Our Mission

We are 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.

Our Operating Vision

We are a catalyst to join resources and partnerships creating greater access to housing and community services. Every Commission contact is positive and informative.

Our Shared Values

We value:
Teamwork
Every employee’s contribution
A trusting, respectful dialogue with one another
A safe environment to express opinions
Personal responsibility
Flexible and innovative leadership
Willingness to accept constructive feedback and change
Sharing information
A helpful attitude toward clients
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INTRODUCTION

The **Housing Finance Plan for 2013-2015** will summarize the Commission’s efforts to respond to market conditions that have changed significantly between the end of 2010, when the last revision was made, and the middle of 2013, when this Plan will take effect. While we are seeing some improvements in the housing market and a return of the multifamily bond programs, we still have not identified the “new normal.”

During the past four years, the federal government has made major investments to stimulate the economy and stabilize both the credit and housing markets. These efforts have changed the way the Commission does business and have helped us restore our operations in key program areas. This Plan builds on the summary of what we did to respond to the crisis as outlined in 2011-2012 Plan and a roadmap for continuing to respond through 2015.

The Commission uses the Housing Finance Plan as our strategic planning document rather than undertaking the development of a different five year strategic plan. While we intend to adjust our longer term strategic directions at the annual commissioner planning sessions, we think using a shorter period for general planning purposes better reflects the rapid rate of change and the practicalities of operating in the current market and housing environments. The annual work program and budget for the Commission provide business objectives for each division and our allocation of resources to meet those objectives for each fiscal year.

The basic format of this Plan has not changed. Following these introductory remarks, you will find an overview of the Commission, our Plan for financing affordable housing, nonprofit facilities, beginning farmers and ranchers and energy projects through 2015 and a detailed description of Commission policies for each of our current programs. In the back of the document, you will find a presentation of the results achieved by the Commission.

From time to time, readers of the Plan have inquired why we do not include a section that summarizes the economic situation of the state in the Plan. The answer is a pragmatic one. There are many places the economic situation of the State is summarized at any given time, and it would make the Housing Financing Plan longer than necessary if we included an economic summary in the Plan. We refer you to the Office of Financial Management (http://www.ofm.wa.gov/default.asp) and the Economic and Revenue Forecast Council (http://www.erfc.wa.gov/) for updated information regarding the State’s financial situation.
Rapidly Changing Credit Market and Housing Conditions

The challenge of providing affordable housing remains, even as significant economic turmoil has challenged our state and our economy since 2008. The market disruptions and turmoil in the housing markets over the past four years have lowered house prices, caused a major increase in foreclosures, created more demand for affordable rental housing, and had a major negative impact on our ability to access the financial markets through the issuance of tax-exempt bonds. If it had not been for federal programs initiated in response to the fiscal collapse of 2008, the Commission would have been unable to operate some programs during the past several years.

The introduction of the Tax Credit Assistance Program and the Section 1602 Tax Credit Exchange Program for rental housing and the New Issue Bond Program for homeownership helped the Commission re-enter these markets during the past two years. Recently, however, we have seen improvement in housing prices in the Seattle area, slightly fewer new foreclosures in the state and a return of demand for multifamily financing using tax-exempt bonds and four percent housing credits. The homeownership programs on the other hand, have had continued demand since the end of 2009 and through adjustments in the way we finance homeownership opportunities, the Commission has actually increased the number of household we can help buy their first home each year.

Writing this Plan is a difficult because predicting how the credit and housing markets will perform over the next two and one-half years is not easy. While we assume the markets will continue to stabilize during the Plan period, there are financial considerations such as budget and “fiscal cliff” and “sequestration” developments, the potential for major tax reform and Government Sponsored Enterprise (GSE) reform that might impact our programs that we are not able to predict with accuracy.

Looking Ahead

Although the Housing Finance Plan focuses mainly on the next two and one-half years, the long-term nature of housing requires us to think about contingencies that could arise over the next two decades. In our previous Plan, we talked about the challenges posed by the aging of the baby boom generation. The statistics have changed to reflect a more rapidly growing senior population. Between 2008 and 2020, Washington’s population of persons 65 and older will increase by slightly more than 75 percent, going from 686,000 to more than 1,200,000 persons. This requires us to keep focusing on preparations to meet the future housing needs of our senior citizens.
The upheaval in the housing markets caused by the takeover of Fannie Mae and Freddie Mac by the Federal Housing Finance Agency has yet to end, and we don’t have an answer yet about how these Government Sponsored Enterprises (GSEs) will be reorganized.

Foreclosures in the state have slowed somewhat from almost 40,000 new foreclosures a year to approximately 27,000 in February of 2013. And, while it appears that banks and other lenders are recognizing the benefit of loan modifications and other actions to avoid foreclosures, thousands of households still need counseling and mediation to resolve the problems largely caused by the Great Recession.

The challenges in the state’s economy are now continuing into their fifth year and while the fiscal crisis facing the state budget in 2013 is somewhat smaller than in previous years, it still exists.

**Certain Things We Need to Consider**

Our enabling legislation (RCW 43.180) specifies a number of issues related to the housing market and affordable housing needs that we should consider in the development of the Housing Finance Plan. As requested by the legislature, we added some additional items in our 2011-2012 Plan. These policy issues include:

1. The use of funds for single-family and multifamily housing;
2. The use of funds for new construction, rehabilitation, including refinancing of existing debt, and home purchases;
3. The housing needs of low-income and moderate-income persons and families, and of elderly or mentally or physically handicapped persons;
4. The use of funds in coordination with federal, state, and local housing programs for low-income persons;
5. The use of funds in urban, rural, suburban, and special areas of the state;
6. The use of financing assistance to stabilize and upgrade declining urban neighborhoods;
7. The use of financing assistance for economically depressed areas, areas of minority concentration, reservations, and in mortgage-deficient areas;

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1 The Commission adopts policies and program guidelines that address these issues. However, not every issue is addressed in every program. We have footnoted the sections of the Plan where we have considered and addressed specific concerns to inform the reader.
(8) The geographical distribution of bond proceeds so that the benefits of the housing programs provided under this chapter will be available to address demand on a fair basis throughout the state;

(9) The use of financing assistance for implementation of cost-effective energy efficiency measures in dwellings;

(10) The use of funds to increase the supply of affordable and decent housing throughout the state;

(11) The use of funds to promote the provision of affordable housing for the longest period of time possible;

(12) The use of funds to promote increased housing density; and

(13) To give priority for the allocation of multifamily bond cap to eligible applications submitted by non-profit organizations.

While we take all of these issues into consideration during the development of this Plan, we cannot always set specific objectives in each Plan for every issue. We do not always implement specific programs to address each issue at any given time; nor will we address each issue in every program that we operate. As resources to address the issues ebb and flow, so do our efforts to address issues in specific programs. Finally, we don’t necessarily provide a summary of our considerations regarding each item mentioned in this Plan.

Rather, we use our evaluation criteria and program policies to give weight and priority to activities within programs to address specific issues outlined above. By directing available resources to different programs to address various issues, we try to meet our annual objectives. By reading the program policies and allocation criteria that are used to select projects and allocate resources, you can understand how we have given consideration to these issues in our programs and financings. The cumulative impact of achieving our annual objectives contributes to our record of success at addressing these important issues over the Commission’s history.

Acknowledgements

We want to thank our partners, including state agencies, local housing authorities, nonprofit organizations and our business partners in the banking, finance, investment, and construction industries for helping us reach our financing goals and our program objectives. Without your assistance and cooperation, we could not be successful. We also want to thank the Commission’s hard-working staff, which maximizes the use of our resources through their professional expertise, dedication and creativity.
We would also like to acknowledge the citizens of Washington who participate in our programs. The need for decent, affordable housing is constant, yet at different points in their lives, people may need help. Our programs are designed to assist young families, people who need affordable rental homes and the elderly to maintain a secure living situation. Helping the people of Washington by opening doors to a better life is the reason we exist.

We also express our appreciation to the national and international investment community and out-of-state developers who provide funding and their development expertise to increase the quality of life in this State.

We specifically want to acknowledge that Governor Inslee and our State Legislature share our belief that housing matters, as evidenced by their strong support of affordable housing programs. We thank them for that support and urge them to continue their investment in housing that is affordable for all Washington residents.

We are living in unprecedented times! The challenges are great and the turmoil in our industry may continue for several more years. However, we have confidence that our governments will continue to respond with new programs and investments and that the businesses of Washington will regain their economic vitality as conditions improve. As people return to work and a “new normal” is established, we look forward to using our financing programs to create jobs and cooperate with our partners to address the various needs across Washington.

Karen Miller
Chair, WSHFC
OVERVIEW OF THE
HOUSING FINANCE COMMISSION

The Washington State Housing Finance Commission is a self-supporting agency, which achieves its social and economic objectives at no cost to the taxpayers of our state.2

The Commission was created in 1983 to act as a financial conduit which, without lending the credit of the state, can issue non-recourse revenue bonds; participate in federal, state, or local housing programs; make additional funds available at affordable rates to help provide housing throughout the state; and encourage the use of Washington forest products in residential construction.

The Commission is authorized to provide construction and permanent financing for low- and moderate-income housing, nonprofit facilities, capital equipment, beginning farmers and ranchers, energy efficiency and energy production within the state.

The Commission has 11 voting members. Two commissioners, the State Treasurer and the Director of the Department of Commerce, serve ex officio and eight commissioners are appointed by the Governor to four year terms. The Chair of the Commission is appointed by and serves at the pleasure of the Governor. The Commissioners represent various geographic, business, and public interests.

In 1987, the Commission was designated as the state's allocating agency for the federal Low-Income Housing Tax Credit program. In 1990, the Commission's authority was expanded by the Legislature to finance nursing homes, as well as capital facilities and equipment owned by nonprofit 501(c)(3) organizations. In 2005, the Legislature gave the Commission the authority to issue bonds for beginning farmers and ranchers. Finally, in 2009, the Legislature empowered the Commission to create a Sustainable Energy Trust, if feasible, and to participate in energy efficiency and energy renewable projects for housing and non-housing facilities.

The Commission has contracted with the Department of Commerce and the Department of Financial Institutions (DFI) to administer programs such as the Land Acquisition Program, the Rapid Response Program, the Equity Fund, the Washington Works program, and housing counseling, which are financed in

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2 The Commission receives no direct state appropriations. It does, however, administer contracts for other state agencies using state funds when the Commission’s involvement can add value or is required by law.
whole or in part with state funds. These programs may or may not continue to be administered by the Commission in the future.

The Commission’s enabling legislation requires a State Housing Finance Plan (the “Plan”) to be updated from time to time and requires the Commission to report to the Legislature at least every two years on the implementation of the Plan. The Plan outlines the policies of the Commission and provides a brief overview of the housing finance and other programs the Commission intends to offer during the Plan period. The Commission reports to the Legislature on the financing completed in compliance with the Plan through its annual report. The Plan will remain in effect until it is replaced or revised by a subsequent Plan that is adopted by the Commission. More detailed information regarding individual programs that the Commission operates is available by request.

This is the Housing Finance Plan for calendar years 2013 through 2015. To receive information regarding the financing and other programs of the Commission, go to our Web site at www.wshfc.org; write the Washington State Housing Finance Commission, 1000 Second Avenue, Suite 2700, Seattle, Washington 98104; call (206) 464-7139 or 1-800-767-HOME (in-state only); or e-mail askus@wshfc.org. Requests for more information may be directed to the Communications Manager.
The following sections summarize the potential resources the Commission expects to have available for use in calendar years 2013 through 2015.

**UNIFIED VOLUME CAP AUTHORITY FOR TAX-EXEMPT BONDS**

The Tax Reform Act of 1986 imposed a Unified Volume Cap (also known as “private activity bond cap” or “bond cap”) on the issuance of private activity tax-exempt bonds in each state. The Washington State Department of Commerce (Commerce) is authorized to allocate the bond cap on a calendar year basis under federal and state law, as explained in more detail below.

The “Consolidated Appropriations Act of 2001” (the Act) raised the private activity bond/state volume cap and indexed annual increases to inflation thereafter. The Act also increased the federal Low-Income Housing Tax Credit authority of the state and indexed it to inflation thereafter. The Act also made significant changes in the requirements of the Tax Credit program that were incorporated into the Commission’s 2001 Qualified Allocation Plan, Rules and Policies.

The actual amount of Private Activity Volume Cap (bond cap) and Low Income Housing Tax Credits has been adjusted several times since 2002 to reflect growth in population and inflation. The state’s 2013-15 private activity bond cap will be $95 per capita. While the baseline has not changed, the total amount has increased with the population. The state’s 2013-15 Housing Credit authority will be $2.25 per capita times 10 years of credit, up from $2.20 in 2012.

In the HERA and ARRA legislation, the federal government created several new types of bond cap for specific purposes. These include Qualified Energy Conservation Bonds (QECBs), Recovery Zone Economic Development Bonds (RZ-EDBs) and Recovery Zone Facility Bonds (RZ-FBs). The Commission will not necessarily use each of these bond cap programs, but the ones that will be implemented by the Commission will be included in the following sections of the Plan.

**THE IMPACT OF STATE LEGISLATION**

In 2001, the Governor signed into law Senate Bill 5197, which raised the initial allocation of bond cap for the Housing category from 25 to 30 percent. Increases also went to the Student Loan, Exempt Facility, and Small Issue categories proportionally, reducing each category’s initial allocation by one percent when...
the state’s allocation reached $75 per capita in 2002 and reducing the Remainder category to three percent.

The bill further provided that when the Public Utility District (PUD) category was no longer eligible to issue tax-exempt bonds (having used the $750 million authorization provided by Congress), the allocation to the Housing category would increase by an additional two percent (raising it to 32 percent); Student Loans, Exempt Facilities, and Small Issues would each increase by one percent; and the Remainder category would increase from three to eight percent. This change occurred in calendar year 2008.

In 2010, the Legislature passed ESHB 2753, which made amendments to the Bond Cap allocation process, updated definitions and references, and changed the dates when unused bond cap in different categories can be recaptured for reallocation. The PUD category was removed from the allocation process because the federal authority for such bonds expired in 2008. The bill also recognized the creation of new categories of tax-exempt bonds created by Congress in HERA and ARRA and gave Commerce the authority to allocate and recapture those allocations under federal and state law.

Changing the recapture dates will make additional bond cap for tax-exempt housing bonds available to the Commission and housing authorities earlier in the year. The bill provided two recapture dates according to the date of the original allocation. In total, the recapture dates were moved forward 60 days. The amount of additional bond cap available in any given year will vary depending on use by other eligible issuers.

ESHB 2753 also created the Washington Works (WA Works) housing program at the Commission, which is intended to promote the use of tax-exempt bonds by nonprofit and public organizations to build and preserve workforce housing. The bill specified that one billion dollars of the outstanding indebtedness of the Commission is for the primary purpose of implementing the WA Works housing program unless there are no subsidies to support the program or the debt limit amount is exhausted.

In 2009, the Legislature gave the Commission the authority to enter the area of energy financing in HB 1007 and SB 5649. The legislation directed us to create a sustainable energy program which would finance residential, commercial, agricultural, and governmental energy efficiency and renewable energy projects in the state. The Commission is able to issue any type of bond available to conduit bond issuers, to make direct loans for energy projects where feasible, and to participate with other agencies and organizations to create energy programs. The Commission adopted formal policies for the Sustainable Energy Program in August 2010. The Commission also obtained private funding for the Sustainable Energy Trust in 2012.
THE IMPACT OF RECENT FEDERAL LEGISLATION

In December 2012, the Department of Housing and Urban Development (HUD) published an interpretive rule requiring the Commission to provide down payment assistance to homebuyers using Federal Housing Administration mortgage insurance directly at the closing table and not through a third-party or non-governmental entity. HUD provided further guidance that down payment assistance loans should be closed in the name of the Commission and not in the name of the first mortgage lender.

