WASHINGTON STATE
HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

June 26, 2014

The June 26, 2014 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Steven Moss, Gabe Spencer, Beth Baum and Jim McIntire, Randy Robinson, Lloyd Weatherford and Mario Villanueva.

David Clifton reminded the Commissioners about the Sustainable Energy Trust rule-making process undertaken by the Commission and the public hearing to be held that afternoon.

David Clifton and Kim Herman gave a brief explanation of proposed revisions to the contract with Capital Plus! to be considered formally that afternoon.

Kim Herman explained how fund balances with respect to the Housing Washington Conference had been used in the past and staff’s recommendation, to be considered that afternoon, to recognize conference activities in the accounting records of the Commission.

Kim Herman gave his Executive Director’s Report.

The work session was adjourned at 12:00 p.m.
WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES

June 26, 2014

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 Steven Moss, Gabe Spencer, Beth Baum and Jim McIntire, Randy Robinson, Lloyd Weatherford, M.A. Leonard, Dan McConnon and Mario Villanueva.

Approval of the Minutes

The minutes of the May 18, 2014 Commission meeting were approved as mailed.

Introduce New Employees

Executive Director Kim Herman introduced the newest Commission employees: Kam Stewart, JoAnn Huntoon and Ainsley Close.

Public Hearing: Pierce County AIDS Foundation, OID #14-68A

A public hearing was opened on OID No. 14-68A, Pierce County AIDS Foundation, at 1:05 p.m.

David Clifton, Assistant Director of the Multifamily Housing and Community Facilities Division, said that this is a hearing regarding the proposed issuance of a nonprofit revenue bond to finance the acquisition and renovation of an approximately 9,700 square foot building. The project is located at 3009 South 40th Street in Tacoma, WA and is to be owned by Pierce County AIDS Foundation, a Washington 501(c)(3) non-profit organization. The estimated bond amount is not expected to exceed $1,400,000. Mr. Clifton introduced Duane Wilkerson, Executive Director of the Pierce County AIDS Foundation.

Mr. Wilkerson stated that the purchase of a 9,000 square foot facility will increase their capacity to provide services by adding 35% more space than its current leased facility and will reduce their operating cost by 40%.
There was no further public comment, and the hearing was closed at 1:09 p.m.

A public hearing was opened on OID No. 13-60, Kitts Corner Apartments and OID #13-81A, High Point Apartments, at 1:09 p.m.

Mr. Clifton said that this is a hearing regarding the proposed issuance of a non-recourse multifamily revenue bonds to provide a portion of the financing for the acquisition of land and construction of a new 216-unit multifamily housing facility at 1337 South 336th Street in Federal Way, WA to be owned by Kitts Corner, LLC, a Washington limited liability company. The estimated bond amount is not expected to exceed $30,000,000. Additionally, Mr. Clifton stated that this is also a hearing for the proposed issuance of non-recourse multifamily revenue bonds to provide a portion of the financing for the acquisition of land and construction of a new 300-unit multifamily housing facility at 1066 South 320th Street in Federal Way, WA to be owned by High Point 320, LLC, a Washington limited liability company. The estimated bond amount is not expected to exceed $45,000,000. Mr. Clifton introduced Jack Hunden and David Ratliff of DevCo, Inc.

Mr. Hunden stated that Kitts Corner Apartments is a three story new construction project that will be located on land that was intended for 110 townhouses from a 15 year old land development agreement. Due to the 110 townhouses not being developed, the City of Federal Way agreed to authorize a conversion of the townhouses to the 216 apartments units. Mr. Hunden also mentioned that the High Point project is located off Highway 99 where the former bus barn and maintenance yard for the Federal Way School district was located.

Mr. Hunden stated that in both multifamily housing facilities they have set aside more or less that 20% of the units for large households, four and five bedroom units. He also mentioned in previous developments the larger units have been very popular and are currently 100% occupied. He also mentioned that 100% of Kitts Corner Apartment units will be at 60% average median income (AMI) and 40% of the units will be at 60% AMI at High Point.
There was no further public comment, and the hearing was closed at 1:36 p.m.

Ms. Miller opened a public hearing on the proposed Sustainable Energy Trust rule change at 1:36 p.m.

Mr. Clifton stated that the proposed rule amends the WAC 262-01-100 (financing energy efficiency improvements) to provide greater clarity to Sustainable Energy Trust program participants regarding the operation of the program.

There was no further public comment and the hearing was closed at 1:38 p.m.

Ms. Miller opened a public hearing on the annual authorization of Homeownership Bonds and related programs at 1:38 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 done 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, if the interest on the bonds is to be exempt from federal income taxes.

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 a 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 of the issuance of bonds.

There were no further questions or public comments, and the hearing was closed at 1:41 p.m.

Mr. Clifton introduced a resolution approving the issuance of bonds by the Commission in the principal amount of not to exceed $15,000,000 to refinance a loan used for the acquisition of property and to finance a portion of the costs of constructing, furnishing, equipping and landscaping a new campus for the Hamlin Robinson School in Seattle, WA. The project will be owned by Hamlin Robinson School, a Washington 501(c)(3) non-profit organization. The public hearing for this project was held on April 24, 2014.

Mr. Moss moved to approve the resolution. Mr. Villanueva seconded the motion. Resolution 14-80 was approved unanimously.

