commission, Genesis Housing Services is making a significant dent in that need by building a new community in Granger called Mother Joseph Villa. In late September, families began moving in. A total of 51 affordable apartments will be leased to local farmworkers and their families.

Convenient to public transportation and schools, Mother Joseph Villa is more than an apartment complex. A community building, computer lab, and classrooms provide space for additional education and activities, from after-school programs for children and English classes for adults to financial literacy and first-time homebuyer classes.

“This is the first time we’ve lived as a family...just the three of us.”

Guadalupe Ramirez, Mother Joseph Villa resident

Multifamily Housing Program

But it’s not just the residents who benefit—the town reaps construction jobs as well as high-quality, long-lasting, affordable housing in which families can prosper.

“What a great project,” adds Gary Anderson, mayor of Granger. “The 51 units provide the city with affordable housing, which our community needs. We’re so excited for the new residents to become part of the city.”

John sees other important benefits, too. “We’re not just trying to house people; we’re trying to work with families to change their trajectory and help them achieve the American dream.”



Built to last, built to be green

Mother Joseph Villa offers families affordable two- and three-bedroom apartments and is built to the highest construction and energy-efficient standards, including:

- 50-year siding and roofing that needs little maintenance
- LED lighting
- Ductless heat pumps offer more efficient heating and cooling
- Water-wise landscaping and laundry

Left: Irrigation equipment
Right: Mother Joseph Villa

A view of Snohomish County



Nearly 20%
of households are low-
income renter households



More than 80%
of the lowest-income renter households
cannot access affordable housing

About 52%
of renters over age
60 pay more for
housing than they
can afford



Mary and Phil Davenport are thrilled with their new residence, The Reserve at Everett

“Lower-interest financing... affordable communities for seniors.”

5 The housing market in the greater Seattle area is among the hottest in the country. Escalating home prices and bidding wars leave many residents struggling to find affordable living options.

For seniors living on a fixed income, this can be especially challenging.

That’s just one reason why Mary Davenport and her husband, Phil, are thrilled with their new residence, The Reserve at Everett. Funded by the Commission’s tax-exempt bond financing and developed by AVS Communities, the Reserve consists of 180 affordable senior apartments in downtown Everett. Newly constructed, the modern housing complex also includes an on-site exercise room, swimming pool, computer room, and beauty shop, plus convenient access to public transportation, health care, and other important services.

“The Commission’s tax-exempt bonds provide us lower-interest financing, allowing us to create beautiful, amenity-rich communities for seniors,” says Christopher Santoro, president of AVS Communities.

*“Now, I can’t imagine
living anywhere else.”*

Mary Davenport

Multifamily Housing Program

The Davenports moved into their new two-bedroom apartment in June. “We really like it here,” says Mary. “There are so many things here you would never have in your house, and that makes it easy for us—and a great place to call home.”

Mary, who suffers from neuropathy in her feet, appreciates the Reserve’s elevator almost as much as the social activities—including birthday parties, crafts, and weekly gatherings for Seahawks games.

“When we decided to move from our rental house [that was going to be sold], my husband was worried and a bit skeptical. Now, I can’t imagine living anywhere else.”



Left: The Reserve at Everett / Right: Fisherman Tribute at Marina Plaza

A view of the Spokane area



Marilee Roloff and Rob McCann at The Marilee site, opening summer 2016

“I can see the day when every chronically homeless person in Spokane *has a place to call home.*”

2 “This has never happened before in Spokane,” says an excited and passionate Marilee Roloff, president and CEO of Volunteers of America (VOA), Eastern Washington and Northern Idaho.

“Next summer, 100 chronically homeless people will have housing! There’s going to be this moment in time when some of the people who are the hardest to house and who have the most challenges will be able to call this home.”

“This” is two adjacent apartment buildings called Buder Haven and The Marilee—named for Roloff herself. VOA and Catholic Charities Spokane are building the properties together.

Financed by more than \$16 million in tax-credit equity allocated by the Commission, the tandem project is a model of partnership, problem-solving, and innovation:

- Fills a need for affordable housing for the homeless in Spokane
- Builds on the success of nearby Father Bach Haven, opened by Catholic Charities in 2012 with 50 apartments for the chronically homeless, and on the success of VOA’s 125 units of permanent supportive housing
- Lowers operating costs for both organizations by allowing them to share support services such as case workers, mental health counselors, and community health workers
- Saves money by sharing development costs between architect and contractor (and building both properties at the same time)



Multifamily Housing Program

“I don’t know of a better way to construct affordable housing than accessing tax-credit funding from the Commission,” stresses Rob McCann, Ph.D., executive director of Catholic Charities Spokane. “Federal funds have really dried up and the only other option for financing affordable housing is for me to fundraise. That takes a lot of time and it takes me away from our work.”

That work, common to both Rob and Marilee, is about helping the chronically homeless and others who struggle to find affordable housing. “When you take care of housing first, it’s much easier and much more effective to tackle the other issues,” explains Marilee.

“When we provide services on site and support our residents with committed staff, they use fewer community-wide services overall,” adds Rob. “We also see a tremendous improvement in the quality of life for our residents. Stability is a game-changer.”