Prior to the passage of SB 5558, the Commission could only purchase a down payment assistance loan from a participating mortgage lender and could not make a direct down payment assistance loan to a borrower. The bill authorized the Commission to make loans for down payment assistance to homebuyers in conjunction with other Commission programs.

During the 2011-2012 Plan period, TCAP and Exchange funds continued to be drawn down and expended as projects move toward a completion deadline of December 31, 2011. The Commission’s role under the TCAP and Exchange Programs also included construction oversight and ongoing asset management for the 40-year regulatory terms.

In October of 2009, the Obama Administration announced a new initiative to help state and local housing finance agencies (HFAs) achieve lower mortgage rates and expand resources for low and moderate income first-time borrowers to purchase homes that are affordable. The Department of the Treasury and HUD, together with the Federal Housing Finance Agency (FHFA), Fannie Mae, and Freddie Mac, developed this initiative, called the New Issue Bond Program (NIBP), to maintain the viability of HFA lending programs.

The NIBP provided temporary financing through the end of 2011 for HFAs to issue new mortgage revenue bonds. Using authority under the Housing and Economic Recovery Act of 2008 (HERA), Treasury purchased securities of Fannie Mae and Freddie Mac backed by these new mortgage revenue bonds. The program was used by the Commission during 2011 to finance new mortgages for first-time homebuyers.

Prior to release of the NIBP, the Commission was severely limited in its ability to issue new tax-exempt housing bonds due to the turmoil in the bond market. This Treasury initiative provided a much needed opportunity for the Commission and other HFAs to offer affordable home financing to underserved first-time homebuyers.

The IRS issued its Revenue Procedure 2012-41 on November 5, 2012 which provides inflation-related adjustments for many tax-related items, including the
The state’s Low-Income Housing Credit authority and Private Activity Bond volume cap for 2013. Under the notice, the state’s 2013 private activity bond cap will be $95 per capita, the same rate as the prior year. The state’s 2013 Housing Credit authority will be $2.25 per capita times 10 years of credit, up from $2.20 per capita in 2012.

CURRENT STATE LAW FOR THE ALLOCATION OF BOND CAP

State law for the allocation of private activity bond cap is contained in RCW 39.86, which was first enacted in 1987 and has been amended several times. In general, the section outlines how private activity bond cap will be allocated to the issuers in the state for purposes of financing housing, student loans, small industrial development projects, certain exempt facilities and several new categories of bond cap created by ARRA (see the Impact of Recent Federal Legislation section above). Rules for the allocation of bond cap have been adopted and can be found under the Washington Administrative Code (WAC) 365-135.

The following paragraphs generally summarize the policies for the Housing category.

Eligible housing is considered to be single-family housing financed with mortgage revenue bonds and mortgage credit certificates and multifamily residential rental projects, as described in the IRS code.

State law provides that each issuing category shall have an initial allocation representing a percentage of the available bond cap each year. In the Housing category, the current initial allocation amount is 32 percent of the state’s volume cap. This initial allocation amount may only be modified to reflect an issuer’s “carryforward” amount.

At the time the bond cap allocation law was adopted, there existed three state issuers that used private activity bond cap: the Student Loan Finance Association, the Housing Finance Commission, and the Community Economic Revitalization Board (CERB). At a later date, CERB terminated its bond program and the Student Loan Finance Association ceased operations.4

In recognition of these statewide issuing authorities, the law recognized ‘Programs’ for housing, student loans, and CERB in the original allocation of bond cap. In additional recognition of statewide issuing authority, the Housing

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3 “Carryforward” is an amount of bond cap from one calendar year which is carried forward for the next three calendar years to allow the financing of a specifically identified project. If the bond cap is not used during the three year period to finance the identified project, it expires.

4 The Washington Higher Education Facilities Authority was authorized to issue student loan bonds in 2007.
and Student Loan categories were not subject to “recapture” before December 15 each year. Other categories of bonds are subject to recapture between July 1 and September 1 of each year. Recaptured bond cap is added to the remainder and redevelopment category for reallocation to new applications from any category after these dates. Further recognition of the Commission as a statewide issuing authority is contained in the Commission’s enabling legislation. At a later date, additional recognition was given to the Washington Economic Development Finance Authority (WEDFA), which was created in 1990 as a statewide program.

The law provides general criteria that should be considered by Commerce for the allocation of bond cap that include the need for the bond cap, the amount of bond cap available, the public benefit to be achieved, the cost or availability of alternative financing methods, and certainty of use of the allocation. More detailed criteria are specified for some categories in the law and rules, including criteria for the Housing category that was promulgated in the enabling legislation of the Commission.

The Commission’s enabling legislation (RCW 43.180.200) specifies that any state ceiling with respect to housing shall be allocated in accordance with a formula giving 80 percent to the Commission and 20 percent to the other housing issuers in the state, such as housing and public development authorities. RCW 43.180.200 then provides that Commerce may adopt rules for the allocation of bond cap to housing issuers other than the Commission that will consider the following five factors: (1) the amount of housing to be made available by such applicant, (2) the population within the jurisdiction of the applicant, (3) coordination with other applicable federal and state housing programs, (4) the likelihood of implementing the proposed financing during that year, and (5) consistency with the Plan of the Commission. Any unused portion of the 20 percent shall be added to the allocation of the Commission.

RCW 43.180.200 also provides a pro-active process whereby the Commission may recapture, after notification, an allocation to another issuing authority in the housing category that is not likely to be used during the year. This process has never been used by the Commission, although some bond cap allocations have gone unused and were subject to such automatic recapture. The Commission reserves the right to implement this process in the future.

The Commission is also authorized to assign a portion of its allocation to another housing issuer. The Commission has exercised this assignment authority on numerous occasions to help other housing issuers meet emergency needs and development deadlines. The Commission normally coordinates such

5 “Recapture” means that on a specified date, an issuer must return to Commerce, for use in the Remainder category, any unused bond cap that was allocated for a specific project at the beginning of the calendar year.
assignments with Commerce to be sure the request is recommended by Commerce and to be assured that the Commission will receive replacement bond cap in the process.

The rules promulgated under WAC 365-135 establish further guidelines for the allocation of bond cap by Commerce and the collection of fees to operate the bond cap allocation program.

**ALLOCATING PRIVATE ACTIVITY BOND CAP BETWEEN PROGRAMS**

**Housing Programs:** The Commission determines how to allocate the volume cap made available to it between single-family and multifamily housing programs by considering a number of significant factors in the last quarter of the year in question. These factors include:

- the amount of unused carryforward from previous years still available to each program;
- the amount of short-term bond proceeds available to the single-family and multifamily programs for the coming year;
- the estimated rate of mortgage pre-payments that may be re-used under the “ten-year rule;”
- the amount of unused volume cap that may be available at the end of the current year that can be “carried forward” pursuant to the code;
- the current and anticipated demand for single-family and multifamily loans; and,
- the anticipated demand for, and use of, volume cap during the coming year by other housing issuers and issuers in other user categories.

In addition, the Commission considers the current and anticipated economic climate, interest rates, house prices, income levels, and need for affordable housing throughout the state.

On September 24, 2007, the Commission adopted a strategy for using bond cap in the single-family and multifamily programs of the Commission based on the amount of bond cap available to the Commission in any given year. The adopted strategy provides guidelines and considerations for using bond cap and implementing program changes based on a high level of bond cap, a medium level of bond cap or a low level of bond cap being available for the programs of the Commission.

After taking these factors into account, the Commission designates the amount of volume cap carryforward it may receive from Commerce in December to the single-family and multifamily programs and the amount of bond cap to be received in the coming year that it wants to allocate to each program.
**Farmer/Rancher Program:** The Commission obtained the authority to issue bonds to help borrowers to become farmers and ranchers in 2005. To implement this authority, the Commission requests an allocation of bond cap from Commerce each year from the Small Issue category. These bonds have a maximum limit per household indexed to inflation. The current maximum limit is $501,100. For each of the past two years, the Commission has requested two million dollars of bond cap authority. Since the creation of the program, the Commission has issued bonds to finance 23 loans worth $5,012,903. During 2013, 2014 and 2015, the Commission anticipates requesting $2 million per year from the Small Issue category for this program.

**Energy Bonds:** There are several types of bonds that the Commission can issue for energy-related projects. These include the multifamily and nonprofit revenue bonds that are currently issued through the Multifamily Housing and Nonprofit Housing and Facilities Programs, as well as small issue manufacturing bonds for energy expenses only and Qualified Energy Conservation Bonds (QECBs).

The QECBs were created by the federal government as part of HERA using the model of taxable bonds with direct federal subsidy payments. These bonds can be used to finance renewable energy projects and to provide energy efficiency retrofits in public buildings. This bond authority was allocated to each state on a per capita basis with an initial reservation of authority for local jurisdictions with populations over 100,000.

Of the $68 million that Washington received in allocation authority for QECBs, $9,857,893 of this initial allocation remained at the state level. The Commission has worked with Commerce on the reallocation and centralization of the QECB bonds to the Commission’s Sustainable Energy Program. This is the first such reallocation of QECBs in the country and has made it possible to match issuance authority to need. The Commission has since been responsible for the allocation of over $29 million in QECB authority, has issued $9 million in energy bonds and provided technical assistance to municipalities on the issuance of another $6.5 million.

The Commission received $1 million in federal stimulus funds through Commerce to create a pilot program for energy efficiency projects that use the Nonprofit and Multifamily Bond Programs. The funds are to be used as credit enhancement for energy efficiency loans. The Commission originally formed a partnership with MacDonald Miller Facilities Solutions, an energy services company (ESCO), to perform retrofit work and provide the energy savings guarantees. The Commission has since developed working relationships with other ESCOs. This initial program was expanded by the Commission’s lending funding of $2 million to the Sustainable Energy Trust.
Additionally, the Commission participated in a study grant through Commerce and the Department of Energy on secondary market availability of energy efficiency loans.

The Commission has completed one loan with Compass Health and will be closing on four other loans in 2013.

**ACTING AS THE STATE'S "BOND BANK"**

The Washington State Housing Finance Commission has been informally acting as the state’s unified volume cap “bond bank” since approximately 1988. Working in cooperation with the administrator of the Bond Cap program at Commerce, the Commission has cooperated to prevent any of the state’s unified volume cap from expiring for lack of use by issuers in the State. Another benefit of this informal arrangement has been to provide Commerce with more flexibility in the use of bond cap to meet the State’s current and future needs. These benefits have been accomplished in several ways.

- The Commission has acted as the “bond bank” by being allocated the majority of the unused bond cap that is available on December 15 of each year. The Commission is a good recipient for these funds because it generally has an unmet demand for the use of bond cap, primarily in its home-ownership programs, and often in its multifamily programs, which ensures that the carryforward authority will be used within the three-year carryforward period. While the recession of 2008-2010 has slowed this demand, the improving economy will provide increased demand in both areas.

- The Commission has greater flexibility than non-housing issuers in the designation of carryforward to a program category since it must only designate the authority to the “single-family” or “multifamily” program rather than specific projects.

- The Commission can transfer a portion of its carryforward authority to other housing issuers when necessary, thereby ensuring even more potential uses of the authority to meet state housing needs. The Commission has never turned down a transfer request from another housing issuer to meet an urgent bond cap need after verifying with Commerce that the transfer is necessary and recommended by Commerce.

- The Commission has generally traded-in to Commerce an amount of future bond cap authority equal to the amount of carryforward that it receives each year. This trade-in provides Commerce additional flexibility by increasing the Remainder category it uses to meet yearly
demand for bond cap that exceeds the initial allocation for purposes such as student loans, economic development, exempt facilities, and housing.

- The Commission has followed a practice of using the oldest bond cap first to ensure that any bond cap that has been previously allocated to it as carryforward gets used before the expiration of the three-year carryforward period.

**PRESERVATION OF PREVIOUSLY ISSUED BOND CAP UNDER THE "TEN-YEAR RULE"

Federal tax law provides that the Commission may, in its Single-Family Programs, use funds received from the pre-payment of a single-family loan during the first ten years after the original loan was issued as part of a tax-exempt bond issue to finance additional loans. This is referred to as the “Ten-Year Rule.” After a tax-exempt loan has been outstanding for ten years, the funds received from pre-payment of a loan may only be used to pay off/redeem outstanding bonds under the original bond issue.

During the financial turmoil of the past five years, the Commission has used resources under the Ten-Year Rule to make new loans that have been sold at the Fannie Mae Cash Window when the economics of such sales were favorable to the Commission. Money earned from such cash window sales has been invested in the Commission Fund to strengthen the Open Indenture and for possible use in down payment assistance programs or general operations. In 2010, the Commission refunded some older outstanding single-family bonds to take advantage of the low interest rates and earn money to strengthen the Single-family Open Indenture.

While the Commission looks for opportunities such as those mentioned above, we do not have a specific program to recapture and reuse pre-payments at this time since there is an abundance of bond cap available for our programs. However, if market conditions change in the future, the Commission will investigate the reuse of the “Ten-Year Rule” to make more single-family loans.

**BOND CAP AVAILABLE DURING THE PLAN**

Due to the annual allocation of the unified volume cap, the Commission tracks available authority by the year in which it is allocated. The Commission, however, has the authority to carry forward authority from the year of allocation for a period of three additional years. The Commission must identify a specific program for which the authority will be used in order to carry forward. The Commission has carried forward volume cap authority from previous years for both single-family and multifamily programs. Once a determination is made to
carry forward authority for either single-family or multifamily purposes, the specific program designation may not be changed.

Based on the IRS estimated population for 2013 and bond cap at $95 per capita, the total estimated unified volume cap for the state in 2013 is $655,216,140.\textsuperscript{6} The estimated amount for 2014 is $660,695,360.\textsuperscript{7} In 2015, an estimated $667,827,010 will be available for housing.

State law reserves 32 percent of the state's annual unified volume cap for housing bonds during the Plan period. Therefore, in 2013, $209,669,165 is estimated to be available for housing and in 2014, $211,422,515 is estimated to be available for housing. In 2015, an estimated $213,704,643 will be available for housing.

Of this housing portion, the Housing Finance Commission receives 80 percent and public housing authorities and other local issuers receive the remaining 20 percent of the total housing bond cap. Therefore, the Commission will have an estimated initial allocation of $167,735,332 for 2013, and $169,138,012 for 2014 and an estimated $170,963,715 in 2015.

The Commission begins the Plan period with the following amounts of carryforward bond cap:

<table>
<thead>
<tr>
<th>Source</th>
<th>Single-Family</th>
<th>Multifamily</th>
<th>Unallocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$84,809,914</td>
<td>$233,414,008</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$100,000,000</td>
<td>$312,935,900</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$548,703,610</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>$167,735,332</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>$169,138,012</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>$170,963,715</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$333,414,008</td>
<td>$946,449,424</td>
<td>$507,837,715</td>
</tr>
</tbody>
</table>

**LOW INCOME HOUSING TAX CREDITS**

The state's annual Tax Credit authority during the Plan period is estimated at $2.25 per state resident times 10 years of credit, based on the inflation adjusted value calculated by IRS:

- 2013: $155,182,770\textsuperscript{8}
- 2014: $156,480,480
- 2015: $158,169,560

\textsuperscript{6} Based on an estimated 2013 population of 6,897,012 (IRS estimate from Notice 2013-15).
\textsuperscript{7} Based on an estimated 2012 population of 6,954,688 (OFM estimate from November, 2012 forecast).
\textsuperscript{8} LIHTC are allocated for 10 years. Credit amounts used in this Plan are the 10-year totals. Credit amounts in some previous plans have been stated for the first year only.
Any credits that are returned from previous credit reservations due to the inability of projects to meet reservation requirements or placed-in-service deadlines will be added to the annual tax credit authority and/or carried over to the next year, as appropriate, to award to other projects.