Mr. Clifton introduced a resolution approving the issuance of bonds by the Commission in the principal amount of not to exceed $12,850,000 to provide a portion of the financing for the acquisition of land and construction of 120 units of new multifamily housing in Vancouver, WA. The project will be owned by DBG Properties LLC, a New Mexico limited liability company. The public hearing for this project was held on March 27, 2014.
Ms. Baum moved to approve the resolution. Mr. Moss seconded the motion. Resolution 14-80 was approved unanimously.

Action Item:
Resolution No. 14-66, Summit Ridge Apartments

This item was pulled from the agenda.

Action Item:
Resolution No. 14-71, The Reserve at Renton

This item was pulled from the agenda.

Action Item:
Approval of the General Operating Budget for fiscal year July 1, 2014 – June 30, 2015

Ms. Stephenson requested approval of the corrected General Operating Budget for the Commission’s July 1, 2014 – June 30, 2015 fiscal year. Ms. Stephenson stated that the draft budget was reviewed at the Commission planning session in May. She noted that revenues for the year in the operating fund total about $24.6 million with just over $17 million of expenses.

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

Action Item:
Approval of the Transfer of Excess Revenue from the General Operating Fund to the PIF as of June 30, 2014

Ms. Stephenson requested approval to transfer excess earnings in the general operating fund as of June 30, 2014 to the Program Investment Fund.

Ms. Stephenson confirmed that the amount held in reserves is $18 million.

Mr. Moss moved to approve the transfer of excess revenue into the Program Investment Fund. Mr. Villanueva seconded the motion. The motion was approved unanimously.
Mr. Herman stated that he is asking the Commissioners to recognize the revenue, expenses and fund balance of the Housing Washington Conference activities within the Commission’s General Operating Fund financial statement beginning with the year ending June 30, 2014 and committing the current fund balance at that date to the purpose of Housing Washington.

Ms. Baum moved to approve the action. Mr. McConnon seconded the motion. The action was approved unanimously.

Ms. Taylor introduced Resolution number 14-81. 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 and other related housing programs. 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 (e.g. taxable bonds), as well as notes.

Resolution 14-81 is intended to cover all of our single-family bonds issued through June 30, 2015 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. The resolution also confirms and continues approval of the Home Advantage Program.
Mr. Villanueva moved to approve the resolution. Ms. Baum seconded the motion. The resolution was unanimously approved.

Mr. Herman stated in 2010 the Commission approved the Local Government Investment Pool (LGIP), managed by the State Treasurer’s office on behalf of local government in the State, as an eligible investment of the Commission’s undeployed resources. LGIP has new fund prospectus that must be read and understood by the Commission and all persons delegated or otherwise authorized to make contributions or withdrawals into or out of the LGIP.

Mr. Herman stated the Commission is required to provide a new resolution for continued investment in the LGIP recognizing some recently amended WACs and the preparation of a new prospectus for the pool. Resolution 14-82 authorizes Executive Director to execute the transaction authorization form. The Executive Director will plan to further authorize Paul Edwards, Bob Cook and Debra Stephenson to initiate transactions to and from the LGIP by executing the transaction authorization form. Transactions are authorized only between the LGIP and the Commission’s general checking account held at Bank of America which is subject to additional internal controls for disbursement to outside parties.

Mr. Spencer moved to approve the resolution. Mr. Villanueva seconded the motion. The resolution was unanimously approved.

Mr. Clifton requested the approval of the proposed Capitol Plus! Contract revision. He stated the contract revision will allow borrowers under the Capital Plus program to have a full ten years to repay their loan, rather than begin the count of the ten years from the date of the Commission’s current investment of PIF funds.

Ms. Baum moved approval of the amendments to the agreement between the Commission and the Washington Community Reinvestment Association (WCRA) (1) to amend the repayment date of the Commission’s invested funds.
and (2) to allow the extension of the due date for certain loans. Mr. McConnon seconded the motion. The motion was unanimously approved.

**Commissioners’ Reports**

Mr. Spencer mentioned he went on an exceptional tour of the Northwest School facility on June 11, 2014.

Ms. Miller, Ms. Baum, Mr. Weatherford, Mr. McConnon and Ms. Leonard attended the WLIHA annual awards reception on May 27, 2014.

Mr. Miller mentioned she attended a Housing Consortium of Snohomish meeting.

Mr. McIntire mentioned that more than $22 million of State of Washington bonds were sold in a retail sale on June 23rd to Washington residents.

**Department of Commerce Activities**

Mr. McConnon stated that he has received the preliminary Housing Needs study. He also mentioned that, at least for planning purposes, there is a proposed 15% state budget reduction, which would be the 5th cut in a row.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Executive Session**

The meeting was temporarily adjourned at 3:15 p.m. to go into executive session at 3:30 p.m. to discuss litigation matters, and counsel requested another 15 minutes thereafter. The public meeting was called back into session at 3:45 p.m.

Mr. Herman requested the authority for the Executive Director to pursue a lawsuit with Fairhaven Manor.

Mr. McIntire moved to authorize the Executive Director to take all necessary actions, including the filing of a lawsuit, to enforce the terms of the Regulatory Agreement with respect to Fairhaven Manor. Mr. Moss seconded the motion. The motion was unanimously approved.
Adjournment  The meeting was adjourned at 3:47 p.m.

Signature  

--------------