WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES
June 27, 2013

The Commission meeting was called to order by Chair Karen Miller at 1:00 p.m. in the Commission’s 28th Floor Board Room at 1000 Second Avenue, Seattle, Washington. Those Commissioners present were Steven Moss, Gabe Spencer, M.A. Leonard, Beth Baum and Jim McIntire.

The minutes of the May 20, 2013 Commission meeting were approved as mailed.

Executive Director Kim Herman introduced the two newest Commission employees: Sherry McCullar and Vicente Mijares.

Ms. Miller opened a public hearing on the draft of the Commission’s 2013-2015 Housing Finance Plan. Mr. Herman summarized the draft Housing Finance Plan for 2013 – 2015 and provided a brief overview of the available resources and how they are used, including an explanation of bond cap and tax credits. The plan also provides a summary of the programs and accomplishments. Mr. Herman noted that the required notice was provided to the clerk of every county in the state and the Washington Registrar. No written comments have been received.

There were no questions or comments and the hearing was closed at 1:11 p.m.

Ms. Miller opened a public hearing on the annual authorization for the issuance of Homeownership Bonds at 1:12 p.m.

Dee Taylor, Director of the Homeownership Division, noted that the hearing is a routine administrative item that is done on an annual basis. Ms. Taylor stated that this public hearing concerns the proposed issuance by the Commission of single family program bonds and homeownership program bonds in one or more series,
in a total amount not to exceed $500 million. The Bonds will be used to help finance the acquisition of eligible single-family residences throughout the state.

Mortgage loans will be originated by lending institutions under standard FHA, VA, USDA, Freddie Mac and Fannie Mae guidelines, and sold to a master servicer. The master servicer will pool the mortgage loans and sell Ginnie Mae, Fannie Mae or Freddie Mac mortgage-backed securities that are secured by our loans to the Commission’s bond trustee who will acquire the securities with the proceeds of the bonds.

A portion of the bonds may be short term notes which will be issued pending the establishment of mortgage rates through the issuance of long term bonds. The issuance of bonds and any remarketing or refunding thereof are pursuant to a plan of financing of the Commission.

The mortgage loans must meet the requirements of the originating lenders as well as Section 143 of the Internal Revenue Code of 1986, as amended.

Borrowers must be first-time homebuyers (unless the property is located in targeted areas as defined by the Code or the loan is made to a veteran as defined in 38 U.S.C. §101) and are subject to maximum income limits. Properties are subject to maximum purchase prices and must be owner-occupied. No other public hearing needs to be held for bonds issued within the one year period. No comments were received from the general public. The results of the hearing will be sent to the Governor for his approval for the issuance of bonds.

Ms. Miller noted that a page of the resolution was missing in the meeting packet. Mr. McIntire asked about the Commission’s exposure to variable interest rates and why variable interest rates would be used in this environment. Bob Cook, Senior Finance Director, stated that the Commission’s total portfolio includes about $35 million of variable rate that was issued between 2005 and 2009 which is reviewed quarterly.
Mr. McIntire asked if staff anticipates any future swaps. Mr. Cook stated that none are anticipated and specific approval from the Commission would be necessary to enter into a swap.

There were no further questions or public comments and the hearing was closed at 1:17 p.m.

At 1:18 p.m. Ms. Miller opened a public hearing on OID Number 13-74A, Heritage Heights. Mr. Clifton stated that the public hearing is for the proposed issuance of nonprofit revenue bonds to refinance an existing taxable loan, to finance capital expenditures for the project, and to pay costs of issuing the Bond for a 30-unit assisted living facility located at 505 East Highland Avenue in Chelan, WA 98816, owned by Lake Chelan Senior Housing, Inc., doing business as Heritage Heights. The estimated bond amount is not expected to exceed $1.7 million. This will be a private placement with North Cascades National Bank.

Mr. Clifton introduced Amanda Ballou, CEO of Heritage Heights. Ms. Ballou stated that the project was originally financed through the Washington Community Reinvestment Association at 7.25%. Heritage Heights houses low income seniors, with 80 percent of the units set aside for seniors who are below 80 percent of the median income. A high percentage of the population is on Medicaid. They serve 32 – 34 low income seniors on average.

There were no questions and no comments from members of the public. The hearing was closed at 1:22 p.m.

A public hearing was opened at 1:23 p.m. for OID No. 13-71A-B, Hearthstone.