There is also the possibility that additional credit may be available to Washington through access to the national pool of credit authority made available each year, from credits not used by other states. In order to use this authority, Washington must allocate 100 percent of the previous year's credit. While the Commission has been able to access credit from the national pool nearly every year, the amount available has decreased significantly in recent years.

**FARMER/RANCHER BONDS**

The Commission requests an allocation of bond cap from Commerce at the beginning of each year for the Beginning Farmer/Rancher program. Bond cap for this program comes from the Small Issue Bond category rather than the Housing Category. The Commission will request an initial allocation of $2,000,000 for this program in fiscal years 2013, 2014 and 2015.

**ENERGY BONDS**

Washington received an initial allocation of $67.9 million dollars of QECB authority that was allocated by law to various levels of local government on a per-capita basis. The Commission led the aggregation effort and assisted Commerce in reallocating QECB authority from across the state to the Sustainable Energy Program. This central management allows broader access by private developers of qualifying energy efficiency and renewable energy projects to QECB financing.

The Commission worked with King County to implement a Green Community Program to further stimulate private investment in meeting the regional conservation goals. This program is a model for other counties.

To date, the Commission has issued $9 million in QECBs for a small wind farm in Kittitas County that is intended to power the local community. We anticipate issuing up to $15 million in QECBs and at least $6 million dollars in 501c3 bonds for energy projects in fiscal 2014. The Commission is also in early talks with energy projects that may qualify for financing through industrial revenue bonds.
PUBLIC PURPOSE BONDS

The Commission may issue public purpose bonds on behalf of public entities, such as public housing authorities or units of local government, to produce affordable housing. There is no limit on such authority, but the market for such issuance will be limited to public entities that do not wish to issue their own bonds.

PROGRAM INVESTMENT FUND

In 1989, the Commission created its Program Investment Fund (PIF) by earmarking a majority of the reserves earned from its ongoing operations for investment in higher risk programs that enhance our ability to serve low-income and special targeted households.

Program Investment Funds are strategically invested in low-income housing, special-needs housing, and facilities that provide community services primarily to low-income persons. Access to this source of capital has helped bring to fruition projects and programs that otherwise would not have been possible using traditional tax-exempt financing.

In addition, the Commission has been able to leverage its funds by creating partnerships with other public and private funders to participate in PIF programs. Such partners include banks, foundations, cities, counties and state agencies, among other sources. As of December 31, 2012, the Program Investment Fund had approximately $81.9 million of Commission reserve funds and $38.3 million of partner investments, for a total of $120.2 million.

SUMMARY OF PROGRAM INVESTMENT FUND INVESTMENTS:

- Homeownership Programs Fund:

The Homeownership program investments are used to expand homeownership and the use of the House Key Program and the Commission’s first-time homebuyer and first-mortgage loan products. Numerous down payment assistance programs have been developed by the Commission that are funded through the Program Investment Fund and by partners who share the Commission’s goal to increase homeownership.

The down payment assistance programs include House Key Plus, House Key Rural, House Key Plus-CLT (Community Land Trusts), House Key Schools, House Key Veterans, House Key Plus-Seattle, House Key Plus-ARCH (East King County), House Key Bremerton, House Key King County, House Key

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9 When the Commission administers a state investment, we account for the funds under the PIF program but the program is administered by one of our program divisions and the detailed program descriptions are contained in the program appendices.
Tacoma, House Key Foreclosure, House Key New Home for You, and the Open Door program.

Additional programs include, the HomeChoice program, which provides homeownership opportunities for persons with disabilities; the Urban Self-Help program, which provided sweat equity opportunities for first-time buyers; the purchase of Habitat for Humanity International notes secured by Habitat mortgages to provide liquidity for Habitat chapters in Washington State so they can build additional homes; and the Single-Family Construction Financing program for farm workers in cooperation with Washington Agricultural Families Assistance, a nonprofit organization.

**Total investment: Approximately $50.4 million of Commission funds and $16.2 million of partner funds**

- **Capital Plus Program:**
  The Capital Plus Program was created in partnership with the Washington Community Reinvestment Association (WCRA) to make loans for small nonprofit projects that cannot economically use the Commission’s traditional bond financing programs. Currently, there is approximately $5.2 million outstanding for 22 performing loans.

  **Total investment: $7.5 million of Commission funds**

- **Affordable Housing Preservation:**
  The Affordable Housing Preservation program helps maintain the affordability of housing units when the low-income use obligations expire and to provide predevelopment loans for new projects. The Commission has invested $5.25 million in the form of a renewed loan for a twenty-year term with Impact Capital, a statewide nonprofit community development lender and technical assistance provider. In addition, $143 thousand remains invested in other multifamily housing projects that benefit higher-risk and special-needs populations through the Commission’s Affordable Housing Initiative.

  **Total investment: $5.4 million of Commission funds**

- **Construction Defect Insurance Program**
  The Construction Defect Insurance Program (CDIP) was created to encourage the development of single-family housing for low-to-moderate-income households by assisting nonprofit developers to finance a portion of their construction defect insurance premiums in a period of high insurance costs. After completion of construction, the program allows the purchaser to finance the pro-rata share of the premium for their unit at favorable terms through a Commission-sponsored second mortgage loan, in effect transferring the short-
term obligation of the developer to a longer-term, but economically feasible, obligation of the purchaser.

**Total investment: $200 thousand of Commission funds**

- **Land Acquisition Program** In 2007, the Legislature passed House Bill 1401 establishing a Land Acquisition Program to allow public and private nonprofit organizations to borrow money to purchase sites for future housing development at very low interest rates. The sites purchased with the funds are not required to be developed for up to five years but development of the affordable housing must be completed within eight years. The amount of $1 million was appropriated to the state Department of Commerce (Commerce) for this program and Commerce contracted with the Commission to administer the fund.

**Total investment: $12.5 million of Commission funds and $1 million of state investment**

- **Washington Works and the Nonprofit Equity Fund**

  The Nonprofit Equity Fund was a $10 million investment from the Capital Budget in 2008 to the Department of Commerce for the purpose of encouraging nonprofit housing development organizations to use tax exempt bonds for the purpose of creating affordable rental housing. The Equity Funds were combined with $17,230,000 of tax exempt bonds issued by the Commission and a variety of other private and local funds to finance two projects; Walton Place Two in Bellingham and Rose Street Apartments in downtown Seattle.

  Washington Works was a $25 million investment in 2010 from the Capital Budget to the Department of Commerce for the purpose of further encouraging nonprofit housing development organizations to use tax exempt bonds in combination with a variety of other private and local funding sources for the purpose of creating affordable housing.

  In total, Washington Works financed ten projects in the state with a total of 460 units of affordable housing located in seven cities in 9 different counties around the state. The total investment from all financing sources was $87,610,000.

**Total investment: $90 thousand of Commission funds and $10.9 million of state investment Program completed.**

- **Manufactured Home Community Investment Fund**

  The Commission has allocated $3,000,000 to help manufactured home communities preserve their homes by purchasing and managing their communities. The Commission partners with ROC USA (Resident Owned Communities USA). To help ensure long term viability of the communities and to organize the residents into effective governing bodies. One project of 25 homes has been financed; Depot Village in Duvall and three more are pending in Moses Lake.
**Sustainable Energy Trust (SET)**

The Commission has invested $3 million into the SET to provide financing for energy efficiency projects for non-profits and other developers by credit enhancement and loan participations. Of the $3 million, $2 million is set aside for this use. The other $1 million has been used to finance single family homes with Green Canopy. Three 1930s homes have been retrofitted and brought to energy efficiency and will have their open house in June of 2013. The homes are to be sold to households. The Commission is also participating in the new construction of energy efficient town homes.

**For Future/Emergency Designation in 2013/2015: $800 thousand**

**HOUSING COUNSELING GRANTS**

The Commission has been fortunate to receive a significant amount of money for pre-purchase and post-purchase counseling over the last few years. The sub-prime crisis has accelerated the need for post-purchase counseling in Washington, especially given the rapid increase in foreclosures in Washington. The chart and information below summarizes the pre-purchase and post-purchase counseling funds that were received in past years.

The Foreclosure Fairness Act ([SSHB1362, Chapter 58](#)) took effect on July 22, 2011 making Washington the third non-judicial foreclosure state to offer mediation to help homeowners behind on their mortgage payments possibly avoid foreclosure proceedings with their lender or servicer. Included in the Act was a provision for funding for default housing counseling services. The Commission negotiated with the Department of Commerce to administer these funds on behalf of the statewide network of housing counseling agencies.

The chart and information below summarizes the pre-purchase and post-purchase counseling funds that were available in 2012-2013.

<table>
<thead>
<tr>
<th>Grant Year</th>
<th>Grant Source</th>
<th>Counseling Grant Amount</th>
<th>PRE-Purchase</th>
<th>POST</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>HUD SuperNOFA</td>
<td>232,515</td>
<td>150,000</td>
<td>82,515</td>
</tr>
<tr>
<td>FY 2011/13</td>
<td>State FFA Neighborworks</td>
<td>7,500,000</td>
<td>0.0</td>
<td>7,500,000</td>
</tr>
<tr>
<td>FY 2012/13</td>
<td>NFMC Rd6.</td>
<td>321,754</td>
<td>0.0</td>
<td>321,754</td>
</tr>
<tr>
<td>FY 2011/12</td>
<td>AGO Wells Fargo</td>
<td>550,000</td>
<td>0.0</td>
<td>550,000</td>
</tr>
<tr>
<td>FY 2012/13</td>
<td>AGO National Settlement</td>
<td>3,120,000</td>
<td>0.0</td>
<td>3,120,000</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>11,724,269</td>
<td>11,574,269</td>
<td></td>
</tr>
</tbody>
</table>
Because federal sources of pre-purchase and post-purchase (foreclosure) counseling appear to be declining, we cannot accurately predict the amount of additional money that will become available to the Commission in future years. We also cannot predict what additional opportunities we may have during the Plan period to apply for counseling funds from other sources.

**PROPOSED USES OF AVAILABLE RESOURCES**

**PROPOSED USE OF SINGLE-FAMILY AUTHORITY**

The Commission has the ability to use the Mortgage Credit Certificate Program (MCC) during the Plan period. Due to the market turmoil and the large amount of bond cap available, the Commission has chosen to use bond cap authority for an MCC program during the Plan period. The Commission will continue to process transfers of previously issued MCC’s upon request.

During the 2011-2012 Plan period, the Commission changed the way the single family first mortgage loan program is operated and funded. The Commission moved significantly away from issuing bonds for the House Key State Bond program to the daily-priced taxable Home Advantage program. Production has steadily increased in the Home Advantage program and so that it most likely will be the primary program in the foreseeable future. This will also mean a decline in the use of private activity bond cap for loans. On the other hand, the MCC program has steadily increased production and should be able to use the additional private activity bond cap not being utilized by the loan program.

The following charts indicate our intended use of private activity bond cap during this Plan period. However, this could change during the Plan period based on housing and bond market conditions.

<table>
<thead>
<tr>
<th>Source</th>
<th>Single Family</th>
<th>Unallocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 “CF”</td>
<td>$160,498,739</td>
<td></td>
</tr>
<tr>
<td>2011 “CF”</td>
<td>$312,935,900</td>
<td></td>
</tr>
<tr>
<td>2012 “CF”</td>
<td>$100,000,000</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>$167,735,332</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>$169,138,012</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>$170,963,715</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$573,434,639</strong></td>
<td><strong>$507,837,059</strong></td>
</tr>
</tbody>
</table>
PROPOSED USE OF MULTIFAMILY AUTHORITY

The Commission began 2013 with $994,799,424 in carryforward authority from previous years as shown in the charts below.

<table>
<thead>
<tr>
<th>Source</th>
<th>Multifamily</th>
<th>Unallocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 “CF”</td>
<td>$548,703,610</td>
<td></td>
</tr>
<tr>
<td>2011 “CF”</td>
<td>$312,935,900</td>
<td></td>
</tr>
<tr>
<td>2012 “CF”</td>
<td>$548,703,610</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>$167,735,332</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>$169,138,012</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>$170,963,715</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$994,799,424</strong></td>
<td><strong>$507,837,059</strong></td>
</tr>
</tbody>
</table>

Although the need for affordable multifamily and senior rental housing remains high, it is almost certain that the continuing turmoil in the credit markets will have a dampening effect on the availability of credit to develop multifamily housing and sell bonds in the Plan period. The Commission began to see an improvement in the demand for multifamily financing in late 2010, which continues to improve. Also, the introduction of a new HUD financing program is increasing demand in 2013. However, there should be no lack of available bond cap for eligible projects that can proceed during the Plan period.

PROPOSED USE OF TAX CREDIT AUTHORITY

The Commission allocated just over $151 million\(^{10}\) of Housing Tax Credits in 2012. The Commission anticipates allocating approximately $470 million during the Plan period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$155,182,770</td>
</tr>
<tr>
<td>2014</td>
<td>$156,480,480</td>
</tr>
<tr>
<td>2015</td>
<td>$158,169,560</td>
</tr>
</tbody>
</table>

In 2011 and 2012, we saw a significant and robust return of investors competing to purchase credits; especially with Community Reinvestment Act (CRA) motivated bank investors. All of our 2012 projects secured solid investment for their credits. However, we know that the increased demand for credits drives

\(^{10}\) LIHTC are allocated for 10 years. Credit amounts used in this Plan are the 10-year totals. Credit amounts in some previous plans have been stated for the first year only.
pricing higher, resulting in lower yields, possibly causing the new strictly economic investors to exit the market. We anticipate a settling of the yield to price ratios and, while investment opportunity should remain, the equity pricing will stabilize at rates lower than what we witnessed in 2011-2012.

The Commission sometimes has additional credit authority from credits returned from previous credit reservations that did not result in a project being placed in service. The Commission may also receive additional credits during the Plan period from the national pool of credits not used by other states.

PROPOSED USE OF FARMER/RANCHER BONDS

In 2009, the Commission issued $1,543,603 to finance 7 loans in this program. In 2010, the Commission issued $1,773,000 to finance 7 loans. In 2011, the Commission made two loans worth $540,500 and two loans in 2012 worth $347,500. The Commission intends to request $2 million in bond cap authority from the small issue category each year during the Plan period for this program. Actual usage will depend on program applications and the number of bond issues completed each year.

If the Commission exceeds the $2 million in program usage in any given year, we will request additional bond cap from the Bond Cap program from available resources to continue funding approved loan applications.

PROPOSED USE OF ENERGY BONDS

The Commission has continued to develop markets for its various financing tools, QECBs, 501(c)(3) bonds, taxable participation loans, and possible IRBs. To date, one 501(c)(3) financing has closed. A direct issuance of QECBs has taken place and the Commission plans to close on 3 more nonprofit bond issues as well as another QECB issuance in 2013. In addition, the work that has been done to garner QECBs as well as partnerships developed through the Washington Clean Technology Alliance has broadened opportunities. Recent state legislation empowering the Commission to finance aviation fuel has not gone without some positive responses. Staff is in negotiation with a small fuel plant.

As a result of this activity, the Commission will pursue all feasible energy financings that are eligible for available resources during the Plan period.