While there is still a gap in affordable housing for the homeless, Rob is optimistic about the future. “As we continue to work with the Commission, I can see the day when every chronically homeless person in Spokane has a place to call home.”

“Stability is a game-changer.”

Rob McCann, Ph.D., executive director of Catholic Charities Spokane



Riverfront Park

A view of Pierce County



About 42%
of housing stock in Pierce County is
unaffordable to people earning median income

About
65,000
homeowners are
cost-burdened
by the monthly
mortgage



Nearly 21%
of households are low-
income renter households



Shannon Cariaso, first homebuyer to use EnergySpark

“I tell everybody about the program... every bit of savings helps.”

5

Shannon Cariaso admits that utility costs were far from her mind when she chose her house in Lakewood.



Homeownership
Program

But when Shannon found out about the Commission’s new EnergySpark program, she jumped at the chance to make energy-efficiency improvements up front.

In fact, she was the first homebuyer to use EnergySpark, launched in 2015. This program lets homebuyers finance energy-efficiency upgrades at the time they buy their home (or rewards them for buying homes that are already energy-efficient). Plus, buyers save up to a quarter percent on their mortgage rate and can still use the Commission’s downpayment assistance, a zero-percent-interest loan.

Shannon knew her 1956 house could certainly use some energy upgrades. She hired Green Dog Enterprises for the required energy inspection of her new house. The recommendation: replace the furnace and insulate the floor and ceiling.

Shannon and her Realtor, Shirley Hadley of John L. Scott, got bids and chose a contractor, then made sure the work was done by the time the loan closed. Through EnergySpark, the \$8,276 cost of the work was financed into Shannon’s loan by Sheila Christy at Evergreen Home Loans.

According to the energy audit, she’ll save nearly \$900 a year in heating costs. For Shannon, a dental assistant, every bit of savings helps.

“I tell everybody about this program,” says Shannon. “The money I’m saving in electricity already is really nice.”

Counseling keeps families in their homes

Since 1998, the Washington State Housing Finance Commission has funded counseling to help people prepare for homeownership and stay in their homes should they face foreclosure. The need for these services skyrocketed when the 2008-09 financial crisis hit.

Even though the economy is recovering, many families are still facing foreclosure. Fortunately, help is available.

Puyallup’s Jeff Powloski and his family were just one of thousands helped by the Commission’s program, which contracts with nonprofit housing-counseling firms across the state. “When the economy tanked, so did my electrical business. Our house was part of the bankruptcy filing and we were facing almost certain foreclosure,” Jeff recalls.

This is where foreclosure counseling fits in. From protecting consumers from unfair or illegal practices to helping mediate or modify mortgages, these services can make a huge difference.

Working with Parkview Services (one of the agencies funded by the Commission), the Powloskis were able to obtain a modified timeline for their mortgage and are now making regular payments.

Beyond Housing: *Building Community*

While affordable housing is our core mission, we also support people and build communities in other important ways. Our financing allows nonprofits to build and remodel facilities, beginning farmers to purchase land and equipment, and many kinds of entities to conserve and create sustainable energy.

Energy

1 project \$1 million financed

West Seattle: Earth 6 Homes

In June 2015, the Commission's latest project with private developer Green Canopy Homes went on the market. These six townhome-style homes sit on one large lot on Delridge Way in West Seattle. Each three-story home has three bedrooms and three baths. But while the typical Seattle house of that size uses 28,000 kilowatt hours of power each year, each of these uses just 12,000. Utilities are a big part of the cost of housing—using less energy can mean paying a lot less in the long run.

Utility Discount Program Partnership

Last August, 3,500 low-income households in Seattle were able to cut energy costs. The Commission made this possible by sharing addresses of affordable apartments financed through our programs with the City of Seattle's Utility Discount Program. Because the residents of those units were already income-qualified, they automatically saved up to \$800 per year on their city utility bills without having to jump through additional hoops.



Top:
Earth 6 Homes,
West Seattle
Bottom:
Developer Green
Canopy Homes
at Earth 6

Nonprofit Facilities

7 projects \$73.3 million financed

\$5.15 million

Amara (Seattle)

\$1.2 million

Dawson Place (Everett)

\$46.8 million

Eastside Catholic School
(Sammamish)

\$15 million

Hamlin Robinson School (Seattle)

\$2.4 million

Pacific Science Center (Seattle)

\$1.1 million

Pierce County AIDS Foundation
(Tacoma)

\$1.7 million

Puget Sound Regional Resources
(Renton)

Hamlin Robinson School is the only nonprofit school in Washington dedicated to serving students with dyslexia and other language-based learning differences. Over 220 students (grades 1-8) commute to HRS in Seattle from six counties. “We were faced with a steep mountain when we needed to build our own facility,” says Head of School Joan Beauregard. “We are so thankful for the opportunity to work with the Commission and our lender, Columbia Bank. Without access to this type of tax-exempt bonds and the accompanying lowered interest rates, Hamlin Robinson School would not be in the positive position we are in today.”



