

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

June 28, 2018

The June 28, 2018 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Alishia Topper, Randy Robinson, Diane Klontz, Wendy Lawrence, Jason Richter (Washington State Treasurer Designee), Lowel Krueger, Beth Baum and Steve Moss.

Lisa DeBrock gave a briefing on the Western Region Homeownership Summit.

Lisa DeBrock gave an overview of the annual Single-Family Bonds.

Bob Cook gave an overview of the proposed July 1, 2018 – June 30, 2019 operating budget.

Kim Herman gave the Executive Director's report

Diane Klontz gave the Commerce Department report.

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

June 28, 2018

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 Alishia Topper, Randy Robinson, Diane Klontz, Wendy Lawrence, Jason Richter (Washington State Treasurer Designee), Lowel Krueger, Beth Baum and Steve Moss.

**Approval of the
Minutes**

The minutes of the May 21, 2018 special meeting were approved as mailed.

**Public Hearing:
Billings Middle
School, OID # 18-
70A**

Ms. Miller opened a Commission hearing on OID 18-70A, Billings Middle School, at 1:00 p.m.

Bob Peterson, Manager of the Multifamily Housing and Community Facilities Division, said that this is the proposed issuance of one or more series of tax-exempt revenue bonds to finance the rehabilitation of, and addition to, an existing facility located at 7217 Woodlawn Avenue NE, Seattle, WA 98115, to be owned by Billings Middle School, a Washington nonprofit corporation. Proceeds of the bonds may be used to pay a portion of the costs to renovate and expand the school's main building to allow the school to be located entirely in the school-owned facilities, and to pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$ 7,000,000. Mr. Peterson introduced Ann Evan Williams, Head of Billings Middle School.

Ms. Williams stated that Billings is co-educational and serves 90-100 students in grades 6-8 with average class size of 15 students. She also stated that 27% Billing's families receive tuition assistance and awards of more than \$530,000

annually in need-based financial aid. A third of the students are from families of color. Students come from over 30 public and private schools throughout Seattle, the east side and other surrounding communities.

Their three year integrated programs include global studies, applied math, visual and performing arts, and outdoor learning.

She also mentioned that this bond issue will help with the sustainability of the school by doubling the square footage.

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

**Public Hearing:
Wesley Homes Des
Moines Phase II,
OID # 18-74A**

Ms. Miller opened a Commission hearing on OID 18-74A, Wesley Homes Des Moines Phase II, at 1:05 p.m.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, said this is the proposed issuance of one or more series of tax-exempt nonprofit revenue bonds to finance the new construction and equipping of a new phase of a continuing care retirement community located at 816 S. 216th Street, Des Moines, WA 98198, to be owned by Wesley Homes Des Moines, LLC, a Washington limited liability company. Proceeds of the bonds will be used to finance a portion of the costs of: (i) demolishing a portion of the existing facilities and constructing and equipping a new 5-story building with 151 independent living apartments, a town center including dining, fitness facilities and other community spaces, and associated parking; (ii) capitalizing interest on the bonds during construction; (iii) funding a debt service reserve fund, if required; and (iv) paying costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$90,000,000.

Ms. Vatske noted a few items on the project summary to make sure the scope of the project and the expected transaction were clear. The project summary in the packet notes these bonds will be publicly sold, with the involvement of Hamlin Capital Management. Unlike some of our other nonprofit senior facility sales,

which are true public sales where the underwriter goes into the public market to find buyers and set the interest rate, these bonds will be sold in a limited public offering by Crosspoint Capital exclusively to clients of Hamlin, which then serves as the bondholder representative. Interest rates on the bonds will be based on set spreads over an index rate. The Commission had an independent financial advisor review this structure and Hamlin specifically in 2016, when it issued bonds for Wesley’s new Puyallup campus and the first phase of its Des Moines campus. At that time, the financial advisor confirmed that this structure was consistent with the Commission’s unrated bond policy. The Commission expects to use a pricing advisor on this deal to confirm the structure mirrors the market. Ms. Vatske introduced Jim Yamamoto, Director of Finance, and Wesley Homes.

Mr. Yamamoto reiterated that this is a private pay 151 unit independent living apartment facility with a buy-in that ranges from \$121,000 to \$200,000.