POTENTIAL REFUNDING AUTHORITY

The Commission has available from previous bond issues tax-exempt bond proceeds, which may, under limited circumstances, be refunded for future use. At the present time, only scheduled maturities of outstanding bonds may be
predicted for potential refunding. However, additional refunding authority may become available due to the prepayment of mortgages or other circumstances. The use of such authority depends on the ability of the Commission to schedule new bond issues to coincide with maturing bonds and other refunding opportunities. Therefore, it is not possible to anticipate the total refunding potential at this time.

Because of the Housing and Economic Recovery Act, the Commission is now able to reuse bond authority from prepayments of tax-exempt bonds used for multifamily projects under limited circumstances. Bonds that are paid off within 4 years of original issuance may be reissued as refunding bonds for another project within six months of the payoff. This refunding authority may only be used once and cannot be used for projects that also have an allocation of low-income housing tax credits.

**TAXABLE BOND AUTHORITY**

The Commission has the ability to issue taxable bonds and does not have a specific annual limit on such authority. The Commission will continue to issue taxable bonds in conjunction with its tax-exempt bonds whenever it is financially feasible to do so and maintain the goals of the Commission’s programs or when the structure of the project requires that non-tax-exempt bonds be used. By integrating the issuance of taxable bonds with the tax-exempt bonds issued by the Commission, we are able to expand the number of housing units financed during the Plan period or to help a nonprofit organizations complete all aspects of its project.

However, the use of taxable bonds is limited by current market conditions and changes in interest rates and negative arbitrage. The most likely scenario during this Plan period will be using taxable “tails” on Multifamily Housing bond issuances.

**501(C)(3) BOND AUTHORITY**

The Commission has the authority to issue bonds for housing projects owned by nonprofit organizations that meet certain criteria under federal tax law. A wide variety of housing can be financed with such bonds including: multifamily rental housing, group homes, single-room occupancy apartments, continuing care retirement units, congregate housing, nursing homes, and assisted-living units. The Commission will continue to use 501(c)(3) financing authority outside of the unified volume cap to finance housing projects owned by nonprofit organizations during the Plan period as market conditions permit.

The Commission can also issue bonds for nonprofit organizations to finance facilities and purchase equipment. The Commission may not issue bonds for
healthcare or higher education purposes unless the financing is for energy efficiencies or renewable energy. A wide range of projects, including K-12 schools, performance halls, museums, YMCA and YWCA facilities, work training facilities, administrative offices for nonprofit organizations, and other types of capital investments are eligible for financing. The Commission will continue to use this authority as much as market conditions permit.

A 2003 decision by the Commission to accept applications from non-pervasively sectarian kindergarten through twelfth grade religious schools and provide tax-exempt financing for these institutions has increased demand for the issuance of 501(c)(3) bonds. Applications from religiously and non-religiously affiliated nonprofit schools represent a substantial number of bond issues in this program. However, demand is expected to be restricted by market conditions during the Plan period.

501(c)(3) bonds are not subject to the unified volume cap under federal tax law at the present time. Therefore, the Commission has no limits on the amount of 501(c)(3) bonds it can issue during the Plan period.

**PROGRAM INVESTMENT FUNDS**

While the Commission has been able to add to the Program Investment Fund through the generation of positive cash flow since 1989, it is difficult to predict the amount that the Commission will be able to add during the Plan period. We have been adapting and changing to meet the needs of a quickly changing market over the past few years. This is likely to continue during the plan period contributing to the difficulty in predicting the amount of new resources that we may contribute to the Program Investment Fund.

In 2001, the Commission determined that its General Operating Reserve amount should be increased to $18 million. This was necessary to ensure the adequate accounting and compliance support required by the increase in the Commission’s outstanding debt (about $3.6 billion) and the need to provide additional revenue from the interest earned on the General Reserve investments to support operating expenses. With growth in our outstanding indebtedness, the Commission may need to consider increasing our General Operating Reserves in the near future.
All programs and operations of the Commission will ensure that borrowers and beneficiaries of its programs receive equal treatment in accordance with state and federal law.

The Commission is dedicated to encouraging opportunities for minority- and women-owned businesses to contract with the Commission and will conduct its procurement activities to encourage such opportunities. Currently, the Commission encourages participation by minority- or female-owned bond underwriting firms for each publicly sold bond sale and is committed to achieving and surpassing diversity goals. The Commission’s bond counsel is encouraged to subcontract with a minority- or women-owned firm. The Commission pursues diversity in hiring and contracting and currently follows state laws regarding these practices.

The Commission is committed to encouraging minorities, women and other under-represented groups to participate fully in Commission programs and to provide equal employment opportunities and achieve cultural diversity within the Commission.

The Commission will finance housing for people who, by virtue of age, income, or infirmity, have difficulty obtaining adequate housing. The Commission will give priority to the development of programs and projects that provide housing for the largest number of low- and moderate-income families and persons possible. The Commission will, whenever feasible, give special attention to programs and projects that provide housing for special-needs populations, but the Commission recognizes that housing for low and moderate-income families is also a prime Commission goal.

In the development of financing programs, the Commission will encourage local governments to identify areas or neighborhoods of special need within the state that should receive priority attention under individual programs. Such priority attention may be given to declining urban neighborhoods, areas that are economically depressed, areas of minority concentration, Indian reservations, mortgage-deficient areas, rural areas and communities that are not receiving a fair share of housing assistance under federal, state and local programs. These may be in addition to the target areas established by federal regulations. The general guidelines for receiving priority assistance have been established by the Commission and are available on request.

Addresses Policy Issues #3, 4, 5, 6, 7, 8, 10.
The Commission will make every effort to work in cooperation with other federal, state and local agencies and organizations to identify special housing and nonprofit capital facility needs within the state and to develop cooperative programs that will provide opportunities to address these special financing needs. The Commission has cooperatively worked with Fannie Mae, HUD, Rural Housing Service, the FDIC, Department of Commerce, the Federal Home Loan Bank, The Department of Social and Health Services (DSHS), members of the Legislature, the Department of Financial Institutions, Freddie Mac, local housing authorities and a significant number of city and county governments to implement and coordinate financing programs.

To facilitate such cooperation between the Commission and other agencies, the Commission has consistently used a list of agencies and interested parties that receive notices of Commission actions and proposed actions through regular mailings. In the future, however, the Commission will provide more information via its website and email list serves and reduce the reliance on mailed notices to interested parties. To effect this change, the Commission is currently revising its rules to transfer notice procedures from notice through the mail to notice being provided on its website. Once the rules have changed, agencies and interested parties will be notified of the change and assured of consistent notification of Commission activities through access to our website, www.wshfc.org, regular electronic mailings.

The Commission will continue to work cooperatively with the private sector to establish such programs, guidelines, regulations, and procedures as necessary to meet the objectives of the Commission with the assistance of the private sector. Whenever possible, the Commission will use existing guidelines, procedures and regulations that are compatible with the programs and procedures of the private sector to maintain a cooperative working relationship. The Commission will continue to provide workshops, training sessions, conferences and individual meetings with private developers and offer appropriate opportunities to learn about new financing tools and structures.

The Commission will develop guidelines and qualifications for participation of private lenders in the programs of the Commission. These will encourage participation by all qualified lending institutions throughout the state. It may be necessary, however, for the Commission to restrict participation in programs due to limited resources or lack of performance on the part of some lenders in previous programs. The Commission will make a special effort to involve those lending institutions in the state that provide service to rural areas to overcome the centralization of private lending resources in urban areas.

The Commission recognizes that the cooperation of both the public and private sectors of the housing and finance industry will be necessary to make the Commission's programs work properly and will strive to coordinate with both sectors of the housing and finance industry in a cooperative manner. The
Commission will make specific efforts to coordinate with Commerce, particularly its Housing and Local Government divisions, and with the state Department of Social and Health Services (DSHS), and the Department of Financial Institutions (DFI) where housing and service programs overlap.
APPENDIX B

HOMEOWNERSHIP FINANCING PROGRAMS

The Commission currently operates nine homeownership programs: House Key, Home Advantage, House Key Plus Seattle, Home Advantage Rebound, Home Advantage 4% Second Mortgage, HomeChoice, House Key Schools, House Key Veterans, House Key Plus ARCH (East King County), and Homebuyer Education. For borrowers purchasing foreclosed properties or newly constructed, never occupied homes, the House Key Plus program’s interest rate has been lowered from 5% down to 3%. The Commission also provides House Key and Homebuyer Education Instructor Training.

HOME ADVANTAGE FIRST MORTGAGE PROGRAM

While the New Issue Bond Program (NIBP) gave new life to the issuance of tax-exempt mortgage revenue bonds for the House Key program, the NIBP ended with the municipal market still inefficient so the Commission looked for a new way of doing its single family business in order to remain relevant and competitive. After completing the necessary due diligence and looking at various funding models, the Commission decided to contract with First Southwest Company to operate a daily-priced To-Be-Announced (TBA) program. The Home Advantage TBA program provides the Commission access to the TBA market without assuming pipeline interest rate risk.

The Home Advantage program also provides 4% in downpayment and closing cost assistance to borrowers. Because there are no tax-exempt bonds involved, there are no IRS rules and there is more flexibility in who can access the program. Unlike the House Key Program, there is no first-time homebuyer restriction, purchase price limit or acquisition cost limits adjusted for family size. The Commission does have a statewide income limit of $97,000, but borrowers do not have to be first-time homebuyers or have to meet a purchase price limit.

HOUSE KEY FIRST-TIME HOMEBUYER PROGRAM

The House Key program offers below-market rate first mortgage loans to first-time homebuyers in the state. By issuing tax-exempt mortgage revenue bonds, the Commission reduces mortgage costs for low- and moderate-income borrowers who might not otherwise be able to buy a home. The Commission works through a network of participating lenders who originate the mortgage

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12 Programs address Policy Issues # 1, 2, 3, 4, 5, 6, 7, 8, 9.
loans for first-time homebuyers who qualify under certain income and purchase price restrictions.

In 1992, the Commission introduced the **First Serve Reservation System** to the House Key program. The First Serve Reservation System encompassed a major change in the House Key program. The Housing Finance Commission now pays the costs of issuance for the mortgage revenue bonds supporting the program and takes the risk that mortgages under the program will not be originated.

This change has given the Commission better control over House Key mortgage funds during the origination period and has allowed the Commission to issue bonds in smaller, more frequent series, lessening non-origination risk to the Commission due to interest rate fluctuation. The First Serve Reservation System speeds up the origination process by allowing participating single-family lenders to reserve available House Key mortgage funds for an eligible borrower on a first-come, first-served basis.

In order to implement the First Serve system, the Commission developed a training curriculum for loan officers participating in the House Key program. Once trained, they receive an individual identification number acknowledging their training and are, in turn, the first to receive notification of fund availability and changes in the program.

**IN-HOUSE PROGRAM ADMINISTRATION**

In 1999, the Commission began reviewing House Key loans for tax compliance in-house and now performs all House Key program administration functions. The use of an online reservation and tracking system saves time and related costs to lenders; improves communications between the Commission and lenders; creates new business opportunities; and most importantly, enhances customer service.

**SERVISOLUTIONS**

At the end of 2011, the Commission found itself without a loan servicer for the single family loans. After an RFP process, the Commission contracted with ServiSolutions (a division of the Alabama Housing Finance Authority) on December 15, 2011 to act as the Commission’s master loan servicer for the single family loans. The was the first time a state housing finance agency contracted with another state housing finance agency to service their loans. As of the writing of this Plan, the arrangement is going very well.
HOUSE KEY PLUS DOWN PAYMENT ASSISTANCE PROGRAM

For many Washington families, the biggest obstacle to homeownership continues to be the down payment requirement. In 2010, the Commission decreased the House Key Plus Down Payment Assistance (DPA) program interest rate from 5% to 3% for those borrowers purchasing foreclosed properties or newly built, never occupied homes. The interest rate remains at 5% for borrowers outside of those categories.

The House Key Plus Down Payment Assistance program initially received $200,000 from the Office of Trade and Economic Community Development; $200,000 from Seafirst Bank; $30,000 from Continental Bank; and $530,000 from the Commission’s Program Investment Fund (PIF). Subsequent to the initial funding, notes totaling $4.5 million from Fannie Mae and additional PIF funds have provided a continuous means of funding the program. Through June 2012, this program has provided approximately $26 million in down payment assistance to 6,246 families across the state.

In 2012, the Commission suspended the House Key Plus program in lieu of the 4% downpayment assistance provided by the Home Advantage program.

HOMECHOICE

Homechoice is a second mortgage program allowing qualified borrowers who have a disability or who have a family member with a disability living with them to access funds up to $15,000. One-on-one counseling is required. As of June 30, 2012, the program had assisted 1,073 families.

HOUSE KEY PLUS SEATTLE

House Key Plus Seattle has assisted 340 families with incomes of 80 percent or less of area median income within the city of Seattle to purchase their first home as of June 30, 2012. This program, in partnership with the city of Seattle, was announced in March 2004.

HOUSE KEY SCHOOLS

House Key Schools is a second mortgage down payment assistance program for teachers and employees of community or technical colleges and K-12 public or private schools. As of June 30, 2012, the Program had assisted 121 families.

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13 Program addresses Policy Issues #3,4,6,7, 10.
14 Program addresses Policy Issue #3.
15 Program addresses Policy Issues #3, 4, 6, 7, 10.
HOUSE KEY VETERANS

House Key Veterans is a second mortgage down payment assistance program for Veterans who have served our country. As of June 30, 2012, the Program had assisted 29 families.

MORTGAGE CREDIT CERTIFICATE PROGRAM\(^{16}\)

A Mortgage Credit Certificate (MCC) is a federal income tax credit for first-time homebuyers. With the MCC, qualified homebuyers are eligible to reduce their federal tax liability by an amount equal to a portion of the annual interest paid on their mortgage in the form of a special tax credit. Between the re-introduction of the program in June 2007 and June 30, 2012, 1,462 MCCs were issued.

HOMEBUYER EDUCATION PROGRAM\(^{17}\)

In cooperation with participating lenders, realtors and nonprofits organizations throughout the state, the Commission offers free seminars to potential homebuyers. The seminars encompass pre- and post-purchase information, emphasizing the importance of budgeting and a good credit history. Homebuyer Education seminars are based on a model developed by Fannie Mae and GE Mortgage Insurance Company. As of June 30, 2012, 158,141 potential buyers had attended 12,971 free seminars throughout the state since 1991. Seminar participants learn not only about the Commission’s homeownership programs, but also about a variety of other affordable housing loan programs and how to avoid predatory lending practices.

HOMEBUYER EDUCATION INSTRUCTOR TRAINING\(^{18}\)

Through the Commission’s Homebuyer Education Instructor Training program, lenders, staff of nonprofit organizations, and real estate professionals learn how to market effectively and teach industry-recognized, Commission-sponsored homebuyer education seminars.

In the first half of the training, topics such as organization, structure, ethics, registration procedures, teaching styles, and subject requirements are covered. In the second half of the training, participants get the opportunity to review materials from all approved mortgage insurance providers; share lessons learned; discuss marketing strategies, publicity, and upcoming program changes; and work through several group projects to be used in the seminars.

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\(^{16}\) Program addresses Policy Issues #1, 2, 3.

\(^{17}\) Program addresses Policy Issues #5, 7, 8.

\(^{18}\) Program addresses Policy Issues #2, 3, 4, 5, 6, 7, 8.
The seminars led by these Commission-trained instructors educate potential homebuyers about the purchase and subsequent maintenance of a home. The seminars have been recognized by all secondary markets, insurers, and lenders for meeting or exceeding the guidelines set for such education. In addition, attendees receive six clock hour credits through the Department of Licensing for required continuing real estate education.

Each instructor who participates in the training agrees to standards ensuring that all seminars:

- are at least five hours in length, to cover specified major aspects of the home buying process,
- are presented using an open, unbiased format,
- use approved training materials and handouts,
- are offered by trained and certified professionals, and
- are not used to make sales presentations or direct marketing pitches by either the instructor(s) or any guest speakers.

