The September 25, 2014 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Gabe Spencer, Randy Robinson, Lloyd Weatherford, Pam Tietz, M.A. Leonard and Jim McIntire.

Kim Herman introduced Margaret Graham, the Commission’s Communications Manager, to review the draft Communications Strategy for 2014-2016.

David Clifton introduced Michael Sloss of ROC USA, Ben Dryfoos-Guss of Northwest Cooperative Development Center and Paige Weeks of Whispering Pines Co-op in Oak Harbor to talk about the successful partnership between ROC USA and the Commission to preserve manufactured housing parks in Washington State.

Kim Herman provided background and led a discussion on the Program Investment Fund (PIF) policies and the Draft Succession Plan, which, together with the Communications Strategy, will be considered for revision and/or approval at the October Commission meeting.

The work session was adjourned at 12:10 p.m.
WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES

September 25, 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 Gabe Spencer, Randy Robinson, Lloyd Weatherford, Pam Tietz, M.A. Leonard, Jim McIntire and Janet Masella.

Approval of the Minutes

The minutes of the August 28, 2014 Commission meeting were approved as amended.

Public Hearing:
Liberty Park Terrace
Apartments, OID #14-95A

A public hearing was opened at 1:01 p.m. for OID No. 14-95A, Liberty Park Terrace Apartments.

David Clifton, Assistant Director of the Multifamily Housing and Community Facilities Division, stated that this public hearing concerns the proposed issuance of a nonprofit revenue bond to rehabilitate an existing 48-unit multifamily housing facility at 1411 East Hartson Avenue in Spokane, Washington owned by Proclaim Liberty, Inc., a Washington 501(c)(3) non-profit organization. The estimated bond amount is not expected to exceed $1,300,000. Mr. Clifton introduced Shannon Meagher, representing Proclaim Liberty.

Ms. Meagher stated that this will be a rehabilitation of 48 affordable housing units in five existing buildings. All current residents are at 50% area median income (AMI) or below. Ms. Meagher also mentioned that the rehabilitation will include new roofing and siding, among other improvements.
There were no comments from members of the public and the hearing was closed at 1:05 p.m.

A public hearing was opened at 1:06 p.m. for OID No. 14-92A, Market Street Apartments.

Bob Peterson, Multifamily Housing and Community Facilities Division Manager, stated that this public hearing concerns the proposed issuance of multifamily revenue bonds to provide a portion of the financing for the acquisition and rehabilitation of a 125–unit senior housing facility at 1314 Market Street in Tacoma, Washington to be owned by Reliant – Market Street, LLC, a Washington limited liability company. The estimated bond amount is not expected to exceed $14,000,000. Mr. Peterson introduced Jason Snyder and Caskie Collet, from The Reliant Group.

Mr. Snyder stated that this was the 3rd project The Reliant Group has done with the Commission, including Parklane last year and the Quintessa acquisition a few years ago. Mr. Snyder said the Market Street Apartments contain one bedroom and bathroom units. The average age of the residents is 78 years old with an average duration of 16 years.

There were no more comments from members of the public and the hearing was closed at 1:08 p.m.

Dee Taylor, Director of Homeownership said that Resolution 14-88 authorizes the Executive Director to implement the Mortgage Credit Certificate (“MCC”) Program.

Ms. Taylor stated the MCC program has been going strong for a few years now. Because the Commission still has excess volume cap and she is asking for approval to continue offering this program.

Public Hearing:
Market Street Apartments, OID #14-92A

Action Item:
Resolution No. 14-88 for the Mortgage Credit Certificate (MCC) Program
Ms. Taylor mentioned the MCC Program was authorized by Congress in the 1984 Tax Reform Act. Ms. Taylor stated that the feasibility of the MCC Program and the degree to which it can provide housing assistance is totally dependent upon the extent to which homebuyers have federal tax liability which can be offset by the MCC tax credit. Typically, higher income homebuyers with few deductions or credits are generally best able to use the MCC tax credit as a form of housing assistance.

A qualified homebuyer can then reduce their federal tax liability equal to a portion of the annual interest paid on their mortgage in the form of a special tax credit.

Ms. Taylor stated that MCCs may be issued to provide federal tax credits at rates varying from 10 to 50 percent of the mortgage interest paid or incurred per year. IRS guidelines require a $2,000 cap if the credit rate exceeds 20%.

Ms. Taylor mentioned in our program a qualified homebuyer using the MCC is able to claim up to 20% of annual mortgage interest paid as a federal income tax credit. The remaining mortgage interest (80%) continues to qualify as an itemized deduction.

Ms. Taylor handed out a document explaining how this works.