Top: Students tour Hamlin Robinson construction site

Bottom: Hamlin Robinson ribbon-cutting ceremony, June 2015

Financial Performance

Statement of Net Assets

For the years ending June 30, 2015 Unaudited (in thousands)

	2015	2014	\$ Change	% Change
Assets				
Cash and cash equivalents	\$ 28,869	\$ 20,577	\$ 8,292	40.3%
Investment securities	–	\$ 9,646	\$ (9,646)	-100%
Receivables and prepaids	\$ 5,100	\$ 4,011	\$ 1,089	27.2%
Furniture and fixtures (net of depreciation)	\$ 152	\$ 109	\$ 43	39.4%
Total assets	\$ 34,121	\$34,343	\$(222)	-0.6%
<i>Deferred Outflows of Resources</i>	<i>\$ 422</i>	<i>–</i>	<i>\$ 422</i>	<i>NA</i>
Total assets and outflows of resources	\$ 34,543	\$ 34,343	\$ 200	-0.6%
Liabilities				
Accounts payable and other liabilities	\$ 2,268	\$ 2,237	\$ 31	1.4%
Net Pension Liability	\$ 3,113	–	\$ 3,113	NA
Unearned fee income	\$ 13,606	\$ 13,832	\$ (226)	-1.6%
Total liabilities	\$ 18,987	\$ 16,069	\$ 2,918	18.2%
<i>Deferred Inflows of Resources</i>	<i>\$1,393</i>	<i>–</i>	<i>\$ 1,393</i>	<i>NA</i>
Total net assets	\$ 14,163	\$ 18,274	\$ (4,111)	-23%
Total liabilities, net assets, and inflows of resources	\$ 34,543	\$ 34,343	\$ (200)	-0.6%

Statement of Activities and Change in Net Assets

For the years ending June 30, 2015 Unaudited (in thousands)

Revenues				
Fee and other income	\$ 21,577	\$ 21,018	\$ 559	2.7%
Interest and investment income (net)	\$ 728	\$ 572	\$ 155	27.1%
Grants and other pass-through revenue	\$ 5,799	\$ 5,348	\$ 451	8.4%
Total revenues	\$ 28,104	\$ 26,939	\$ 1,165	4.3%
Expenses				
Salaries, wages, and employee benefits	\$ 6,476	\$5,704	\$ 772	13.5%
Professional fees	\$ 1,068	\$ 1,094	\$ (26)	-2.4%
Office and other expense	\$ 3,384	\$ 2,277	\$ 1,107	48.6%
Grants and other pass-through expense	\$ 5,799	\$ 5,348	\$ 451	8.4%
Total expenses	\$ 16,727	\$ 14,423	\$ 2,304	16.0%
Allocated to Commission fund	\$ 2,431	\$ 1,794	\$ 637	35.5%
Excess allocated to program investments	\$ 9,352	\$ 10,722	\$ (1,370)	-12.8%

On solid fiscal ground

Outlook for Commission programs in 2016 and beyond: positive

The Commission has closed another year of fiscal success. We transferred \$9 million into our Program Investment Fund in 2015 which we reinvested to fund downpayment assistance for homebuyers, small capital projects for nonprofits, innovative housing programs, and sustainable energy projects.

Multifamily bond issuances increased, nearly matching our record set in 2008. This was largely due to the demand for tax-exempt bonds coupled with 4% housing credit. Developers have been using this as an alternative to the 9% housing credit, where demand far outstrips supply.

In the Homeownership division, production was again through the roof, fueled by Home Advantage, our daily-priced program using traditional, taxable mortgage funding, rather than the proceeds of tax-exempt bonds. We anticipate that Home Advantage will continue to be our primary funding mechanism for home loans.

Affordable housing continues to be vital

Washington state continues to benefit from a strong and growing economy. The demand for housing, especially in urban areas, is high. Although the Federal Reserve is expected to raise interest rates, which could have a negative impact on our production, the rising rates will increase the value of the tax exemption on interest that we can provide.

Housing data in this report is taken from the 2015 Housing Needs Assessment (www.commerce.wa.gov/housingneeds) except as follows: Employment Security Department, Quarterly Census of Employment & Wages (Yakima County); Snohomish County Area Plan on Aging 2016-2019; 2015 One-Night Count of homeless individuals (Spokane).



The Seattle Great Wheel



WASHINGTON STATE
**HOUSING FINANCE
COMMISSION**

Opening doors to a better life

www.WSHFC.org

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The Washington State Housing Finance Commission is a publicly accountable, self-supporting team dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington. We work to increase housing people can afford statewide, and we issue below-market-rate, tax-exempt bonds, and federal housing credits to fund housing and nonprofit facilities across Washington. The bonds of the Washington State Housing Finance Commission are not obligations of Washington state and are not repaid with tax dollars. The Commission is financially self-sufficient. All operating expenses are paid from program revenues. No taxpayer dollars were used to produce this document. For more information about the Commission and its work, visit www.wshfc.org or call 206-464-7139 or 1-800-767-HOME (4663) in Washington state.