SINGLE-FAMILY HOUSING POLICIES

WHO IS ELIGIBLE FOR A SINGLE-FAMILY LOAN?\(^1\)

(This section does not apply to the Home Advantage loan program. Because no federal tax-exempt revenue bonds are involved in the funding for the program, the IRS guidelines outlined below are not applicable)

In compliance with Internal Revenue Service (IRS) guidelines, eligible borrowers in the House Key program are persons who have not had a "present ownership interest" in their principal residence during the three years preceding their Commission loan. These borrowers are defined as first-time homebuyers. This requirement does not apply to persons obtaining a loan for a residence located in a federally defined targeted area.

The Commission establishes income limits for each single-family program with consideration to federally prescribed maximum limits and different housing costs and levels of income in various parts of the state. Income limits are established for each program with the objective of serving first-time homebuyers given the cost constraints of the Commission at the time of the program and the cost of housing within the state. It is important that the programs of the Commission serve primarily borrowers who need House Key assistance to purchase a home.

It is also important that the Commission make every effort to serve the public purposes established by the legislature to maintain public confidence that the

\(^{19}\) Addresses Policy Issues #3, 6, 7.
Commission's programs are a benefit to those families and persons needing such assistance in Washington. The Commission establishes other eligibility criteria as required by market conditions for each single-family program and those criteria are available through participating lenders and the Commission on request.

NEW CONSTRUCTION VERSUS EXISTING HOUSES

Given the legislative purpose of increasing the use of Washington forest products, the Commission has determined that its single-family programs should provide funds for new construction. Approximately 4.2% of current Mortgage Revenue Bond funds are used to finance new construction of affordable homes for low- and moderate-income families. The remaining 95.8% of the available funds are used to finance the purchase of existing homes. The percentage of new homes verses existing homes purchased has been higher in the past, but due to market conditions, the purchase of new homes by first-time homebuyers has dropped significantly. The Commission implemented the New Home for You Program during the previous Plan year to encourage the purchase of newly constructed, never occupied homes.

The Commission recognizes that emphasizing the purchase of existing houses provides an opportunity for as many low and moderate-income families as possible to purchase affordable housing. Existing houses are generally less expensive than new houses, and in areas of the state experiencing rapidly escalating house prices, existing homes offer the only source of affordable housing for low and moderate-income borrowers. However, the Commission encourages the construction of new houses for low and moderate-income families where this is feasible or subsidies are available to achieve this goal.

The Commission reviews the distribution of funds between new construction and existing housing on a regular basis and adjusts the program outlines as necessary to promote the achievement of the goals of the Commission.

THE ELDERLY AND PHYSICALLY/MENTALLY DISABLED

The Commission is dedicated to providing the elderly and the physically/mentally disabled with equal access to Commission loans and requires that lenders apply the same underwriting standards to elderly and physically/mentally disabled applicants as they apply to all other applicants for single-family loans. In addition, the Commission allows improvements to be made in existing houses to make them accessible to the physically/mentally challenged and meet American Disabilities Act (ADA) requirements. These may be included as part of the purchase price of existing homes under the single-

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20 Policies address Policy Issue #2.
21 Policies address Policy Issue #3.
family programs, as long as the costs are reasonable and the work is completed prior to loan closing.

Through its HomeChoice program, the Commission provides down payment and closing cost assistance to people with disabilities or who have family members with disabilities living with them. Funds from the HomeChoice program may be used to make minor accessibility modifications.

**GEOGRAPHIC DISTRIBUTION OF FUNDS**

In order to promote the greatest possible geographic distribution of Commission funds throughout the state and to benefit the largest number of persons in all geographic areas of the state, the Commission has established the following goals for the distribution of funds for the single-family programs during the current Plan period.

**Target Areas:** Target areas are established by federal regulations and local request. The Commission shall continuously make available single-family authority for the purchase of homes in targeted areas, pending market conditions.

**Non-Metropolitan Areas:** The Commission is committed to providing an equal opportunity for all qualified residents of the state to benefit from the single-family programs. The Commission recognizes that the non-metropolitan areas of the state are less likely than metropolitan areas to have mortgage funds available through conventional sources. Therefore, the Commission promotes the use of approximately 10 percent of the single-family authority in non-metropolitan areas of the state. The Commission continues to take the following actions to encourage the use of this authority in non-metropolitan areas:

- Promote the use of the Rural Housing Service’s Single-Family Housing Guaranteed Loan program with the House Key program. The program allows qualified borrowers in rural areas to finance up to 100 percent of the value of the property with House Key rates and fees.

- During the origination of House Key loans, the Commission endeavors to designate at least one lender in every geographic area of the state. Special efforts are made to inform the general public of participating lenders that serve rural areas.

- Special attention will be paid to nonprofit programs such as experienced self-help organizations and other nonprofit sponsors that can assist in the

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22 Policies address Policy Issues #5, 8.
23 Policies address Policy Issues #6, 7.
packaging of loans or the construction of houses in rural areas that are not well served by conventional resources.

**Metropolitan Areas:** Metropolitan areas of the state (those counties designated as Standard Metropolitan Statistical Areas (SMSA)) use the remaining available single-family authority and any un-obligated authority from target and non-metropolitan areas. The Commission may find it necessary, from time to time, to limit the amount of money in any one geographic area when area conditions such as rapid economic growth create unreasonable demands on Commission funds. In the past, the Commission found it necessary to limit funds in King, Pierce, and Snohomish Counties (the Tri-County area) in order to ensure that other parts of the state have an opportunity to benefit from the Commission's programs. Because the Commission strives to offer a continuous supply of funds, area set-asides of funds are not anticipated during the next Plan period.

In the House Key program, available funds are distributed on a first-come, first-served basis. Lenders may reserve funds for eligible borrowers by using the online reservation system. The Commission allocates House Key funds based on the policy of the oldest and/or highest interest rate moneys being made available first.

**PURCHASE PRICE LIMITS**

The Commission determines purchase price limits that are appropriate for the House Key Program based on the interest rate, income limits and other program requirements necessary for implementation. Currently, the Commission uses information developed in cooperation with the Runstad Center for Real Estate Studies at the University of Washington, property sales data collected from counties, and lender input to establish appropriate purchase price limits. The limits established by the Commission do not exceed the purchase price limitations set by federal regulations, but may be lower than the maximum federal limits.
APPENDIX C

MULTIFAMILY HOUSING AND COMMUNITY FACILITIES FINANCING PROGRAMS

The Commission currently operates several financing programs in the Multifamily Housing and Community Facilities division: the Multifamily Housing Bond program, the Multifamily Bonds with 4% Housing Tax Credits program, the Nonprofit Housing program, the Beginning Farmer/Rancher Program, the Nonprofit Facilities Financing program, the Sustainable Energy Program, and the 9% Competitive Housing Tax Credit Program. Each of these programs offer distinct financing options that address specific owners, housing needs or financing problems identified by the Commission.

The Commission will continue to offer technical assistance to nonprofit organizations and developers of low-income housing. The Commission will provide this assistance in cooperation with lenders, local governments, and other state agencies to increase the general capacity of these developers in all areas of the state and especially in areas where resources are scarce.

MULTIFAMILY HOUSING BOND PROGRAM AND THE MULTIFAMILY HOUSING BOND WITH 4% TAX CREDIT PROGRAM

These two bond programs are primarily intended to finance multifamily projects developed by for-profit developers and nonprofit organizations. Motivation for the borrower is often attributable to their ability to gain access to 4% housing tax credits with issuance of the tax-exempt bonds (Housing Tax Credits are described in greater detail later in this document). Through these programs, developers can obtain tax-exempt mortgages for the acquisition, new construction, or rehabilitation of housing projects. Projects developed under the program must either set aside 20 percent of the units for occupancy by persons earning less than 50 percent of area median income, or 40 percent of the units for occupancy by persons earning less than 60 percent of area median income, to meet minimum federal requirements.

Bonds issued through these programs are subject to the per capita bond volume Cap (Bond Cap), which places a limitation on the amount of bonds that can be issued in a year. Whether a bond only transaction or one that accesses the 4% Housing Tax Credit, projects are required to meet a minimum threshold under the applicable program policy and if necessary, to compete for financing by scoring the highest number of points under the specific program policy and

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24 Program addresses Policy Issues #1, 2, 3, 10.
meeting Readiness Criteria that require a project to issue bonds within the year that bond cap authority is allocated. Program policy is reviewed each year and adjusted as necessary. However, the drop in demand for tax-exempt financing related to the turmoil in the markets since 2008 and the decrease in residential development has meant that there is ample volume cap available for projects. Each project is still required to meet a minimum threshold of points described in the program Policy. Until the markets stabilize, it is difficult to predict what affect the market and credit problems will have on the demand for financing through the Plan period. Since multifamily development has a significant economic impact, a decrease in production will have a negative impact in many sectors of the state.

The Commission may also use current refunding authority to refund a portion of the multifamily bonds previously issued to finance multifamily projects. This would be done to extend the period of the Regulatory Agreement and potentially to take advantage of current lower interest rates. If demand significantly increases, the Commission may also develop a program to take advantage of any refunding bond cap authority that becomes available as the result of provisions in the 2008 Housing and Economic Recovery Act, which now allows multifamily bonds which are paid off within 4 years of original issuance to be used to fund new bond issues within limitations.

**NONPROFIT HOUSING PROGRAM**

The Nonprofit Housing program is available only to nonprofit organizations designated as such under section 501(c)(3) of the tax code and have housing as a purpose in their articles and/or bylaws. This program is designed to finance the full range of senior living options provided by nonprofit organizations, from independent living through assisted living, continuing care retirement communities, group homes, and nursing homes. This program also provides financing for nonprofit-sponsored multifamily housing and housing for special-needs populations. Federal law applies more liberal guidelines to nonprofit bonds regarding the use of bond proceeds than is allowed for for-profit-owned projects. For example, nonprofit organizations can refinance higher interest taxable debt with below-market tax-exempt debt. The savings result in increased income for operations and more stable nonprofit organizations. Federal low-income set-aside may be required for straight taxable-to-tax exempt financing.

In response to the needs of nonprofit organizations using this program, the Commission revised and streamlined regulatory processes and procedures and reduced fees to nonprofit organizations using the program. This was designed to help organizations reduce unnecessary paperwork and expenses and to give each organization more flexibility to design options that fit their individual missions and requirements. Bonds issued through this program are not restricted under

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25 Program addresses Policy Issues #1, 2, 3, 10.
the Bond Cap. Therefore, there is no competition among the users of this program. Low-Income Housing Tax Credits cannot be used in conjunction with this type of bond.

In 1989, the *Housing Needs Study* identified the elderly as a population that needed special attention if sufficient housing were going to be developed to meet future needs. As a result, the Commission sought additional authority in 1990 to finance nursing homes and significantly revised its policies and programs for financing housing for the elderly. Since 1990, the Commission has been a leader on the national level in the issuance of tax-exempt bonds to finance housing for the elderly.

In 2004, the Commission engaged the Washington Center for Real Estate Research to prepare a study of housing options and services that are currently available to seniors in the state. This study was completed in 2007 and is available on our website. We also completed a second study on the perceptions of Washington residents nearing retirement on their need for housing, their ability to pay and the availability of appropriate housing in their areas. (Go to [www.wshfc.org](http://www.wshfc.org) to view the studies)

The Commission continues its work with partners such as the LeadingAge Washington and other governmental and nonprofit agencies and organizations serving the elderly to ensure that programs are responsive to the changing needs of our state’s senior population. We are also participating with other agencies and nonprofit providers in the development of new models to ensure that the state’s seniors will have adequate housing and needed services into the future.

**NONPROFIT FACILITIES FINANCING PROGRAM**

The 1990 Legislature gave the Commission the authority to issue tax-exempt bonds to finance any capital expenditures for nonprofit organizations that have been designated by the Internal Revenue Service as a 501(c)(3) organization under the Internal Revenue Code. Under this general authority, the Commission has issued bonds for a variety of purposes including educational institutions, recreational facilities, administrative offices, performing arts facilities, animal shelters, and training and work facilities for the disabled.

The Nonprofit Facilities program provides tax-exempt financing exclusively for capital projects that are developed and owned by nonprofit organizations and that may not include a housing, healthcare or higher education component. The Commission can finance nursing homes and higher education facilities that are not founded in Washington State. Federal law allows nonprofit organizations to use tax-exempt bonds to finance any capital expenditures, including land acquisitions, construction, and capital equipment, provided they are used in the

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26 Program addresses Policy Issues #5, 6, 7.
furtherance of the nonprofit mission approved by the IRS. These bonds are not subject to the Bond Cap. Capital assets financed through this program must be wholly owned or operated by a 501(c)(3) nonprofit organization.

Commission-issued bonds to finance nonprofit facilities may either be publicly sold or privately placed with a willing purchaser, often through the Streamlined Tax-Exempt Placement (STEP) program. Generally, nonprofit organizations choose publicly sold debt for larger projects when savings from the lower interest rate achieved by a public sale are greater than the higher initial cost of such a transaction. However in 2009-2010, large private placements were the preferred alternative because of the favorable “bank qualified” treatment of the bonds under ARRA. That treatment expired at the end of 2010. For projects under $5 million, a private placement is usually the most cost effective.

The Commission continues to refine its policies dealing with bonds issued through this program to allow borrowers as much flexibility as possible in choosing financing structures that fit their financial strategies. In April of last year it temporarily lowered its ongoing fees.

BEGINNING FARMER/RANCHER LOAN PROGRAM

In 2005, the legislature gave the Commission the authority to issue bonds on behalf of beginning farmers and ranchers across the state. Loans up to a lifetime maximum of $501,100 per family can be made for land acquisition, agricultural buildings and improvements, farm equipment and animals. The Commission has entered into a partnership with Northwest Farm Credit Services to make and service these loans. The Commission has formed additional partnerships with agriculturally related agencies and organizations to help ensure the success of this new program and is planning to sponsor several farm finance workshops in the Plan period with these partners. It currently is planning a PIF investment with the Office of Rural and Farmworker Housing to train and finance would be first-time farmers and ranchers.

Since the first loans were made in 2008, the program has provided $5,012,903 in loans to finance 23 farm and ranch operations. With the continued partnership of Northwest Farm Credit Services demand should be strong throughout the Plan period.

The bonds are subject to the Unified Volume Cap under the Small Issue category, which is allocated by the Department of Commerce.

27 Program addresses Policy Issue #5.
SUSTAINABLE ENERGY PROGRAM  

In 2009, the Legislature gave the Commission the authority to enter the area of energy financing in HB 1007 and SB 5649. The legislation directed us to create a sustainable energy program which would finance residential, commercial, agricultural, and governmental energy efficiency and renewable energy projects in the state. The Commission is able to issue any type of bond available to conduit bond issuers, to make direct loans for energy projects where feasible, and to participate with other agencies and organizations to create energy programs. The Commission adopted formal policies for the Sustainable Energy Program in August 2010.

There are several types of bonds that the Commission can issue for energy-related projects. These include the multifamily and nonprofit revenue bonds that are currently issued through the Multifamily Housing and Nonprofit Housing and Facilities Programs, as well as small issue manufacturing bonds for energy expenses only and Qualified Energy Conservation Bonds (QECBs). Housing and nonprofit projects that use bond funds to finance energy-related expenses in addition to other expenses will continue to be considered under the Multifamily Housing and Nonprofit Housing and Facilities Program policies. Projects that use bond funds exclusively for energy-related expenditures will be considered under the Sustainable Energy Program policies.

