WASHINGTON STATE
HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

November 20, 2014

The November 20, 2014 work session was called to order at 11:00 a.m. by Chair Karen Miller. In attendance were Commissioners Steve Moss, Gabe Spencer, M.A. Leonard, Pam Tietz, and Regina Stark.

David Clifton gave an overview of changes to the Unrated Bond Policy.

Ainsley Close gave an overview of the Sustainable Energy Program.

Lisa Vatske discussed the proposal for the Total Development Cost limit and explained the proposal for the temporary modification.

Kim Herman gave his Executive Director’s Report.

The work session was adjourned at 12:00 p.m.
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 Steve Moss, Gabe Spencer, M.A. Leonard, Pam Tietz, Regina Stark, Dan McConnon and Lloyd Weatherford.

The minutes of the October 23, 2014 Commission meeting were approved as mailed.

A public hearing was opened on OID No. 14-106A, Puget Sound Regional Services at 1:00 p.m.

David Clifton, Assistant Director of the Multifamily Housing and Community Facilities Division, stated that this is a hearing for the proposed issuance of nonprofit revenue bonds to pay a portion of the costs for the rehabilitation and refunding of current debt of an existing facility located at 149 Park Avenue N., Renton, WA. The project will be owned by Puget Sound Regional Services (PSRS), a Washington 501(c)(3) non-profit corporation. The estimated bond amount is not expected to exceed $1,700,000. Mr. Clifton introduced Chad Higman, Executive Director at Puget Sound Regional Services.

Mr. Higman stated that PSRS is for individuals with developmental disabilities. PSRS’s 24/7 supported living services are designed to meet each client’s individualized needs. They currently have 220 staff members and approximately 60 clients. PSRS staff currently occupy the bottom half of the building and will need to occupy the second half for administrative needs. They have exceeded the
capacity of their current space and these improvements will enable them to expand their programs and services.

There were no additional comments from members of the public and the hearing was closed at 1:02 p.m.

A public hearing was opened on OID No. 14-105A, Copper Lane at 1:02 p.m.

Bob Peterson, Multifamily Housing and Community Facilities Division Manager, said that this is a hearing for the proposed issuance of a multifamily revenue note to provide a portion of the financing for the new construction of a 216–unit multifamily housing facility located at the NE corner of NE Four Seasons Lane and NE 23rd Circle in Vancouver, WA. The project will be owned by Copper Lane Apartments, LLC, and a Washington limited liability company. The estimated note amount is not expected to exceed $20,000,000. Mr. Peterson introduced Jeff Nave, representing the Inland Group.

Mr. Nave stated that Copper Lane will have 100% of the units at or below 60% area median income (AMI).

There were no additional comments from members of the public and the hearing was closed at 1:05 p.m.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, said this is a resolution approving the issuance of bonds by the Commission in the principal amount not to exceed $24,800,000 to provide a portion of the financing for the new construction of a 200–unit multifamily housing facility in Covington, WA. The project will be owned by Polaris at Covington, LLC, a Washington limited liability company. The public hearing for this project was held on October 23, 2014.

Ms. Leonard moved to approve the resolution. Mr. McConnon seconded the motion. The resolution was unanimously approved with one abstention by Steve Moss.
Ms. Vatske said she is requesting the approval of the program policy waiver to permit the re-allocation of 2013 credits to 2014, due to a timing issue with confirming VASH vouchers and the need to complete an environmental assessment.

Ms. Tietz made a motion to approve the request. Ms. Leonard seconded the motion. The motion was unanimously approved.

Ms. Vatske said she is requesting the approval of the program policy waiver to temporarily modify the Total Development Cost limits on 2014 projects and 2015 application submittals.

Ms. Stark moved approval of a temporary increase in Total Development Cost limits statewide as presented in the packet; provided, that the project sponsor substantiates the additional cost with documentation acceptable to the Director of Multifamily Housing and Community Facilities and details measures taken to mitigate those costs. The motion was seconded by Ms. Teitz. The motion was unanimously approved.

Dee Taylor, Director of the Homeownership Division, introduced this request to allocate $1,000,000 of Program Investment Funds for single family downpayment assistance programs.

Ms. Taylor stated that most of our homebuyers are able to buy a home with our 4% downpayment and closing cost assistance in the form of a deferred second mortgage that is part of our Home Advantage program. But, there are some homebuyers that need some additional assistance so we have kept five of our special downpayment programs. These special programs, like HomeChoice, can provide additional funds that can be used for accessibility modifications along with the downpayment and closing cost assistance. And we want to continue to use the special programs for homebuyers who may need downpayment assistance in excess of what the Home Advantage program can provide. These programs will need additional funds over the next year. But, those amounts are
significantly less than what were requested in the past. Ms. Taylor introduced staff member Karen Carlson-Bunce, who manages the programs.

Ms. Carlson-Bunce stated that the requested funds in the amount of $1 million would come from excess program investment funds in the old House Key Plus program.