Mr. Clifton stated that the public hearing concerns the proposed issuance by the Commission of tax-exempt revenue bonds to finance and refinance The Hearthstone, a continuing care retirement community located at 6720 E. Green Lake Way N. in Seattle, WA, 98103 which is owned by The Lutheran Retirement Home of Greater Seattle, a 501(c)(3) organization. Mr. Clifton stated that bonds will be used for renovation of existing facilities and construction of 28 units of independent living apartments to be known as Village Cove, located on the
Northwest corner of the intersection of Woodlawn Avenue NE and Latona Avenue NE in Seattle WA.

Mr. Clifton introduced Mr. David Hamilton, CFO for Lutheran Retirement Home. Since their last financing in 2004, they have doubled their assisted living capacity to meet the needs of the immediate area of Green Lake and greater Seattle area. A memory care facility has also been added and was 100% full within six months. The property, which was acquired in 2004, required a much larger environment clean-up than was anticipated.

Mr. Hamilton stated that part of their mission is to move independent residents into assisted living. Approximately 25 percent of independent living residents have been moved into assisted living over the last two years, meeting the needs of incoming residents.

Mr. Steven Moss asked what the new rate would be after refinancing. Mr. Hamilton stated that the refinance will be in the 2 percent range, which is higher than the current .25 percent. However, the current rate has a swap behind it of 3.74 percent.

Mr. McIntire stated that facility is a great asset for the North Seattle area. He asked about the nature of the environmental remediation. Mr. Hamilton stated that contaminants from a dry cleaning plant migrated across the alley onto the property. After testing, the property was excavated and the contaminated soils were moved to a special site.

Chair Miller asked how many total units would be in the facility after the addition. Mr. Hamilton stated that the addition of 28 units would bring the facility to 160 units.

Beth Baum asked what portion of the new bond amount would go to refinance the existing bonds. Mr. Hamilton stated that the outstanding portion of the existing bonds is $9.8 million. They are anticipating the new project will cost
about $11.6 million. There is an aggressive financial plan to service the debt without impacting the current residents.

There were no further questions or public comment, and the hearing was closed at 1:34 p.m.

A public hearing was opened at p.m. for OID No. 13-66A, Des Moines Family Housing at 1:35 p.m.

Steve Walker, Director of the Multifamily Housing & Community Facilities Division stated that the public hearing is for the proposed issuance of multifamily housing revenue bonds to provide a portion of the financing for the construction of 43 units of multi-family housing located at 24215 Pacific Highway South in Des Moines, WA 98198.

Mr. Walker introduced Ms. Jenny Weinstein, Housing Developer with Catholic Community Services and Mr. Roger Valdez of Sea Mar Community Family Housing. The project will serve families between 50 – 60 percent of the median income. The facility consists of 1, 2, and 3 bedroom apartments using 4 percent tax credits.

There were no questions and no public comment and the hearing was closed at 1:37 p.m.

Ms. Miller opened a public hearing for OID No. 12-80A, Vantage at 1:38 p.m.

Mr. Walker stated that the public hearing is for the proposed issuance of multifamily housing revenue bonds to provide a portion of the financing for the construction of a 201-unit multifamily housing facility located at 12909 Mukilteo Speedway and 3205 Russell Way in Snohomish County, WA 98087 in a not to exceed amount of $30 million.

Mr. Walker introduced Mr. Jack Hunden to speak about the project. Mr. Hunden stated that the project is reserved for households earning no more than 60 percent
of the area median income. The project also has a 20 percent set-aside for people with disabilities and a 20 percent set-aside for large households. The bonds will be purchased by U.S. Bank and the tax credits will be purchased by Aegon.

Chair Miller noted that five bedroom affordable housing units are larger than usual. Mr. Hundon stated that the addition of five bedroom units is based on their experience with four bedroom units, which are in great demand. The facilities at these projects are unique in that they are specifically designed for large households.

Ms. M.A. Leonard asked how many parking spots will be provided and how many are required. Mr. Hundon stated that the project will have about 1.6 parking spots per unit. Ms. Leonard asked if there is a significant cost differential for land closer to rapid transit. Mr. Hundon stated that construction costs are much higher in the high density areas which are typically close to rapid transit.

Mr. Moss asked about how they plan to utilize the project if the demand for large units isn’t there. Mr. Hundon stated that they currently have 97 percent occupancy. He stated that if the demand is less than expected, the five bedrooms could rent for the 4 bedroom max LIHTC rent and it would not jeopardize the success of the project.