OTHER FINANCING PROGRAMS

The Commission works hard to develop financing structures that meet the special financing and pricing needs of nonprofit organizations and these are outlined in the following paragraphs.

PRE-DEVELOPMENT LOAN PROGRAM AND AFFORDABLE HOUSING PRESERVATION PROGRAMS WITH IMPACT CAPITAL  

In cooperation with Impact Capital the Commission developed a pre-development revolving loan program to supplement other sources of pre-development funds in the state for nonprofit organizations. The Commission encouraged Impact Capital to make available pre-development funds for projects outside of King, Snohomish, and Pierce counties. This revolving loan fund was initiated with approximately $750,000 of Commission earnings from a preservation funding program in cooperation with HUD. The fund has helped finance 162 projects, including 4,701 housing units and 29 mixed use projects.

28 Program addresses Policy Issue #9.
29 These programs address Policy Issues #1, 2, 3, 4, 5, 6, 7, 10, 11.

46
containing 301,655 square feet of non-housing space. The fund had loaned $9,103,450 and leveraged $643,226,295, a 71:1 leverage ratio, through 2009.

In August 2000, the Commission loaned $4.75 million of its Program Investment Funds to Impact Capital to support preservation efforts through a five-year agreement to invest funds in the Washington Community Investment Fund (WCIF), managed by Impact Capital. The Impact Capital Fund provides pre-develop and high-risk capital to assist owners, developers and other housing providers to preserve affordable housing. Through 2009, the fund had loaned $46,963,465 and financed 68 projects including 2,959 housing units and 6 mixed use projects with 270,315 square feet of non-housing space. The fund had leveraged $523,467,053 in other funds, an 11:1 leverage ratio, through 2009. The Commission renewed this agreement in 2005 for an additional five years and increased its investment to $5.0 million. The investment was increased again in 2007 to $5.25 million and extended for another five years in 2010.

STREAMLINED TAX-EXEMPT PLACEMENT (STEP)\(^{30}\)

The STEP program is designed for projects that will use a predetermined tax-exempt financing structure to privately place bonds with a financial institution. The program is intended to finance the acquisition, rehabilitation, or new construction of nonprofit housing or nonprofit facilities. Nonprofit organizations may also refinance existing taxable loans for such purposes. The program uses standardized documents and lower fees that are attractive to smaller projects. The Commission continues to refine the program in response to the needs of both the borrowers and the participating lenders.

Both for-profit and nonprofit developers may use the program under specific guidelines. For-profit projects require authority under the Unified Volume Cap, but nonprofit projects do not.

THE CAPITAL PLUS PROGRAM\(^{31}\)

The Commission continues its ongoing partnership with the Washington Community Reinvestment Association (WCRA) by investing $7,000,000 in a revolving loan fund to finance nonprofit capital projects, land, buildings or equipment, that are too small to be economically feasible through the tax-exempt bond programs. With a maximum loan amount of $700,000 and a ten-year term, this program is ideally suited to those nonprofit projects that create a high public benefit but do not necessarily attract the interest of conventional lenders.

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\(^{30}\) This program addresses policy issues \#1, 2, 3, 4, 5, 6, 7, 8, 10, 13.

\(^{31}\) This program addresses policy issues \#1, 2, 3, 4, 5, 6, 7, 8, 10.
WCRA administers this program for the Commission. Approximately $1 million in loans are made yearly, with $5.081 million in loans outstanding to seventeen projects serving low-income and special needs populations. Program guidelines were recently revised to allow nonprofit resident associations the ability to access financing to save mobile home parks that are at risk of closure.

**TAXABLE BONDS**\(^{32}\)

The Commission issues taxable bonds to finance the cost of issuing or refunding tax-exempt bonds and will do so in the future. Blending taxable and tax-exempt bonds also stretches the amount of bond financing available for multifamily and assisted living projects when bond authority under the Unified Volume Cap is limited. Since 1995, the Commission has encouraged the use of taxable bonds in conjunction with its programs, which has resulted in the issuance of more than $196.6 million of taxable bonds. At the present there is excess bond volume cap available, and developers do not choose to take the taxable option.

Affordable multifamily projects are subject to the same cost pressures as any other project as the cost of land and construction continue to escalate. These cost increases have a significant impact on the amount that can be borrowed and repaid. This makes the lower tax-exempt interest rate more important than ever. While the Commission will continue to encourage the use of taxable bonds when issuance authority is limited, it will also strive to keep a good balance to ensure that the projects remain financially sound over the long term.

**POLICIES FOR BOND-FINANCED MULTIFAMILY HOUSING AND COMMUNITY FACILITIES**

**GENERAL POLICIES**

The projects financed under the Multifamily Housing and Community Facilities programs must meet the following requirements:

**LOCATION**

The project must be located in Washington State, or, in the case of nonprofit capital equipment, used to benefit Washington State residents.

**COORDINATION WITH UNITS OF LOCAL GOVERNMENT**\(^{33}\)

The Commission recognizes the need for inter-governmental coordination in the consideration and selection of bond-financed projects. Accordingly, the

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\(^{32}\) This program addresses policy issues #1, 2, 3, 4, 5, 8, 10, 12.

\(^{33}\) Policies address Policy Issues #4, 6, 7, 12.
Commission holds public hearings prior to committing Commission resources for any housing or nonprofit capital project.

For all bond transactions, notice of the hearing is published at least 14 days prior to the hearing in one or more newspapers of general circulation including the area in which the project will be located.

The public hearing notice is mailed to the chief executive officer of the local jurisdiction where the proposed project is located.

The Commission invites members of both the local government and the general public to testify with respect to all the project proposals. The local government may comment at the hearing on the consistency of the proposed project with local plans, policies, and ordinances. The Commission hears the testimony and considers it as part of the financing process. However, the Commission does not overrule local determinations with regard to land use, zoning, and permitting processes.

Commission-financed projects must also be in compliance with Consolidated Plans and local Growth Management Act (GMA) housing elements (if adopted). This coordination process helps to direct Commission authority to projects whose zoning, land use, and designs meet local codes and avoid delays in project completion caused by non-compliance with local codes. The review process also maintains a cooperative working relationship between local governments and the Commission.

The Commission is particularly interested in working with cities and other areas of local government on multifamily housing projects and nonprofit capital facilities that are included in housing assistance plans, downtown revitalization programs, the local or state Consolidated Plan, a local or regional Growth Management Plan, and economic development efforts of such governments. These, as well as other projects of special interest to local governments should be brought to the attention of the Commission at the earliest opportunity so that potential methods of cooperative financing may be explored.

The Commission has been a leader in coordinating joint federal, state, and local compliance review of affordable housing programs. Several years ago, the Commission signed Memorandums of Understanding (MOUs) with the City of Seattle, the State Department of Commerce, the state USDA Rural Development office, and most recently the City of Tacoma to coordinate monitoring and on-site inspection services. The Commission also has an MOU with the Seattle Housing Authority to accept PHA documentation of income for several project-based Section 8 properties. Informal working agreements exist with several other agencies to share monitoring and inspection resources, including King County, Snohomish County, the Northwest HUD office and Bremerton Housing Authority’s Contract Administration Services.

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34 Policy addresses Policy Issue #12.
35 Addresses policy issues #3, 4, 5, 6, 7, 12.
The Commission recognizes that communications between a project developer and local governments, residents in the project area, and the general public can foster a better understanding and positive community relationships for all of the parties. Accordingly, the Commission encourages developers and members of the community to develop appropriate avenues of communication for the discussion of project proposals.

**BOND FINANCING AND RATING REQUIREMENTS**

Since the Commission does not pledge the full faith or credit of the State of Washington, bonds issued through its programs must be able to be repaid from project earnings or other sources. The Commission has adopted several policies concerning its housing and nonprofit capital facilities programs to determine if bond financing is appropriate for the project. These policies require or give guidance on such concerns as credit enhancement, the sale of unrated bonds, and the structuring of variable rate bonds.

**DISPLACEMENT AND RELOCATION**

The Commission recognizes that displacement of low- and moderate-income persons from existing neighborhoods and buildings is often a consideration in the development and financing of multifamily housing projects. The Commission intends to prevent displacement of families to the greatest degree possible. To this end, projects involving residential rental buildings that are subject to the Landlord-Tenant Act must submit and receive approval of a relocation plan for the existing tenants from the local government. A copy of the letter from the local jurisdiction, either approving the plan, or stating that it is not necessary, is required for any such financing. Projects not covered by a local relocation policy must provide a relocation plan acceptable to the Commission as a condition of financing.

**ACCESSIBILITY FOR PERSONS WITH DISABILITIES**

Newly constructed projects must meet federal, state, and local ADA accessibility requirements. The Commission encourages multifamily developers through its program Policy to provide special services and amenities for their residents with disabilities.

**REGULATORY REQUIREMENTS FOR HOUSING PROJECTS**

For projects financed with tax-exempt authority subject to the Unified Volume Cap or projects participating in the Housing Tax Credit program, the developers elect, at a minimum, to provide (1) 40 percent or more of the units in the project must be occupied by persons having incomes of less than 60 percent of the area median income (adjusted for family size); or (2) 20 percent or more of the units must be occupied by persons earning less than 50 percent of the area median income.

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36 Addresses Policy Issues #3, 4, 6, 7.
37 Addresses Policy Issue #3.
38 Addresses Policy Issues #3, 4.
income (adjusted for family size); or (3) a very low-income option provided by federal regulations for some programs.

For projects financed with tax-exempt authority not subject to the Unified Volume Cap, the Commission has established low-income set-aside options. By providing options the Commission recognizes that nonprofit organizations are different and fulfill their missions in a variety of ways.

Borrowers using the Nonprofit Housing program have four options:

A. No formal Low-Income Set-Aside commitments. This option allows the individual nonprofit to serve its target clients in the most flexible manner. All nonprofit organizations make commitments to provide public benefits as determined in their designation as a nonprofit organization under section 501(c)(3) of the Tax Code.

B. Federally Required Low-Income Set-Asides. Federal law requires, depending on the use of bond proceeds and the physical configuration of the project, the set-aside of 20% of the units for residents at 50% of median income or 40% of the units for residents at 60% of median income. All projects that fall into this category must make the required set-asides.

C. Optional Formal Low-Income Set-Aside Commitments. State law provides that nonprofit-owned projects that provide housing for the elderly and use tax-exempt bonds to finance their facility may qualify for a property tax exemption if they agree to the following:

1. The owner is required to set aside 10% of the total units eligible for financing by the Commission for tenants or families with incomes at or below 80% of the state or local median income, whichever is higher, and 10% of the total for tenants or families with incomes at or below 50% of the state or local median income, whichever is higher. The set-aside units must be available so long as the bonds are outstanding, but not less than 20 years from the later of bond closing or the date on which one-half of all units are first occupied; or,

2. The owner is required to set aside 20% of the total units eligible for financing by the Commission for tenants or families with incomes at or below 50% of the state or local median income, whichever is higher, and 10% of the total for tenants or families with incomes at or below 80% of the state or local median income, whichever is higher.

D. Low-Income Set-Asides under the Fee Waiver. The Commission is concerned that nonprofit organizations providing housing to very low-income people, particularly the elderly, are finding it increasingly difficult to meet rising operating expenses in an environment of shrinking resources. In order to assist nonprofits that have as a mission the provision of housing to low-income people, the Commission offers a reduction in the annual fees if the nonprofit agrees to commit to one of the following set-aside options.
The savings generated through this fee reduction are intended to help increase the stability and soundness of the project and the organization.

1. At least 75% of the units are occupied by residents at or below 80% of the area’s median income, adjusted for family size; or
2. At least 20% of the units are occupied by residents with “very low-income” (50% of the area’s median income, adjusted for family size); or
3. At least 40% of the units are occupied by residents with income that does not exceed 60% of the area’s median income, adjusted for family size; or
4. If the provider is an assisted living facility or nursing home, at least 20% of all units/beds must be reserved and rented to residents/patients who are eligible for Medicaid; or
5. If the provider is a Continuing Care Retirement Community (CCRC), at least 20% of the assisted living and nursing home beds must be reserved for residents/patients who are eligible for Medicaid.

A housing project owner enters into an agreement with the Commission to ensure compliance with the low- and moderate-income requirements of the Commission. In addition, each owner that makes a formal set-aside commitment is required to accept and record deed restrictions requiring that the entire project be maintained and operated as a residential rental project for the period as required by federal regulations and Commission policy.

THE ALLOCATION OF BOND CAP AUTHORITY

The Commission has developed a process for allocating private activity bond cap among multifamily developers that apply for bond financing based on readiness and public benefit. The Commission has adopted Rules under WAC 262-01-140 for the allocation of private activity bonds. The Rules set forth the principles by which the Commission allocates multifamily bond cap to carry out this Plan and which apply to all applicants.

In addition, every year the Commission publishes program Policies that describe the process and criteria that will be used by the Commission staff to evaluate projects for allocation of the Commission’s multifamily bonds, and if applicable, the accompanying 4% Housing Tax Credit\(^{39}\). This is done in furtherance of this Plan and the Rules.

Program Policy is intended to be an interpretive or policy statement to provide guidance to applicants and to the Commission staff, but is not binding upon the Commission or the Director of the Multifamily Housing and Community Facilities division. Neither is it binding upon the Executive Director of the Commission, to whom such decisions may be appealed. The Director of Multifamily Housing and Community Facilities has been delegated the authority to distribute bond cap pursuant to the Rules.

\(^{39}\) Housing Evaluation Policies address Policy Issues #2, 3, 4, 6, 7, 9, 11, 12, 13.
Program Policy is subject to change by the Commission based on, among other things, developments under federal law. The Commission staff may modify the Policy as well as the forms, legal documents, and other materials used by the Commission staff, as necessary and appropriate unless otherwise prohibited by law.

A reservation of bond cap may only be made for applicant projects that make complete submissions, respond completely to the stated program policy, meet the minimum threshold score, and pay the appropriate fees. The bond cap allocation made to the project may be revoked if the timing requirements for the issuance of bonds are not met during the year.

In general, the program Policy gives priority to projects supported by federal, state, and local governments; to those located in targeted and distressed areas; and to projects creating or preserving project-based rental subsidies. It also gives priority to projects with set-asides and referral agreements for the disabled, large families or other special-needs populations; to the rehabilitation or preservation of existing housing; to the use of sustainable building practices. The point criteria recognize the public benefit and value provided especially by projects that are sponsored and operated by nonprofit organizations.

**POLICIES ADDRESSING HOUSING POPULATIONS WITH SPECIAL NEEDS**

To promote the development of affordable housing for the elderly, the Commission created the Housing for the Elderly program in 1990, in consultation with the elder-care industry. The Housing for the Elderly program has now been folded into the Nonprofit Housing program; however, the Commission continues to place special emphasis on projects that serve the elderly. The Commission has created specific policies for these housing providers, including the circumstances for financing Continuing Care Retirement Communities (CCRC) and set-aside requirements for nonprofit providers of housing for the elderly. The Commission plans to continue to work with developers of housing for the elderly as well as those who provide services for the elderly to ensure that the program continues to meet the needs of Washington State’s older citizens.

The Commission encourages the development and financing of additional rental housing opportunities for the physically/mentally disabled. To achieve this purpose, the Commission gives preference in the Housing Evaluation Policy to projects that actively work with nonprofit organizations serving the disabled and make special efforts to provide housing units for these populations. The Commission will continue to look for ways to facilitate partnerships between housing and service providers.

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40 Policies address Policy Issue #3.
The Commission recognizes that affordable rental housing for families is greatly needed throughout Washington State. Often, the development of projects for family occupancy receives less attention than other housing needs. Housing for low and moderate-income families may not be recognized as the highest priority in many local communities. However, the Commission will continue to encourage the development of housing that will serve low and moderate-income families in its programs.