Currently, the House Key Plus is no longer being used to fund new loans. Payments and repayments have built up an unused balance in the program.

Therefore, we are asking the Commission to re-allocate up to $1 million of excess funds in House Key Plus to other downpayment assistance programs as needed.

And, to approve giving authority to the Executive Director to fund new second mortgage loans as needed within the 5 programs.

This request will allow the Commission to continue to meet some crucial special needs of our homebuyers.

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

Mr. Clifton presented a Program Investment Funds (PIF) request for $1,000,000 for the Manufactured Home Community Investment Fund.

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

Mr. Clifton is requesting approval of the revisions to the Unrated Bond Policies of which Section 6, Financing Requirements for Unrated Bond Transactions will

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also be applicable to the following bond financing programs: Nonprofit Housing, Nonprofit Facilities, Beginning Farmer Rancher, and Sustainable Energy.

The policies emphasize three key thresholds when the Commission considers if unrated bonds can be publicly sold:

- **Unrated Bond Criteria 1**: The risk of default on the bonds is low.
- **Unrated Bond Criteria 2**: The potential bond holders are capable of assessing the risk of their investment.
- **Unrated Bond Criteria 3**: There is an acceptable strategy to monitor bond covenants and make decisions in case of default.

Mr. Moss moved to approve the revisions to the unrated bond policies as recommended. Ms. Stark seconded the motion. The motion was unanimously approved.

Mr. McConnon stated that the State Housing Needs Assessment will be unveiled in December. He also wanted to give an update on the Pacific Towers Project/Health Innovation Center. The Pacific Towers has added three more tenants including Neighborcare Health which provides comprehensive health care to families and individuals who have difficulty accessing care. He also wanted to mention that Pacific Towers is now at full capacity.

Mr. McConnon stated that they are moving forward to Phase four and five of the Pacific Towers Project but there is no money from the Capitol Budget. They are looking into getting funding from Tax Credits Programs and pursuing a possible PIF application to help further fund this project.

Mr. Kerman stated that Brigitte Helston, creator of the HomeChoice Program, has moved back to Washington State and is now working for Bank of America.

Mr. Herman also mentioned that there is a possible PIF application through the Sustainable Energy Trust Program for the Pacific Towers Project for about six million dollars for 10 years, pending approval from stakeholders.
Ms. Tietz stated that the audit committee met this morning to hear a report from Amy Sutherland and Jessica Caesar of Moss Adams on the results of the Commission’s independent audit for the fiscal year ended June 30, 2014. They are issuing an “unmodified” opinion—new language for what was formerly called an “unqualified” opinion—on the audited financial statements subsequent to the Committee’s acceptance of their report.

They presented their required communications to the audit committee, reminding us of their independence in relation to the Commission, that their performance of the audit is in accordance with generally accepted audit standards and in consideration of the Commission’s internal controls over reporting, and to communicate findings that they judged to be relevant to us.

They reported that there were no:
• Difficulties encountered in performing the audit
• Disagreements with management
• Corrected or uncorrected audit adjustments
• Deficiencies in Internal Control that came to their attention
• Fraud or noncompliance with laws, regulations, grants and contracts

The Committee accepted their report.

We then discussed a major new pronouncement of the Government Accounting Standards Board, GASB 68 – Pension Accounting, which the Commission will be required to adopt in the current fiscal year. It will require us to analyze and record unfunded pension obligations if the amounts are material to the financial statements. Since Commission employees participate in the State’s pooled PERS system, we will be dependent on the Department of Retirement Services for providing us with the information relevant to us. DRS has engaged auditors to perform the necessary calculations. The Committee noted the importance of these calculations and expressed its support of staff in seeing that the information from DRS is provided to the Commission in a timely manner to meet its reporting deadlines.
Staff will provide a final copy of the audited financial statements to the Commissioners with the next meeting’s packet.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Public Comment**

Liz Tidyman, a Washington State resident, stated her concern regarding senior and long term care facilities and the Commission’s due-diligence in approving them. Additionally, she wanted to thank the Commission for their $512 million in financing of continuing care retirement communities in Washington state.

**Executive Session**

At 1:47 p.m. the meeting was temporarily adjourned to go into Executive Session to discuss litigation matters. The public meeting was called back into session at 2:36 p.m.

Ms. Stark moved: (a) that the Executive Director document and quantify the benefits derived from Commission programs and the effect of NHF activities on such programs, e.g. homebuyer education; (b) that the Commission confirm its previous delegation to the Executive Director to take actions against NHF, including the filing of a lawsuit, in order to secure for the residents of Washington the direct and indirect benefits derived from its single family housing programs; and (c) that with respect to NHF, the Executive Director work in coordination with other state HFAs that are also concerned about providing sustainable housing and other legislatively authorized benefits to their citizens.

Mr. Moss seconded the motion. The motion was unanimously approved.

**Adjournment**

The meeting was adjourned at 2:38 p.m.

**Signature**

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