There were no public comments and the hearing was closed at 1:54 p.m.

Public Hearing:
OID No. 13-67A, Copper Landing

A Commission hearing was opened at 1:55 p.m. for OID No. 13-67A, Copper Landing.

Mr. Walker stated a public hearing was held for this project on Friday, June 7th, 2013. The proposed issuance of multi-family housing revenue bonds will provide a portion of the financing for the construction of a 216-unit multifamily housing facility located at the Southwest corner of W. 6th Ave. and Hayford Road in Airway Heights, WA to be owned by Copper Landing LLC in an estimated not to exceed amount of $13,250,000.
Mr. Walker introduced Mr. Scott Morris with the Inland Development Group. The 216-unit family apartment community includes 1, 2, and 3 bedroom units. This is a 100 percent affordable property targeting individuals and families making at or below 60 percent of the area median income. Every unit comes with a fully equipped kitchen, full sized washer and dryer, patio or balcony, and walk in closets and many other amenities. The project is located in Airway Heights, which is approximately 10 minutes from downtown Spokane. This project also provides a safe alternative for individuals currently living in the accident prevention zone of Fairchild Air Force Base. The project has a firm commitment from H.U.D.

Mr. Morris stated that the all in project cost is approximately $101 thousand a unit.

There were no questions or comments. The hearing was closed at 2:00 p.m.

A public hearing was opened at 2:01 p.m. regarding the recommended projects for allocation of Low-Income Housing Tax Credits from the 2013 Funding Round.

Mr. Walker stated that both projects being recommended will serve homeless veterans. The projects will utilize leases of Federal V.A. properties. The first project is located in Walla Walla, WA and will rehabilitate an existing historic structure and will also include new construction for a total of 40 units. The second project, located in Vancouver, WA consists of 50 units.

Both projects are 9 percent tax credit deals.

Mr. Moss asked if Mr. Walker has had any discussions with Veteran’s Affairs officials. Mr. Walker stated that he had not spoken directly with Veteran’s Affairs officials but has instead worked with the developers and some individuals involved with the national discussion to support the initiatives. The projects will take advantage of project based VASH vouchers.
Mr. Herman asked if the final credits would be signed without sufficient support coverage. Mr. Walker stated that the Commission can take back the credit if there is a problem with investors or supportive services, therefore the credits will not be put at risk over the next two years.

Ms. Leonard asked about the length of the VASH Vouchers. Mr. Walker stated that the vouchers are 20 year commitments. Ms. Leonard asked how often they are appropriated. Mr. Walker stated that he was unclear on the timeframe.

There were no additional questions or comments. The public hearing was closed at 2:09 p.m.

Mr. Herman stated that Commission staff conducted a Request for Proposal process in order to select General Counsel, Bond Counsel, Tax Credit Counsel and Special Counsel for the Commission’s Energy Efficiency Loan Program. Mr. Herman noted that staff reviewed the responses focusing on past experience, experience of key staff, track record, customer service, and various other characteristics.

Rather than conducting an interview process, Mr. Herman stated that staff recommends the following firms: Pacifica Law Group for general counsel and bond counsel, Kutak Rock LLP for single family special tax counsel, and Foster Pepper for single family disclosure counsel and special counsel for energy efficiency loan program and alternate legal services.

Mr. McIntire asked about the estimated value of the contracts. Mr. Herman stated that the value depends on the number of bond issues in a year. The contracts do not require a maximum dollar amount. Mr. McIntire asked about the difference in fees between candidates. Mr. Herman stated that some of the larger firms and firms from out of state tended to have higher fees. Fees were examined carefully and the recommended firms are economical and modest.

Ms. Baum asked if there were any material advantages or disadvantages from the alternative proposals. Mr. Herman stated that the availability is the biggest
difference, noting that the firms selected are local with the exception of Kutak Rock. Also, hourly fees were quite different. Experience in each general area is important. Mr. Herman noted as an example that Kutak Rock is a highly recognized tax counsel in the single family arena. Also, Foster Pepper has been involved with energy program development on the policy and legislative side in Washington. Familiarity with individual staff and reputation in the industry is also considered.

Ms. Taylor offered her personal recommendation of Ms. Faith Pettis and Pacifica Law Group noting that Ms. Pettis emphasizes the people the Commission are helping.

Mr. Moss moved to approve the recommendation. Ms. Leonard seconded the motion. The motion was approved.

