The September 26, 2013 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Pam Tietz, Janet Masella, M.A. Leonard, Regina Stark, Gabe Spencer, Beth Baum and Steven Moss.

Kim Herman gave his long Executive Directors report.

The work session was adjourned at 12:03 p.m.
WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES

September 26, 2013

The Commission meeting was called to order by Chair Karen Miller at 1:00 p.m. in the Board Room of the Washington State Housing Finance Commission at 1000 Second Avenue, Seattle, Washington. Those Commissioners present were Pam Tietz, Janet Masella, Regina Stark, M.A. Leonard, Gabe Spencer, Beth Baum and Steven Moss.

Recognition:

Karen Miller recognized Faouzi Sefrioui, former Commissioner, for his years of service on the Washington State Housing Finance Commission Board. He served from August 2005 until June 30, 2013.

Approval of the Minutes

The minutes of the August 22, 2013 meeting were approved as mailed.

Public Hearing:
Horizon House, OID No. 13-97A

A public hearing was opened at 1:15 p.m. for OID No. 13-97A, Horizon House.

David Clifton, Assistant Director of the Multifamily Housing and Community Facilities Division, stated that this public hearing concerns the proposed issuance of nonprofit housing revenue bonds to refund existing tax-exempt bonds and to finance the renovation, rehabilitation, improvement and equipping of a 474-unit continuing care retirement community located at 900 University Street in Seattle, WA, owned by Horizon House, a Washington 501(c)(3) non-profit organization. The estimated bond amount is not expected to exceed $61,000,000. Mr. Clifton introduced Bob Anderson, CEO at Horizon House and Mike Ostrem, CFO at Horizon House.

Mr. Anderson stated that this is Horizon House’s 53rd anniversary. Horizon House currently serves about 600 residences with moderate incomes and is 98%
occupied. He also mentioned that they are a leader in the northwest as a center for creative aging. They invest approximately $3 million annually, manage one million square feet of property and have a local church affiliation.

Mr. Ostrem mentioned that they are using $51 million to refinance existing bonds and $10 million for rehabilitation to address the needs of seniors as they age. The rehabilitation will focus on three major areas; refurbishing exiting units; a wellness approach to health, including a spa and fitness center, balanced meals and continued good health practices; and technology. Mr. Ostrem continued to say that they are committed to helping people stay healthy and in their apartments. Mr. Ostrem also stated that they have 386 independent living apartment and 90 supported living units serving approximately 600 residents.

There were no comments from members of the public and the hearing was closed at 1:34 p.m.

A public hearing was opened at 1:34 p.m. for OID No. 13-101A, Madrona Park Project.

Mr. Clifton stated that this public hearing concerns the proposed issuance of Qualified Energy Conservation Bonds to provide a portion of the financing for the construction of a 48-unit housing development located at 201 Madrona Way on Bainbridge Island, WA to be owned by Madrona Way Investments, LLC, a Washington limited liability company. This project is part of Kitsap County’s Green Community Initiative and will be targeting a Built Green score of four-stars and the Living Building Net Zero status. The estimated bond amount is not expected to exceed $4,500,000. Mr. Clifton introduced Justin Davis, Chief Financial Officer and Founder of Connect Development Group.

Mr. Davis stated that this project is located in the downtown Winslow area of Bainbridge Island. The project will consist of six building with eight units in each building. There will be one, two and three bedroom units ranging from 480 square feet to 1600 square feet. The project is within walking distance from the ferry and downtown shopping. All units will have insulated concrete floors,
HPV systems and energy-efficient appliances which will support the Net Zero status.

There were no comments from members of the public and the hearing was closed at 1:48 p.m.

A public hearing was opened at 1:34 p.m. for OID No. 13-73A-B, Mercy Housing Northwest.

Steve Walker, Director of the Multifamily Housing & Community Facilities Division, stated that this public hearing concerns the proposed issuance of multifamily housing revenue bonds to provide a portion of the financing for the acquisition and rehabilitation of a 150-unit multifamily housing facility located at 10110 19th Avenue SE in Everett, WA and a 50-unit multifamily housing facility located at 2721 Lincoln Way in Lynnwood, WA, to be owned by Family Tree & Lincoln Way LLLP, a Washington limited liability limited partnership. The estimated bond amount is not expected to exceed $17,800,000. Mr. Walker introduced Alisa Luber, Senior Project Developer at Mercy Housing Northwest.

Ms. Luber stated that Mercy Housing NW currently manages and owns both properties. The properties were originally financed through the Commission’s 9% tax credit program in 1994 and 1997 and require recapitalization in order to ensure the projects’ continued sustainability and viability. Mercy Housing NW is utilizing the Commission’s bond program and 4% tax credit program to invest about $35,000 per unit in rehabilitation. Family Tree has 38 units at 40% area median income (AMI), 111 units at 60% AMI with 30 Section 8 vouchers and Lincoln Way has 36 units at 30% AMI and 24 units at 50% AMI with 20 Section 8 vouchers. Rehabilitation construction will start December 2013 on both properties. Lincoln Way is scheduled to finish in late April 2014 and Family Tree is scheduled to be complete in November 2014.

There were no comments from members of the public and the hearing was closed at 1:58 p.m.
A public hearing was opened at 1:58 p.m. for OID No. 13-94A, The Reserve at Everett.