“On a $200,000 mortgage with a 6% interest rate the homebuyer will pay $12,000 in interest the first year. Twenty percent of this amount, or $2,400, can be used to directly reduce the homebuyer’s federal income tax liability. “

Ms. Taylor stated that the MCC Program provides a dollar-for-dollar reduction of federal income taxes. Unused credit can be carried forward up to three years and the homebuyer can retain the federal tax credit for the life of the loan so long as the homebuyer continues to occupy the property as their principal residence. The amount of the credit decreases over the life of the loan as the interest is paid down. The Commission may reissue the MCC when the holder of the certificate refines the original mortgage loan so long as certain guidelines are met.
Additionally she stated that the MCC can also be used in combination with the Home Advantage program. The borrower can now have the best of all worlds: they can use the Commission’s Home Advantage first mortgage, receive downpayment and closing costs assistance and receive an MCC credit. In the past, MCCs could not be combined with the House Key program as that loan is funded with tax-exempt mortgage revenue bonds and it was considered double dipping on resources.

Ms. Taylor stated that the Homeownership division is proposing to use $240 million of volume cap, which under the IRS calculation formula equates to $300 million of loans.

Matt Vickery, Program Compliance Administrator presented the production numbers and potential for the program.

Ms. Taylor’s requested the approval of resolution 14-88, which authorizes the executive director to implement the MCC program.

Mr. Tietz moved to approve the resolution. Mr. Robinson seconded the motion. The resolution was unanimously approved.

Action Item: Resolution No. 14-98, Wesley Homes at Lea Hill

Mr. Clifton said that this is a resolution approving the issuance of bonds by the Commission in the principal amount of not to exceed $10,000,000 to finance the construction of a 36-bed nursing facility at 32049 109th Place SE in Auburn, Washington. The project is owned by Wesley Homes Lea Hill, LLC, which is a subsidiary of Wesley Homes, a Washington 501(c)(3) non-profit organization. The public hearing for this project was held on September 18, 2014.

Mr. Clifton called the Board’s attention to three letters that were received. The first letter is from Liz Tidyman, a Bellevue resident. The letter from Ms. Tidyman, dated September 25, 2014, stated her concern regarding senior and long term care facilities and the Commission’s due-diligence in approving them. The second letter is from Nancy Backus, the Mayor of Auburn, stating her
support for the project. Finally the third letter is a commitment to purchase the bond from Washington Federal.

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

Resolution No. 14-66 was pulled from the agenda.

Mr. Clifton said that this is a resolution approving the issuance of a note by the Commission in the principal amount of not to exceed $42,500,000 to provide a portion of the financing for the acquisition of land and the new construction of 280 units of multifamily housing in unincorporated Snohomish County, Washington. The project will be owned by AXIS Apartments, LLC, a Washington limited liability company. The public hearing for this project was held on July 24, 2014.

Mr. Spencer moved to approve the resolution. Ms. Tietz seconded the motion. Ms. Leonard abstained due to a possible conflict of interest. The motion was unanimously approved with one abstention.

Mr. Herman stated that Commissioners, Karen Miller, Lloyd Weatherford, Pam Tietz and Gabe Spencer, along with staff members attended NCSHB August 17 – 19, 2014 in Coeur d’Alene, Idaho.

He stated that the Commission has almost completed interviews for the Senior Policy position and will be hiring within the next three weeks.

He stated that the Commission is happy to announce that Matt Vickery has accepted the Salesforce Administrative position – he will be the primary person
in charge of our new database. Matt has worked under Dee Taylor’s leadership in the Homeownership Division for nine years.

He reported Faith Pettis, bond counsel at Pacifica, and disclosure counsel Jeff Nave at Foster Pepper, worked with RBC to determine how RBC and the Commission would respond to the Securities & Exchange Commission’s Municipalities Continuing Disclosure Cooperation initiative. The initiative is an opportunity to self-report misstatements made in disclosure documents for our single-family bond issues over the past five years. The Commission reviewed its disclosure reporting and reached agreement with RBC that there were no material misstatements in the review period. RBC determined on September 9th that they would not report any items on the Commission’s bonds. The Commission will not be making a filing under this initiative, either.

Mr. Herman also reported the Commission is currently at $157,700 in sponsorships and 564 registered attendees for the Housing Washington conference on October 7 – 9, 2014 in Tacoma, WA.

He also reported that the Green Canopy closed on six new energy efficient homes and that we helped with the construction loans.

Lastly, Mr. Herman mentioned that, as of yesterday, the Commission surpassed $1.1 billion in rate locks for over 6,200 mortgages under the Home Advantage program since it began operating in July of 2012.

Jim McIntire stated that the Washington State Investment Board has amended its investment requirements to address climate change. Mr. McIntire mentioned he attended the United Nations Climate Change Summit in New York on September 23, 2014.

Gabe Spencer wanted to thank everyone that helped and attended the August Commission meeting and reception in Stevenson, Washington.
**Report on Department of Commerce Activities**

Janet Masella reported that the 2014 Housing Trust Fund project awards will be awarded on December 4, 2014. She also stated they are reviewing the Building 9 project applications that were due yesterday and those funds will be awarded November 10, 2014.

She also stated that Commerce is updating their Consolidated Plan and the Trust Fund handbook will also be updated.

Lastly, she mentioned that the Commerce Department will be going live with its new database.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Adjournment**

The meeting was adjourned at 1:44 p.m.

**Signature**

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