There were no other comments from members of the public and the hearing was closed at 1:11 p.m.

**Public Hearing:
Recommend and
present Projects for
Allocation of LIHI
Tax Credits from
the 2018 funding
round**

The Chair opened a public hearing on the recommended allocation of Low Income Housing Tax Credits at 1:11 p.m.

Mr. Peterson said that there will be seven projects to consider today:

**Arrowleaf Townhomes
Airway Heights, Spokane County
\$1,270,209**

Mr. Peterson stated Arrowleaf Townhomes will be located in Airway Heights, approximately 7.5 miles west of the City of Spokane Central Business District. This project will help with the needed relocation of displaced individuals and families who are living in the Fairchild Air Force Base Accident Potential Zone “Crash Zone”. Mr. Peterson introduced Helen Stevenson representing Commonwealth Agency.

Ms. Stevenson said approximately 300 individuals reside in the Crash Zone and many live in mobile homes that are out of date, not energy efficient and cannot be moved. A City of Airway Heights sponsored market assessment determined that the majority of the displaced individuals are at or below the 50% AMI level and are in need of affordable housing. This project will satisfy a portion of this affordable housing need, especially for those who are looking for homeownership opportunities. Arrowleaf Townhomes will provide qualifying tenants with the option of homeownership at the end of the 15 year tax credit compliance period. In response to Mr. Robinson, Ms. Stevenson stated that Airway Heights is getting water from Spokane County and the City is mitigating issues to resolve water contamination issues.

Royal City Family Housing II
Royal City, Grant County
\$954,432

Ms. Vatske stated that Royal City Family Housing II is a new construction project in the non-metro pool. Ms. Vatske introduced Holly Anderson, Development and Asset Management Director at Catholic Charities Housing Services.

Ms. Anderson stated that Royal City Family Housing II will supply 51 three and four bedroom townhome units to low-income farmworker households. The project is in the small, rural community of Royal City in Grant County where according to the current market study, the overall vacancy rate is less than 1%. This development will help meet the extraordinary need for affordable housing in this rural agricultural area. The facility will have an early learning center in partner with the City and there is a land set aside for future single-family homes.

Block 6B 9% at Esterra Park
Redmond, King County
\$1,005,936

Mr. Peterson introduced Megan Adams and Allen Dauterman, Senior Real Estate Developers. Mr. Dauterman stated that Block 6B 9% at Esterra Park will include 48 units of newly constructed housing including 24 units set aside for homeless

households and ten units set aside for people with disabilities. Ms. Adams stated that Block 6B at Esterra Park will be comprised of two affordable housing projects (a 9% project and a 4% project) providing an integrated mix of affordable, workforce, and market rate housing with an onsite YMCA licensed child care center to serve up to 125 children ages 0-5 years from the broader community.

501 Rainier Supportive Housing
Seattle, King County
\$1,748,945

Mr. Peterson stated that 501 Rainier Supportive Housing is from the King County Metro pool and introduced Tim Parham, Director of Real Estate Development at Plymouth Housing Group. Mr. Parham stated that the site for 501 Rainier Supportive Housing is located on Rainier Avenue in the Little Saigon neighborhood in Seattle's International District. There is access to public transit, shopping and services. This neighborhood is known for its excellent access to fresh, low cost food. There will be 102 studio units, 75% of the units are set-aside for permanent supportive housing for homeless. The building will also include some street level commercial space for a neighborhood business and a lower level that will house a maintenance department facility to service this building as well as the rest of the Plymouth Housing portfolio.

DESC (Downtown Emergency Service Center) 22nd Avenue PSH
Seattle, King County
\$1,748,386

Mr. Peterson introduced Daniel Malone Executive Director of DESC. Mr. Malone stated that the DESC was founded in 1979 to provide emergency shelter and survival services for people living in a state of chronic homelessness and who, due to their severe and persistent mental illnesses and substance use disorders, were not being served by existing missions of that day. Today, DESC is a recognized national leader in implementing innovative, cost-effective strategies that end homelessness.

Mr. Malone stated that this Housing First project will provide permanent supportive housing for chronically homeless, single adults who suffer from substance abuse disorders, mental illness and other disabling conditions. The project will include 24/7 on-site staffing and on-site case management for all tenants. In addition to the 85 residential units, the building will include office space for DESC staff, common space for recreation and socialization, a warming kitchen and dining area where meals will be served, and a landscaped patio for resident use.