Mr. Walker stated that this public hearing concerns the proposed issuance of multifamily housing revenue bonds to provide a portion of the financing for the acquisition of land and the new construction of a 180-unit senior housing facility located at 8830 Evergreen Way in Everett, WA, to be owned by Reserve at Everett Partners LLLP, a Washington limited liability limited partnership. The estimated bond amount is not expected to exceed $18,000,000. Mr. Walker introduced Chris Santoro, president and owner of Canddle Development.

Mr. Santoro stated that this project consist of studios, one, two and three bedroom units and 40% of the units will be at 60% of area median income. The project will be located close to a mini mart, theatre, medical facility and beauty shop. Rental rates are estimated to start at $825 for studios that will be about 500 square feet.

There were no comments from members of the public and the hearing was closed at 2:02 p.m.

Mr. Herman stated that the Commission’s enabling legislation provides that the chair of the Commission is appointed by the Governor. It also provides that the State Treasurer serves on the Commission and is the secretary of the Commission. The secretary must sign all resolutions of the Commission. It has been traditional for the Commission to elect a vice-chair who can act on behalf of the chair and a treasurer to act on behalf of the Commission on financial matters, such as serving as the chair of the audit committee.

Mr. Moss made a motion in light of their tenure and service on the Commission and their expressed willingness to serve in these positions, to nominate M.A. Leonard to serve as vice-chair of the Housing Finance Commission and Pam Tietz to serve as treasurer of the Commission for the period from September 26, 2013 through December 31, 2014. Chair Miller asked if there were any further
nominations. There were none. Mr. Spencer seconded the motion. The motion was approved unanimously.

Mr. Walker stated that at the March 2012 Board Meeting the Commission approved an allocation of 9% Housing Tax Credits to the South Kirkland Park and Ride project. This project is the result of many years of planning and upon completion will create a three and a half story parking garage, 256 additional parking spaces for commuters, 181 market rate apartments, 58 affordable apartments for people earning 30-60% of Area Median Income, 287 parking spaces for residents living in the market rate and affordable apartment buildings, and 6,000 square feet of retail space; a very complex project. Imagine Housing, Red Vines 1 and Polygon are partnering to bring this vision to fruition.

The timing of the allocation of tax credits for this project and, specifically, the IRS Code “10% carryover test” requiring the Tax Credit Developer (Imagine Housing) to have accrued 10% of the total allocation on allowable costs within twelve month of the allocation of credit is presenting problems.

Most often Tax Credit developments have no problem in meeting the 10% carryover test as it is usually satisfied by the purchase of the land and/or the buildings. With this development, though, Imagine Housing is restricted in spending opportunities until the Metro garage is built, approved by Metro and transferred, and the podium on which both the affordable and market rate housing will sit is built. Polygon (the master developer), who is responsible for developing the parking garage, podium and underground parking, market rate housing and retail space, could not fully work on building the podium until the parking garage was built and approved by Metro. This process is taking longer than expected and the development agreement between Imagine Housing and Polygon ties payment of the purchase price for tax credit project’s proportional share of the podium, parking garage and air space to completion of the podium and the underground parking. Therefore, this purchase will not take place until after the carryover test deadline.
Given these unforeseen circumstances, the Commission is therefore being asked, with full staff support, to in effect neutralize the carryover date for the South Kirkland Park and Ride Project by allowing Imagine Housing to return their 2012 Tax Credit allocation and be reallocated credit from the 2013 credit authority.

This proposed action has no detrimental consequence on any other present or future developer or project. It is also important to note that while this delay affects the 10% Carryover date, it does not impact the overall original project completion date. The project will still meet the original placed in service date of December 2014. The returned 2012 credit will be re-allocated as 2013 “returned credit” to projects approved in the 2013 round.

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

This item was pulled from the agenda.

Mr. Walker said that this is a resolution approving the issuance of bonds by the Commission in a principal amount not to exceed $7,000,000 to provide a portion of the financing for the construction of a 51-unit senior housing facility in Seattle, WA. The project will be owned by 57th NW Development LLLP, a Washington limited liability limited partnership. The public hearing for this project was held on August 22, 2013.

Mr. Moss moved to approve the request. Mr. Spencer seconded the motion. The request was approved with one abstention by M.A. Leonard, who recused herself due to the involvement of her employer with the tax credit portion of the project.

Mr. Walker said that this is a resolution approving the issuance of bonds by the Commission in a principal amount not to exceed $26,300,000 to provide a portion of the financing for a 260-unit multifamily housing facility in Olympia, WA. The project will be owned by Copper Trail Apartments, LLC, a
Washington limited liability company. The public hearing for this project was held on August 22, 2013.

Ms. Tietz moved to approve the request. Ms. Leonard seconded the motion. The request was approved with one abstention by Steve Moss, due to a personal conflict of interest.

Commissioners’ Reports

Janet Masella stated that the 2013 Housing Trust Fund round has begun. Applications were due on Monday September 23, 2013, and 32 applications were received. On December 5, 2013 awards will be announced. Commerce was invited to participate in a legislative work session regarding farm-worker housing which will be held on October 30, 2013.

Kim Herman mentioned that Housing Washington 2013 has received 587 registered attendees, as of this morning.

Steve Moss, Karen Miller, Lloyd Weatherford, Kim Herman and M.A Leonard attended the NCSHB summer educational workshop in New Hampshire on August 26-27, 2013.

Consent Agenda

The Consent Agenda was approved as mailed.

Adjournment

The meeting was adjourned at 2:22 p.m.