THE 9% COMPETITIVE HOUSING TAX CREDIT PROGRAM

The low-income housing tax credit program is an incentive program created to encourage the construction or rehabilitation of buildings for low-income residents. As discussed in sections above, Tax Exempt Bonds may be used with these Housing Tax Credits (Multifamily Bonds with 4% Housing Credit). A second type of Housing Tax Credit is the 9% Housing Credit. Both types are the product of the Tax Reform Act of 1986, and are codified in Section 42 of the tax code of the Internal Revenue Service (IRS). Tax credits provide owners and investors with a dollar-for-dollar reduction in their tax liability. The credit is available for a ten-year period and the amount of credit awarded to a project is based on the costs of developing the project and the number of qualified low-income units in the project.

The Commission is the designated authority for allocating low-income housing tax credits in the state of Washington. The laws governing the program impose requirements on owners that the Commission is charged with administering and monitoring. As the allocating agency, the Commission also has the ability to develop additional requirements beyond the federal code for administering the program. State guidelines may be more restrictive than federal guidelines.

As mentioned previously, the Commission allocated $2.15 in per capita authority in 2011. In 2012, this authority was $2.25 per capita times 10 years, resulting in approximately $151 million.

The 4% Housing Credit is accessed through the use of Unified Volume Cap bonds and are thus allocated under the program Policy for the Multifamily Bonds with 4% Housing Credit. For these projects the tax-exempt bond amount must represent at least 50 percent of the project’s total cost. The tax credits allocated to tax-exempt bond transactions are allocated outside of the per capita authority amount and are limited by the private activity tax-exempt volume cap authority of the state.

The 9% Competitive Housing Credit is allocated under a Qualified Allocation Plan (QAP), a requirement of the tax code. The QAP provides general guidance

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41 Program addresses Policy Issues #1-13.
on how the Commission will administer the tax credit program, what priorities and preferences exist, and what specific criteria are considered for awarding credit to projects. Any modification to the QAP is subject to public hearing prior to adoption by the Commission and approval by the governor. In addition to the QAP, the program’s Policies provide specific guidance about applying for and receiving credit and the responsibilities that an allocation of credit carries with it.

By federal law, ten percent of the credit amount is set aside for projects developed by qualified nonprofit corporations. The Commission has also established geographic credit pools—the King County Pool, the Metro Pool and the Non-Metro (Rural) Pool—to help disperse the resource across the State.

Washington’s tax credit allocation process is objective and competitive. The Commission conducts one competitive application round per year. Applications are self-scored based on criteria set forth in the program’s Policies. Applications are typically due in January and allocation decisions are made between February and June. Projects must be completed in the year they receive their reservation of credit or, by meeting certain completion thresholds, the credit may be “carried over” for up to two additional years.

As part of the application process, the Commission performs an underwriting analysis that involves a review of sponsor capacity, the project’s sources and uses, marketability, need, overall financial feasibility and long-term viability.

Tax credit projects are rent and income restricted for up to 40 years. Owners are required to annually certify tenant incomes, calculate the correct rent amounts, and submit reports to the IRS and the Commission. The IRS may assign substantial recapture penalties to the owner if these requirements are not met during the initial 15-year compliance period. In addition, the Commission may sue for specific performance under the project’s Regulatory Agreement (Extended Use Agreement) for the duration of the 30 to 40-year extended use compliance period.

The Commission reviews reports, audits records, conducts on-site visits, and provides ongoing training sessions for project owners and managers in compliance procedures. The Commission provides online bond and tax credit compliance manuals for use by on-site managers to help them understand their compliance responsibilities; in addition, the Commission makes available frequently-updated resources on its website www.wshfc.org for use by owners, managers and residents. The Commission also assumed a leadership role in developing a nationally recognized program of coordinated compliance review for projects utilizing funding from various public funding sources (e.g., Low-

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42 Policy addresses Policy Issue #11.
Income Housing Tax Credits, the state Housing Trust Fund, cities, counties, USDA, HUD, etc).

The Commission also recently published streamlined compliance procedures for properties which have reached year-15 in the typical forty-year restricted use period. The Commission typically monitors properties for up to 40 years, but the IRS only provides oversight during the first fifteen years. At the end of this 15 year period IRS compliance ceases and only state oversight continues. Therefore, the Commission may institute more lenient compliance guidelines for properties that have good compliance records. The Commission wants to work with owners as properties age to focus on essential reporting and monitoring that maintains the property for its intended use. To that end, the Commission also works closely with owners of financially troubled projects, coordinating efforts with public and private lenders to find workable solutions that preserve affordability levels and long-term restricted use periods.

POLICIES FOR THE 9% COMPETITIVE TAX CREDIT PROGRAM

ELIGIBLE BORROWERS AND PROJECTS

The Commission must, by law, give preference to projects that serve the lowest income tenants for the longest period of time. Beyond the federal requirements imposed on the tax credit program by Section 42 of the tax code, the Commission has developed additional requirements that must be met by project owners to ensure the goals of the program are met. These requirements are included in the QAP and the Policies.

The QAP and the Policies include specific selection guidelines called the Allocation Criteria. Most of these criteria are given a point value and used to rank projects against other applications. After all projects are scored, credits are awarded to eligible projects in descending point order until all credits are allocated. Under these criteria, the Commission requires that all applications must have a minimum point score to be considered for an allocation of tax credits.

The Allocation Criteria include:

FULLY FUNDED PROJECTS43

Top priority is given to fully-funded applications. To be considered fully-funded, applicants must demonstrate that at the time of application, all necessary funding commitments have been made.

43 Policy addresses Policy Issue #4.
REHABILITATION VERSUS NEW CONSTRUCTION\textsuperscript{44}

Points are awarded to projects that rehabilitate existing housing.

SPECIAL NEEDS POPULATIONS\textsuperscript{45}

Points are awarded to projects that set-aside a certain percentage of the total units for populations with special needs, including the homeless, farmworkers, the elderly, the physically or mentally disabled and large households and farmworker households. Of these categories, highest priority is given to projects serving the homeless.

Over 1,500 units serving the homeless have resulted from homeless policy incentives. This policy is intended to coordinate with our statewide goal of reducing homelessness in Washington by fifty percent by 2015.

Since initiating a farmworker priority in 1998, over 1,500 units of permanent farmworker housing have been financed in 45 different projects.

HOUSING NEEDS\textsuperscript{46}

Periodically the Commission conducts a housing needs study, to determine by county, areas of highest to lowest needs. Need is based on population, housing affordability, existing supply, and family income. The results of this study are used to determine the size of the Geographic Credit Pools mentioned above. As a related benefit criterion, points may be also be awarded to projects located in community revitalization areas and areas designated by local jurisdictions and approved by the Commission. This encourages developers to locate projects in these areas prioritized by local governments.

COORDINATION WITH UNITS OF LOCAL GOVERNMENT

The tax credit program requires consistency with state or local Consolidated Plans.\textsuperscript{47} The developer of a qualified project must demonstrate that proposals are in compliance with the local housing plans covering the project area. In an effort to coordinate development with local governments, points are awarded to projects that leverage a substantial funding commitment from other public sources (federal, state, and/or local governments). This allows local governments to direct funding commitments to projects that best meet their respective funding priorities while at the same time enhancing a project’s scoring for eligibility for the tax credit program.\textsuperscript{48}

\textsuperscript{44} Policy addresses Policy Issue #2.
\textsuperscript{45} Policy addresses Policy Issues #3, 4, 5, 13.
\textsuperscript{46} Policy addresses Policy Issues #3, 4, 5, 6, 8.
\textsuperscript{47} Policy addresses Policy Issue #12.
\textsuperscript{48} Policy addresses Policy Issue #4.
The Commission works continuously with a group of state and local government funding agencies called the “Public Funders” to develop methods of streamlining the processing of affordable housing projects through the tax credit and other programs.

As previously mentioned, the Commission has formed several partnerships with these other public agencies for compliance monitoring and on-site inspections. These partnerships, in the form of Memorandums of Understandings (MOU), have allowed for streamlining of paperwork requirements for projects with funding from multiple public funding sources. This has resulted in a decrease in the number of on-site inspections through a sharing of information that benefits property managers and owners. It has also resulted in more comprehensive and coordinated asset management oversight of jointly funded properties in a joint effort to maintain and preserve Washington State’s affordable housing stock.

**DISPLACEMENT AND RELOCATION**

As with the Multifamily Bond programs, the 9% Housing Tax Credit QAP and Policies discourage displacement and relocation of existing tenants and requires any project that involves existing tenants to have a relocation plan subject to Commission approval. The Commission’s relocation policy also requires certain notification requirements be met.

**EVERGREEN SUSTAINABLE DEVELOPMENT STANDARD**

Beginning in 2009, all projects must comply with the Evergreen Sustainable Development criteria as developed under legislative mandate by the State of Washington Department of Commerce. Although initially developed for applicants to the Housing Trust Fund, all applicants to the 9% Housing Credit Program, regardless of their funding sources, will be held to the current Evergreen standard. This applies to projects combining tax-exempt bonds and tax credits as well as to those projects financed with competitive tax credits.

**OTHER ALLOCATION CRITERIA**

Other allocation criteria included in the Policies include the following:

- Points may be awarded on a sliding scale for increasing the percentage of units set aside for lower-income populations.  

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49 Addresses Policy Issue #4.
50 Policy addresses Policy Issue #9.
51 Policy addresses Policy Issue #3.
Points may be awarded to projects that are “at-risk” of being converted to market rate housing.\(^{52}\)

Points are awarded for every year beyond the initial 15 years of restricted rents for all applicable low-income units (projects typically are restricted for 40 years).

**ONGOING COMMISSION ROLE UNDER ARRA**

As has been discussed earlier, by the end of 2010 the Commission had closed funding on all ARRA transactions. The Commission role as administrator for the two ARRA-Tax Credit programs, TCAP and Exchange, now shifts to a project management focus including construction oversight, inspection and draw approvals and funds disbursement.

Beginning in 2012 and for the next 40 years, the Commission will perform Asset Management functions to ensure project compliance with Section 42 of the Internal Revenue Code and the long term viability of these projects. Primary Asset Management functions include review of inspection reports in conjunction with capital repair and replacement planning, financial management reviews including the establishment of operating and replacement reserves, approval of reserve expenditures and project cash flow analysis.

The Commission has contracted with the Washington Community Reinvestment Association (WCRA) to assist with these project management and asset management responsibilities.

**LAND ACQUISITION PROGRAM\(^{53}\)**

The Land Acquisition Program (LAP) is a revolving loan program to assist eligible nonprofit organizations in Washington with the purchase of land and or buildings suited for either multi- or single-family affordable housing development. This is not a short term acquisition bridge financing program, but instead a program intended to assist with site acquisition for eventual use (within 8 years) as affordable housing. In addition to affordable housing, LAP funds may be used to acquire land on which facilities providing supportive services to affordable housing residents and low-income households in the nearby community may be developed.

LAP is a rolling loan program with no application deadline. Applications are accepted and projects considered for funding based upon the availability of funds. The intent of the program is to respond quickly to the potential needs of applicants to secure sites as they become available in markets where there is an

\(^{52}\) Addresses Policy Issue #11.
\(^{53}\) Program addresses Policy Issues #1, 3, 5, 8, 9, 10, 12.
urgent need for affordable housing and where there is competition for limited developable land.

All housing developed under the LAP is intended to target populations at or below 80 percent of the area median income and, for rental projects, will include a 30-year affordability use restriction.

While LAP loans may be outstanding for up to 8 years, it is anticipated that most loans will be repaid within 4-6 years. Interest payments are deferred for the term of the LAP loan, which is intended to be paid off with the proceeds of construction financing in order to recycle the funds for use in future transactions. Specific terms and conditions of the loans are set forth in a loan agreement and deed of trust.

The WSHFC, in partnership with Commerce, adopted guidelines and requirements that are necessary to administer the LAP. Eligible applicants must include in their application evidence of site control, a proposed affordable housing development plan indicating the number of affordable units planned, a description of any other facilities being considered for the property and an estimated timeline for completion of the development.

Evaluation criteria will include, but not be limited to, the following:

- Suitability of site for affordable housing and facilities that provide supportive services;
- Organizational and financial capacity of the applicant to develop the project;
- Urgency to acquire site in order to provide affordable housing;
- Leveraging of other sources of acquisition funding; and
- Balancing need and geographic distribution

Applications are considered by an advisory committee with final approval made by the Executive Director of the WSHFC. Staff reports periodically to the Board of the WSHFC on the status and progress of the LAP.

Within five years of receiving a loan, a loan recipient must present the WSHFC with an updated development plan, including a proposed development design, committed and anticipated additional financial resources to be dedicated to the development, and an estimated development schedule, which indicates completion of the development within eight years of loan receipt.

The program provides that if a loan recipient does not place affordable housing into service within the eight-year period or if a loan recipient fails to use the property for the intended affordable housing purpose, then the loan recipient must repay the Commission the principal of the original loan plus compounded
interest calculated at the current market rate. In addition, loan documents stipulate that the land may be transferred to another eligible organization so long as it is developed for affordable housing consistent with the intent of the LAP. In the event of a transfer or sale of the land, there will be a cap on appreciation realized by the seller (the original LAP borrower).
APPENDIX D

THE FINANCE DIVISION

The Finance Division performs the fiscal transaction and reporting functions for the Commission and summarizes its financial activities in three funds, the General Operating Fund, the Program Investment Fund, and the Bond Fund.

1. **General Operating Fund** - The General Operating Fund accounts for the fiscal activities related to the administration of the Commission’s ongoing program responsibilities. Revenues of this fund are derived primarily from fees earned on bond issues, tax credit allocations and compliance monitoring, as well as interest income on General Operating and Program Investment Fund investments. Except for certain pass-through grants and loans, all general operating funds received by the Commission are generated by its activities and are not direct appropriations from the State. Expenditures excluding pass-through grants received were $3.7 million for the six months ended December 31, 2012.

The Commission adopted a General Operating Fund Reserve Policy in 1989. The current policy requires the maintenance of general reserves of $18 million based upon capital adequacy analyses. General reserves provide income to fund current operations, help to ensure a sufficient revenue stream for the Commission to remain independent of State funds, and safeguard the Commission’s ability to meet its future legal and program obligations.

2. **Program Investment Fund** - The Commission’s Program Investment Fund, established in 1989, represents Commission reserves above those required by the General Operating Fund Reserve Policy. These are strategically invested in programs to support the financing and production of low-income housing, special needs housing, and facilities that provide community services. This fund is leveraged by including investments of other funders for use in established down payment assistance and other PIF programs.

3. **Bond Fund** - All activities of Commission-issued bond transactions are established under separate Indentures of Trust and financial activities of these Indentures are recorded in this fund. As of December 31, 2012, the Commission had 345 active bond transactions with $3.59 billion of outstanding debt.

The Commission further summarizes its bond activities by program type as follows:

   a. **Single-family Homeownership Program** - The proceeds from the sale of Single-family Homeownership Program mortgage revenue bonds and the debt service requirements of these bonds are summarized in
this program. Activities of the program are, in general, limited to the purchase of mortgage-backed securities ("MBS") containing pools of mortgage loans originated under the Commission’s First-time Homebuyer program which are secured by mortgages on single-family, owner-occupied, new or existing residential housing located in Washington State. The bonds, which are established under two trust indentures and multiple series indentures, constitute a special obligation of the Commission, are payable solely from the bond funds established pursuant to the indenture, and are funded primarily from payments received from the MBS pool and from any other money held by the bond trustee pursuant to the indenture. As such, the assets of the bond indenture are pledged as collateral for the debt. Loans in the programs are made to first-time homebuyers (except for those in targeted areas) whose income does not exceed the limits established by the Commission.