Pioneer Bundle
Tacoma, Pierce County
\$897,044

Mr. Peterson said that the Pioneer Bundle are three projects located as follows: Pioneer Court at 507 W. Stewart Avenue, Puyallup, WA 98371, Fournier Court at 112 127th Street S., Parkland, WA 98444 and Sunrise Court at 110 140th Street S., Parkland, WA 98444. Mr. Peterson introduced Jeremy Oslund a Housing Developer at Catholic Housing Services of Western Washington (CCSWW). Mr. Oslund stated that Pioneer Court, Fournier Court, and Sunrise Court are home to 57 people earning below 30% and 50% AMI. All three buildings currently serve people experiencing chronic mental illness. Following the renovation, the projects will provide at least 20% of the units for homeless households in addition to serving people experiencing chronic mental illness.

Kent Permanent Supportive Housing (PSH)
Kent, King County
\$1,712,240

Mr. Peterson said this is our last project for the day and introduced Michelle Umadhay a Housing Developer at CCSWW.

Ms. Umadhay stated that Kent PSH development will include a newly constructed 80-unit apartment building targeted to serve homeless individuals, including 36 units of housing for veterans, and 44 units for homeless individuals who live with chronic mental illness and substance abuse. The four-story building will consist of 70 studio units and 10 one bedroom units. Additionally, Kent PSH will feature on-site amenities, including a gym/exercise room, outdoor

gathering space for residents to interact, and a multi-purpose community room with computers dedicated to resident use.

There were no other comments from members of the public and the hearing was closed at 2:08 p.m.

**Public Hearing:
Annual public
hearing for the
issuance of single-
family bonds**

Ms. Miller opened a public hearing on the annual authorization of Homeownership Bonds and related programs at 2:08 p.m.

Lisa DeBrock, Director of the Homeownership Division, noted that the hearing is an annual item. Ms. DeBrock 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 \$300 million. The Bonds will be used to 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 of bonds is 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 approval prior to the issuance of bonds.

There were no additional comments from members of the public and the hearing was closed at 2:13 p.m.

**Action Item:
Resolution No. 18-80, a Resolution for the 2018 Allocation of Credit for the Housing Tax Credit Program**

Ms. Vatske said this was a resolution authorizing the Executive Director to make reservations and/or allocations of 2018 Housing Tax Credits to the following projects in the amounts set forth in the resolution:

- Arrowleaf Townhomes
- Royal City Family Housing II
- Block 6B 9% at Esterra Park
- 501 Rainier Supportive Housing
- DESC 22nd Avenue PSH
- Pioneer Bundle
- Kent Supportive Housing

Mr. Krueger moved to approve the resolution. Mr. Moss seconded the motion. The resolution was unanimously approved.

**Action Item:
Resolution No. 18-78, Two Schools Joint Campus, OID # 18-44A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the construction and equipping of a shared campus facility for two independent schools located at 2101 22nd Avenue S., Seattle, WA 98144, to be owned by Two Schools LLC, a Washington limited liability company. Proceeds of the bonds may also be used to pay a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$22,000,000. The public hearing was held April 26, 2018.

Mr. Moss moved to approve the resolution. Ms. Topper seconded the motion. The resolution was unanimously approved.

**Action Item:
Resolution No. 18-
79, Judkins
Junction, OID # 17-
195A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition of land and the construction and equipping of a 74-unit low income multifamily housing facility located at the NW corner of 23rd Avenue S. and S. Jackson Street (approximately 2212 -2218 S. Jackson Street to 323 23rd Avenue S.), Seattle, WA 98144, to be owned by Judkins Junction LLC, a Washington limited liability company. Proceeds of the bonds may also be used to pay a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$15,000,000 (a portion of which may be taxable). The public hearing was held April 26, 2018.

Ms. Baum moved to approve the resolution. Mr. Moss seconded the motion. The resolution was unanimously approved.