Ms. Taylor introduced Resolution number 13-78. She stated that the resolution authorizes the Executive Director to approve the sale of single-family program bonds in an amount not to exceed $500 million. This resolution is a routine item that is done on an annual basis.

This resolution authorizes the Executive Director to finance single-family housing through the acquisition of Ginnie Mae, Fannie Mae or Freddie Mac certificates representing pools of mortgage loans by issuing up to $500 million of single family mortgage revenue bonds and refunding bonds with long-term interest rates, and bonds without long-term rates.

The resolution also approves swap agreements and the selection of a swap counterparty for payment agreements.

This resolution includes both new money bonds and bonds that do not require volume cap (like taxable bonds), as well as notes.

Resolution 13-78 is intended to cover all of our single-family bonds issued through June 30, 2014 and the approval and sale of certificates for the same
period of time. This eliminates the need to come back before the Commission every time we issue bonds during year and it allows us to capitalize on any advantageous fluctuations we might see in the market.

Mr. McIntire asked if this is a standard process for single family bonds. Ms. Taylor confirmed that it was.

Ms. Baum moved to approve the resolution. Mr. Moss seconded the motion. The resolution was unanimously approved. Commissioner Gabe Spencer was out of the room during the vote.

Mr. Walker introduced Resolution No. 13-38 stating that the resolution approves the issuance of multifamily housing revenue bonds by the Commission in a principal amount not to exceed $7.2 million to provide a portion of the financing for the new construction of 70 units of senior housing in Seattle, WA. The project will be owned by Rainier Court Associates. A public hearing was held October 25, 2012. Mr. Walker noted that this project is a public sale with Freddie Mac credit enhancement. U.S. Bank will be the construction lender.

Mr. Walker stated that the project is in flux due to the market but is still anticipated to go forward as planned. Should the public sale not produce favorable results, the project would use a short term load. Ms. Faith Pettis added that the short term load, referred to as an initial interest rate, would be for and indeterminate period of time and would carry the project through to a period when a long term fixed rate could be locked in. She noted that every lender in this transaction has signed off on an 18 year fixed rate deal with Freddie Mac. The initial interest rate has been presented to all three lenders and they are considering it.

Mr. Moss asked for clarification regarding upward trending rates. Ms. Pettis stated that the deal can be priced successfully with short term rates until long term rates have settled down. She noted that there have been extraordinary changes in the bond market due to a recent Fed announcement by Chairman Bernanke.
Ms. Leonard moved to approve the resolution. Ms. Baum seconded the motion. Resolution No. 13-38 was unanimously approved.

Mr. Clifton introduced Resolution No. 13-75 for Bellevue Duplexes approving the issuance of 501(c)(3) nonprofit revenue bonds by the Commission in a principal amount not to exceed $820 thousand to finance the rehabilitation of 28 three-bedroom units and to refinance previously incurred debt at a multifamily housing facility in Pullman, WA. Mr. Clifton noted that this project is being done in partnership with the Washington Community Reinvestment Association. It will be a private placement with Umpqua Bank.

Mr. Moss moved to approve the resolution. Mr. Spencer seconded the motion. Resolution 13-75 was approved unanimously.

Mr. Clifton introduced Resolution 13-76 for The Young Men’s Christian Association of Greater Seattle. The resolution authorizes issuance of a nonrecourse nonprofit revenue bond in a principal amount of $2,030,000 to refinance the acquisition and installation of energy efficiency renovations at six facilities located in King County and to pay costs of issuing the bond.

This is the Commission’s third E-Bond, used specifically to finance energy efficiency. The project will be a private placement with Banc of America.

Ms. Leonard asked for a future report regarding the results of energy efficiency bonds.

Ms. Baum moved to approve the resolution. Ms. Leonard seconded the motion. Resolution 13-76 was approved unanimously.

Mr. Clifton introduced Resolution No. 13-77 authorizing the issuance of nonrecourse nonprofit revenue bonds by the Commission in a principal amount not to exceed $25 million to refinance existing tax-exempt bonds, for renovations, and to complete construction and furnishing of 28 units of

June 27, 2013
independent living apartments in Seattle, WA. The project is owned by the Lutheran Retirement Home of Greater Seattle, a Washington 501(c)(3) non-profit organization. The public hearing was held on June 20, 2013. The financing is a private placement with Wells Fargo.

Ms. Leonard moved to approve the resolution. Mr. Moss seconded the motion. Resolution number 13-77 was unanimously approved.