In this program, the Commission has issued a small amount of variable-rate bonds. In conjunction with some of those bonds, the Commission has entered into an interest rate swap agreement in accordance with its Commission-adopted policy that conforms to Chapter 39.96 RCW (the “Swap Act”).

b. Conduit Financing Programs - All bonds issued by the Commission, except for the Single-family Homeownership Program discussed above, are conduit debt. Conduit debt is defined as limited-obligation bonds issued by the Commission for the express purpose of providing financing for a specific third party that is not a part of the Commission’s financial reporting entity. Financing proceeds for the Conduit Financing Programs are used to purchase qualified mortgages or mortgage-backed securities from mortgage lenders. The issuer of the mortgage-backed securities, 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.

Although the conduit debt securities bear the name of the Commission, it has no obligation for such debt beyond the resources provided by the loan with the third party on whose behalf they are issued.

At the time of a Conduit Financing Program bond issuance, the Commission assigns its rights, title, and interest in the loan agreement (with certain exceptions and reservations), and in any collateral securing the loan, to a bond trustee, paying agent or the lender pursuant to a trust indenture or financing agreement. That party administers the bond issue.
The bonds, which constitute a special obligation of the Commission, are payable solely from the bond fund established pursuant to the indenture or financing agreement. The principal and interest payments are funded primarily from payments made by the borrower to satisfy the loan agreement and from any other money held by the bond trustee pursuant to the indenture.

The obligation of the borrower to repay the loan is absolute and unconditional. The bonds do not constitute a general, moral, or special obligation of the State of Washington, a pledge of the faith and credit of the State, or a general obligation of the Commission. The owners of the bonds have no right to require the State of Washington or the Commission, nor has the State of Washington or the Commission any obligation or legal authorization to levy any taxes or appropriate or expend any of its funds for the payment of principal thereof, premium, if any, or interest thereon.

Bonds may be sold in the capital markets by underwriters, or, in the case of private placement bonds, privately placed directly by the Commission with a financial institution or other sophisticated investor. Proceeds of the conduit bonds may be used in any of the following programs:

i. **Multifamily Housing Program** - This program accounts for financing issued on behalf of developers of multifamily housing. The proceeds are used to purchase, construct, refinance, and/or remodel projects containing affordable housing and housing for the elderly. Activities of this program also include the purchase, construction, refinancing, and/or remodeling of continuing care retirement communities and nursing homes.

ii. **Nonprofit Housing Program** - This program accounts for bonds and notes issued on behalf of nonprofit housing organizations. The proceeds are used to purchase, construct, refinance, and/or remodel projects containing housing consistent with the organization’s IRS approved purpose.

iii. **Nonprofit Facilities, Beginning Farmers/Ranchers Program and Energy Program** - This Nonprofit Facilities program accounts for the bonds and notes sold to purchase loans of 501(c)(3) organizations whose proceeds are used for capital acquisitions and/or improvements and to purchase loans on behalf of beginning farmers and ranchers. The Nonprofit Facilities loans may be secured by real and/or personal property used by organizations.
The Beginning Farmers/Ranchers loans, which must be secured by real and/or personal property, are used for the acquisition of land, purchase, construction or improvement of related buildings, machinery, equipment or certain animals for use in farm or ranching. These borrowers must directly manage and work on the farm or ranch.

The Energy Program loans

The Sustainable Energy Program offers a wide array of financing tools to energy efficiency and renewable energy projects: Conduit bond issuance is available for energy efficiency and renewable energy projects with Qualified Energy Conservation Bonds; to non-profit organizations making resource efficiency improvements to their facilities; and, to manufacturers looking to build or expand their facilities to produce renewable energy or energy efficiency components. Direct construction lending is also available through the Sustainable Energy Trust for the development of energy efficient homes. The Sustainable Energy Trust will also participate in loans to support energy efficiency and renewable energy projects in order to increase access to capital and subsidize the cost of capital.
This Compliance and Preservation division ensures that owners and managers of Commission-financed projects provide affordable, income-restricted units to the general public. As of June 30, 2012, the Commission monitors nearly 72,000 multifamily units statewide in over 881 properties located across the state. The total is composed of 58,892 housing-credit and joint housing-credit/bond units, 12,950 bond-financed units, and 449 Resolution Trust Corporation units. These properties include set-aside for large families, disabled persons, the elderly, farm workers, and transitional and permanent housing for formerly homeless persons.

In exchange for participation in the Commission’s favorable financing and tax credit equity programs, owners sign long-term regulatory agreements that incorporate requirements of the federal tax code and state rules and regulations.

The Division annually conducts nearly 20 compliance training workshops across the state for tax-exempt bond and tax credit-financed projects. These workshops and others sponsored by industry partners attract more than a thousand property management and property ownership personnel annually. Additionally, the Division creates and maintains updated online manuals, forms, Frequently Asked Questions (FAQs); an online searchable list of all properties by city, county or zip code; and numerous resource links for use by owners, managers and residents. The division also electronically distributes a monthly E-News update on compliance and preservation issues to over 1100 subscribers.

The financing of affordable housing is very complex and often requires multiple sources of private and public funding. Each of these funding sources may have statutory or policy related reporting and/or compliance requirements. This can be cumbersome for projects as these requirements may necessitate both desk level and on-site reviews. The Commission took the leadership in bringing together a group of the largest public funding organizations (public funders) that worked diligently to standardize reporting documents and share the on-site inspection responsibilities, dramatically reducing the administrative burden for project owners and residents.

To date, the Commission has formal written agreements with the City of Seattle, the State Department of Commerce, the State USDA Rural Development office, the Seattle Housing Authority and the City of Tacoma. The Commission also works closely with and has informal working agreements with the Northwest Regional HUD office, the Bremerton Housing Authority Contract

54 Addresses Policy Issues #3, 4, 11.
Administration Services team, King County, Snohomish County and the IRS. The participating public funders meet bi-monthly.

These agreements provide for one annual report format and one inspection report to be shared by all participating organizations. Each participating entity agrees to accept the review and inspection work of other participants. This has established a level of specialization among the partners and has ensured maximum adherence to public policy in the operation of low-income apartment developments statewide. Owners and managers have expressed appreciation for the significant reduction of duplicative inspection and reporting requirements.

Over the past ten years, the Commission has explored several programs designed to preserve affordable housing stock. This includes our participation on several local and statewide coalitions concerned with preserving affordable housing; our appointment by HUD as a Participating Administrative Entity in the Mark-to-Market program; conducting several studies on the preservation of “at risk” Section 8 projects; and exploring innovative ways to utilize Commission funds in the preservation of expiring bond and tax credit projects.

In 2005, the Division published streamlined compliance procedures for tax credit-financed properties which have reached year-15 in their restricted use period. During the first fifteen years, staff reports noncompliance issues to the IRS, who provide national oversight for the tax credit program. After year-15, the IRS has no mechanism to recapture tax credits from owners and has subsequently left it up to states to outline and enforce long-term monitoring requirements. The Division worked closely with owners, managers and other state housing agencies to establish streamlined procedures that will reduce costs meet regulatory requirements and result in quality living units for residents, yet omit unnecessary regulatory burdens.

In 2006, the Division amended guidelines to allow the IRS income recertification waiver process. This waiver allows qualified tax credit property owners to refrain from completing annual income re-certifications on qualified households. Owners must request the waiver and pass a strenuous third-party audit before being approved. Several owners elected to go through this process and were approved for the waiver.

In 2008, Congress passed the Housing and Economic Recovery Act (HERA), which included an allowance for states to implement recertification waivers for all tax credit properties. The Division adopted a policy of one recertification for each new household, followed by self-certifications. This policy reduces the administrative burden of unnecessary third-party certifications on long-term residents but still provides an important first year audit check on the eligibility of new residents at the first annual recertification.
In 2010, the Division implemented a custom-designed Web Based Annual Reporting System (WBARS). This system was jointly funded by the Commission and Commerce. Commission and Commerce staff worked closely with our technology contractor to design a system that could be used by multiple public funders to monitor programs with both overlapping and unique contractual requirements. The Compliance & Preservation Division led this design, development, and testing and implementation effort and coordinated closely with owners, managers, IT staff and funder staff from multiple agencies. In 2010, the system successfully received electronically submitted reports on nearly 1,400 properties, monitored by eight participating funders.

Funders utilizing the system include WSHFC, Commerce, City of Seattle, City of Tacoma, King County, Snohomish County, City of Spokane and Spokane County. Seven-hundred (700) of the 1400 projects in the system have Tax Credit financing from the Commission and are actively monitored by the Commission. The system allows manual entry or data upload from other property management systems. The Commission has worked closely with national property management software companies to ensure compatibility for upload. We have also provided six hands-on training sessions for users in addition to daily one-on-one assistance.

The WBARS system includes comprehensive information on the 1,400 properties that allows owners and managers to see their “real-time” compliance status with each funder’s contractual requirements on a project at any time. It allows funders and users to see and review extensive data on units including maximum and actual rents, resident payments, household incomes, rental subsidies and set-aside commitments and also project level income and expense data. In response to a congressional request in the 2008 HERA legislation, the WBARS system will also soon collect information on Race, Ethnicity, and Age and Disability status for all household members.

As properties age, the Compliance & Preservation Division also works closely with owners and managers to preserve commitments in properties that may be experiencing significant financial hardship or severe repair and maintenance problems. The Commission has an in-house cross-divisional team that tracks and reviews “troubled properties”, working closely with owners and managers and in coordination with other public and private funding sources to resolve issues.
APPENDIX F

RECENT ACCOMPLISHMENTS OF THE HOUSING FINANCE COMMISSION

The Commission continues to be a leader in new and innovative programs to assist Washington’s low and moderate income residents to obtain affordable housing. Recently developed programs and projects include:

- In 2011, we began administering funds allocated by the legislature through Washington Works, a $25 million one-time program intended to stimulate development of multifamily workforce housing and to create jobs by jumpstarting construction. In just 16 months, our Capital Projects team closed on the financing for ten Washington Works projects.

- In 2011, The Energy Efficiency Loan Program began, which provides tax-exempt financing for nonprofit and multifamily organizations wanting to lower their energy footprint with little or no up-front costs.

- The Washington State Green Retrofit Fund program began in 2011, which finances energy- and water-efficiency retrofits in tax-credit-funded multifamily projects that have not reached year 15 of their regulatory agreement.

- In 2011, we made our one-thousandth down payment assistance loan through HomeChoice, a program for first-time homebuyers or a family member with disabilities.

- In 2011, we trained 585 lenders, real estate professionals, and representatives of nonprofit organizations to teach our homebuyer education seminars and House Key training curricula. During fiscal year 2011, 3,701 prospective homebuyers attended 532 seminars held statewide.

- We enhanced our new web-based annual reporting system (WBARS) used by seven different public funders—the only system we know of in the nation used by multiple public funders. Funders successfully received annual reports on over 1,400 properties in the system.

- In 2012, we combined our Capital Projects and Tax Credit Divisions, streamlining our operations and simplifying processes for the organizations and borrowers that use those programs to create affordable housing.

- In 2012, we responded to the loss of our longtime loan servicer by entering into an agreement with ServiSolutions, becoming the first housing finance
agency in the nation to establish a servicing relationship with another state housing finance agency.

- We issued our first bond to promote green energy in 2012, for an energy-efficiency retrofit project for a small nonprofit agency

- In 2012, we initiated a taxable homeownership program, Home Advantage that enables us, for the first time, to offer daily-priced mortgages not tied to mortgage revenue bonds.

- In 2012, we trained 355 lenders, real estate professionals, and representatives of nonprofit organizations to teach our homebuyer education seminars and House Key training curricula.
APPENDIX G

MAJOR ACCOMPLISHMENTS SINCE 1983

Between 1983 and June 30, 2012, the Commission has:

- Issued $4.9 billion in bonds to finance 53,629 multifamily and nonprofit housing units and 147 facilities for nonprofit organizations. The total issuance of 501(c)(3) bonds for nonprofit housing and facilities is now over $1.9 billion.

- Since 1990, Financed 147 nonprofit-owned facilities with tax-exempt 501(c)(3) bonds worth over $781 million.

- Financed 44,749 homes for first time homebuyers using $4.12 billion and 9,065 downpayment assistance loans using over $68 million through House Key and other homeownership programs (including the downpayment programs mentioned below).

- Since 1998, the Commission has been awarded $20.2 million in housing counseling funds from Federal and State agencies that have helped nonprofit organizations statewide provide housing counseling services. These services have assisted over 82,000 potential homebuyers and more recently, homeowners facing foreclosure.

- Since 2008, the Beginning Farmer/Rancher program has helped support Washington’s agricultural economy by enabling 23 households to purchase farms, ranches and equipment through the issuance of more than $5 million in bonds and loans in cooperation with Northwest Farm Credit.

- Trained 5,874 active instructors, including loan originators, real estate professionals, and nonprofit partners, to teach free homebuyer education seminars.

- Coordinated 12,971 homebuyer education seminars statewide during which 158,141 potential homebuyers were educated about first-time home buying, real estate and finance terminology, and home maintenance and repair.

- Provided 6,246 first-time buyers with an average of $4,168 in down payment assistance totaling $26 million through its House Key Plus program.

- Provided 1,073 HomeChoice down payment assistance second mortgage loans to people with disabilities to purchase their own home. This assistance has totaled more than $13.6 million.
Since March 2004, provided 340 House Key Plus Seattle loans totaling $17,887,753 as down payment assistance for people who purchase their first home with incomes of 80 percent or less of area median income within the city of Seattle.

Provided 190 loans totaling $1,745,842 as down payment and closing cost assistance for rural borrowers who earn 80 percent or less of area median income.

In FY 2011-13 received $7,500,000 in Foreclosure Fairness Act Funds for 17 nonprofit counseling agencies.

In FY 2012-13 received $3,120,000 from the Attorney General’s National Mortgage Settlement for counseling agencies for default counseling activities.

In FY 2012-13 received $3 million for the Home Advantage Rebound program. This program will help fill vacant homes and prevent neighborhood blight by providing up to $10,000 of downpayment and closing cost assistance to low and moderate income purchasers of bank owned, foreclosed or short sale properties. Approximately 400 households will be served in this program.

In FY 2012-13 received $6,153,689.00 for the Homeowner Stability Fund. This program will help stop preventable foreclosures for families seeking a loan modification through their lender. Qualified Households will receive a second mortgage loan of up to $20,000 to bring their monthly mortgage, insurance, taxes, interest, homeowner dues and utility payments up to date to qualify for a loan modification. Approximately 550 households are expected to be served.

Since 1987, The Commission has provided financing for the development of 28,892 low-income rental housing units using our 9% Housing Credit program and 36,235 low-income rental housing units using our 4% Housing Credit/Tax-exempt bond program.

Successfully sponsored Housing Washington, a statewide annual housing conference, for the past 18 years. The most recent conference, Housing Washington 2012, was attended by 764 and attracted speakers and attendees from across the nation.

Successfully monitored over 72,000 units in 881 properties located across the state, constructed or rehabilitated with financial assistance through the Commission’s multifamily programs.
SUMMARY

The Commission may change the policies and guidelines for the programs it operates during the Plan period. The Commission, as a rule-making body, will consider proposed changes at public meetings since policies and guidelines are generally subject to public hearing prior to consideration by the Commission. All Commission meetings are open to the public and persons wishing to see agendas for future meetings and minutes of previous meetings may find these documents on the Commission’s web site at www.wshfc.org. Persons without access to a computer may call the Commission at 206-464-7139 and request that copies be mailed to them.