**Action Item:
Executive Director
to approve the
extension of the
current LAP loan
on LAP 2017-46**

Ms. Vatske requested a motion to authorize the Executive Director to approve the extension of the current LAP (Land Acquisition Program) loan on LAP 2017-46, Opal Community Land Trust – April’s Grove, in the amount of \$773,000 for a period not to exceed 17 years or when the tax credit investor exits the project, whichever is shorter, and to include the additional conditions recommended by staff in the memo that was provided to the Commissioners.

Mr. Moss moved to approve the motion. Ms. Krueger seconded the motion. Mr. Robinson abstained from the vote due to a potential conflict of interest. The motion was unanimously approved, with one abstention.

**Action Item:
Resolution No. 18-
72, Single-Family
Resolution**

Ms. DeBrock said this is a resolution authorizing the issuance and remarketing of Single Family Mortgage Revenue Bonds, Homeownership Program Bonds, and Single Family Special Program Bonds in one or more series, in a total amount not to exceed \$300,000,000; authorizing the Home Advantage Program, payment agreements and the sale of certificates without the issuance of bonds, all to facilitate the financing of single-family housing.

Ms. Baum moved to approve the resolution. Mr. Moss seconded the motion. The resolution was unanimously approved.

**Action Item:
Operating Budget
for the fiscal year
July 1, 2018 —
June 30, 2019**

Bob Cook, Senior Director of the Finance Division, requested approval of the General Operating Budget for the Commission's July 1, 2018 – June 30, 2019 fiscal year. Mr. Cook stated that the draft budget was reviewed at the Commission planning session in May. Mr. Cook stated that the Home Advantage, the taxable single-family mortgage program continues to be successful and is projected to remain so in the upcoming year. For fiscal 2019 the budget represents a slightly lower volume than actual projected FYE 18 results. Revenue is budgeted with a slightly tighter targeted earnings margin to reflect the new servicing revenue model of receiving servicing remainder monthly rather than the upfront perceived net present value. This allows us to continue our commitment to offer favorable mortgage rates and down payment assistance options to the borrowers. The program is budgeted to provide \$6.0 million of the budgeted revenue for FYE 2019, net of 25% allocated to the Single-family General Bond Indenture's Commission Fund to support future programs.

For the next year, the Commission expects nineteen financings by the Multifamily Housing and Community Facilities Division totaling \$427.0 million. Estimated fees directly related to the Multifamily Housing and Community Facilities Division represents \$7.9 million of the budgeted revenue for FYE 2019. This includes issuance fees of 25 basis points (bps) of the bond amount earned at closing, the annual fees currently ranging from 10 to 25 bps of the outstanding bond amount, as well as tax credit application and reservation fees.

Expenses, excluding pass through grants, for FYE 2019 are budgeted 8.3% greater than the prior year's budget. The increase is primarily due to the addition of 2.0 full-time equivalent personnel, one each in Multifamily and Administration, the provision for cost of living wage increases averaging three percent, merit wage increases of up to five percent, and the additional increases presented at the Planning Session. The increase in expense coupled with a 19.4% increase in revenue (excluding pass through grants) results in a budgeted \$7.7 million net income, an increase of 49.3% from 2018 budgeted net income.

Ms. Topper moved to approve the 2018-2019 budget. Mr. Moss seconded the motion. The annual budget was approved.

**Action Item:
Transfer of
Reserves to the
Program Related
Investments (PRI)**

Mr. Cook explained that the Commission has usually transferred excess earnings in the general operating fund as of June 30 each year to the Program-Related Investments.

Mr. Cook requested the Commissioners consider and act on a request to transfer reserves in excess of \$20 million in the General Operating Fund as of June 30, 2018 to the Program-Related Investments (PRI).

Mr. Moss moved to approve the transfer of excess revenue into the Program-Related Investments. Mr. Robinson seconded the motion. The motion was approved unanimously.

Consent Agenda

The Consent Agenda was approved as mailed.

Executive Session

At 2:36 p.m., Mr. Herman called an Executive Session to discuss pending litigation and the personnel review of an employee.

The Executive Session ended at 3:05 and the Commission resumed its public meeting at that time. Steve Moss moved that the Commission ratify the decision of the Executive Director to pursue an appeal to the State Supreme Court of the NHF decision by the Court of Appeals. The motion was seconded by Wendy Lawrence and was unanimously approved.

Adjournment

The meeting was adjourned at 3:05 p.m.

Signature