Mr. Cook requested approval of the General Operating Budget for the Commission’s July 1, 2013 – June 30, 2014 fiscal year. Mr. Cook stated that the draft budget was reviewed at the Commission planning session in May. He noted that revenues for the year in the operating fund total about $22.6 million with $17.2 million of expenses.

Mr. McIntire noted that the budget shows projected revenues at 15 percent over expenses for the current fiscal year and 24 percent projected for the next fiscal year. He asked if there was a policy outlining a target for that number. Mr. Herman stated that the goal is for revenues to exceed expenses. He noted that some programs fees have been reduced. He also noted that production in the Home Advantage Program is well above what was predicted. Excess earnings come before the Board for investment in the Program Investment Fund.

Mr. Moss moved to approve the budget. Mr. Spencer seconded the motion. The annual budget was approved.

Mr. Cook requested approval to transfer excess revenue to the Program Investment Fund. He noted that excess earnings in the general operating fund as of June 30 are moved into the Program Investment Fund.

Ms. Baum asked if the reserve was still at $18 million. Mr. Cook confirmed that the number has not changed.

Mr. Spencer asked for the PIF Fund investment totals. Mr. Cook stated that the total is currently $125 million with $70 million of partner funds. Mr. Spencer asked if there has been a faster rate of growth. Mr. Cook stated that he expects
next year will be strong year. He noted that previously, all PIF funds had been allocated, however by using the Home Advantage Program and not financing down payment assistance with excess earnings, some of the pressure on PIF has been removed.

Mr. Herman noted that a summary of the current status of PIF is available in the finance plan.

Ms. Leonard asked how much is being transferred this year. Mr. Cook stated that approximately $8 million will be transferred.

Ms. Leonard moved to approve the transfer of excess revenue into the Program Investment Fund. Ms. Baum seconded the motion. The motion was approved unanimously.

Mr. Walker stated that resolution number 13-79 will allocate credits to the two projects previously discussed in Walla Walla and Vancouver.

Mr. Moss moved approval for the allocation of credits. Ms. Baum seconded the motion. The motion was approved unanimously.

There was no report on Department of Commerce Activities.

Mr. Herman announced that Beth Baum, M.A. Leonard, Mario Villanueva, Dennis Kloida, Steven Moss and Faouzi Sefrioui were confirmed by the Senate and Gabe Spencer and Pam Tietz were reappointed to second terms. The Governor is considering three candidates each to replace Faouzi Sefrioui and Dennis Kloida, who are completing their second terms.

Mr. Herman stated that he spoke at the CARH/NAHMA Conference in Vancouver, WA on May 5 - 7, 2013 and the Habitat conference in Ellensburg on May 16th.

June 27, 2013
Mr. Herman stated that the Commission has received $109,500 in Housing Washington 2013 sponsorship pledges.

Mr. Herman noted that he attended several events, including the WLIHA Ending Homelessness Conference May 15th in Tacoma, WA; WLIHA's Annual Advocacy Awards Dinner - June 11th; and the Triplets open house along with a few staff members.

Mr. Herman stated that Slalom Consulting continues to evaluate the agency-wide database and has completed phase one of the project. They will present a report to the Executive Management Team.

Mr. Herman announced that the Commission received a letter from HUD reviewing the HUD counseling programs operated by the Commission. They will also be awarding the Commission with $355,658 for HUD counseling.

The staff planning session was held a week ago. Staff heard from partners, discussed the 30 year celebration and toured a Plymouth Housing facility.

Mr. Herman notified the Commissioners that an application has been submitted for City of Seattle funds in response to the 2013 NOFA. The funds would provide for 18 loans to assist families in purchasing single family homes in the City of Seattle.

Mr. Herman stated that Mr. Clifton and staff attended the Aging Services conference and the Museum conference in Vancouver.

Dates to remember:

Mr. Herman will be attending the Executive Director’s conference in Whitefish, Montana, July 28 – 31.
The National Council of State Housing Boards meeting is being held in Portsmouth, NH, August 25 – 27.

Housing Washington 2013 will be held October 7 – 9 in Spokane, WA.

**Commissioners’ Reports**

Ms. Leonard stated that she attended a celebration and memorial for former Commissioner Richard McIver. She also attended a Washington Low Income Housing Alliance event.

Ms. Miller stated that she attended the Snohomish County Affordable Housing Conference. Ms. Leonard also attended the conference.

Mr. McIntire gave a brief report regarding the Capital Budget.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Adjournment**

There was no further business and the meeting was adjourned at 2:58 P.M.