

**WASHINGTON STATE  
HOUSING FINANCE COMMISSION  
MINUTES**

**August 23, 2018**

The Commission meeting was called to order by Chair Karen Miller at 9:45 a.m. in the Cascade A Room located at 401 E. Yakima Ave. Yakima, Washington 98901. Those Commissioners present were Diane Klontz, Wendy Lawrence, Jason Richter, Randy Robinson, Lowel Krueger and Alishia Topper.

**Approval of the Minutes**

The minutes of the July 26, 2018 special meeting were approved as mailed.

**Action Item:  
Resolution No. 18-89, Views at Madison, OID # 18-76A**

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, said this is a resolution approving the issuance of tax-exempt nonprofit revenue bonds to finance the acquisition of an existing 96-unit multifamily housing facility located at 1615 19th Avenue and 1823 E. Madison Street, Seattle, WA 98122, to be owned by Bellwether Views LLC, a Washington limited liability company (the “Owner”). The Owner’s sole member and manager is Bellwether Housing, a Washington 501(c)(3) nonprofit organization. Proceeds of the bonds may also be used to provide a portion or all of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$10,000,000. The public hearing was held July 26, 2018.

Mr. Richter asked what the set-asides for this project are. Ms. Vatske stated that this project was a past tax credit project and has the following set-asides that will continue:

25 units at 80% average median income (AMI), 11 units at 60%, 8 units at 50% AMI, 25 units at 40% AMI and 20 units at 30% AMI.

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

**Action Item:  
Resolution No. 18-  
90, Mt. Baker  
Family Housing,  
OID # 18-48A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs for the acquisition of land and new construction and equipping of a 95-unit multifamily housing facility located at 2870 South Hanford Street, Seattle, WA 98144, to be owned by MHNW 16 Family Housing LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay a portion or all of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$23,000,000. The public hearing was held July 26, 2018.

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

**Action Item:  
Resolution No. 18-  
87, Sunset Garden  
Apartments, OID #  
18-61A**

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 and rehabilitation of a 276-unit low income multifamily senior housing facility located at 201 27<sup>th</sup> Avenue SE, Puyallup, WA 98374, to be owned by SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership. Proceeds of the bonds may also be used to pay a portion or all of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$28,500,000. The public hearing was held July 26, 2018.

In response to a question by Mr. Richter, Faith Pettis, the Commission's General Counsel, stated that the "Cost of Issuance Deposit" is a source at closing.

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

**Action Item:  
Resolution No. 18-  
88, Villas at  
Arlington, OID #  
17-197A**

This item was pulled from the agenda.

**Action Item:  
Single-Family  
House Key  
Opportunity  
income/acquisition  
cost limits**

Ms. Lisa DeBrock, Director, Homeownership Division stated that at the Commission’s budget and planning session in May, she first brought to Commission the issue of raising its income limits for the Home Advantage program and promised the Commission she would bring a proposal for the Commission’s consideration. Today, she brought recommendations to raise the House Key income and acquisition limits as well as Home Advantage income limits.

Ms. DeBrock did not approach the Commission previously about income limits as its servicer had limited servicing capacity. Normally, she would bring this type of request to the Commission every one or two years. The Commission now has servicing capacity and pent up demand.

Ms. DeBrock and staff sought advice from the Washington Center for Real Estate Research and conducted research the Office of Financial Management, Zillow, Trulia, The Federal Reserve Bank and the Department of Employment Security websites. They also reviewed incomes statewide for teachers and other moderate-income professions. Additionally, she received input from Commission partners and compared notes with other agencies.

<b>House Key Opportunity Income Limits Unchanged Since August 2010</b>								
<b>COUNTY</b>	<b>Non-Targeted Current 1-2</b>	<b>Non-Targeted Current 3-4</b>	<b>Targeted Current 1-2</b>	<b>Targeted Current 3+</b>	<b>Proposed Non- Target 1-2</b>	<b>Proposed Non-Target 3+</b>	<b>Proposed Target 1-2</b>	<b>Proposed Target 3+</b>
<b>Clark/Skamania</b>	\$80,000	\$90,000	\$80,000	\$90,000	\$90,000	\$105,000	\$90,000	\$105,000
<b>King/Snohomish</b>	\$90,000	\$97,000	\$90,000	\$97,000	\$120,000	\$140,000	\$120,000	\$140,000
<b>Kitsap</b>	\$70,000	\$80,000	\$70,000	\$80,000	\$80,000	\$90,000	\$95,000	\$110,000
<b>Pierce</b>	\$80,000	\$90,000	\$80,000	\$90,000	\$85,000	\$100,000	\$95,000	\$110,000
<b>All Other Counties</b>	\$65,000	\$75,000	\$80,000	\$85,000	\$75,000	\$90,000	\$95,000	\$105,000



The Commission has not raised income limits for the House Key Program since August 2010.

The chart above shows in black what the limits are currently and in blue staff recommendations for changes. Ms. DeBrock recommended adjustments for all counties.

The IRS also has rules regarding raising the income limits based upon the area median gross income for the area and the statewide median gross income determined by HUD. The Commission is allowed to go up to Federal Limits.

As for Home Advantage program, the Commission has not raised the income limit of \$97,000 since program inception 6 years ago. Staff is recommending raising the limit to \$145,000 statewide.

Ms. DeBrock thought it was important to note that raising the income limit in both programs does not take away from families that earn less. The Commission is not giving more than it would normally give. It is lifting the ceiling on the program to help more families purchase in a rapidly increasing housing market.

It is also important to note that there are no federal or state limits on income eligibility for the Home Advantage program. The Commission is authorized “to provide decent, safe, sanitary, and affordable housing for eligible persons.” The determination of such eligibility is rests with the Commission.

Of course, the Commission’s mission is to help low to moderate income families purchase a home and it wants to continue furthering that mission.

The market itself is a providing significant challenges. The ability to continue to help borrowers during an increasingly volatile rate environment with escalating home prices and low housing inventory impacts borrowers negatively. Interest rates have increased since this time last year and are projected to continue to increase. As interest rates rise, it prices low to moderate income households out of the market. For instance, a 1% raise in interest rates affects the buying power of average borrowers by approximately \$20,000.

Another issue is low inventory. According to the Northwest Multiple Listing Service, based out of Kirkland covering 23 counties in the state, as of August 6<sup>th</sup>, although improved from the previous month, the State has just over a 1.8-month

supply of houses which is extremely low. Typically, a 5-month supply is a balanced market. Also, there are few homes in an affordable range and so there is downward pressure and bidding wars which increase the prices of homes. People are purchasing further and further out as they can't live near where they work. Of course, home prices in general are causing hardship.

The average home price in King County was \$699,000 for the month of July and \$805,000, which is up approximately 13% from the previous year, in Seattle.

The Eastside has a median home price of \$947,000, which is up 10% from a year ago. The Pierce County median is at \$353,000, which is up 13%, Kitsap County is at \$364,000 up 16% and Snohomish County is at an all time high of \$495,000 representing an 11% increase.

Washington has one of the hottest market in the country according to the Mortgage Bankers Association – Seattle metro area (11.1%); Bellingham (10.1%); Kennewick (10.0%), Mount Vernon-Anacortes (9.9%). For the calendar year 2017, Spokane and Yakima both had an 8% increase.

IRS Federal Income Limits – House Key								
COUNTY	Non-Targeted Federal Limits 1-2	Non-Targeted Federal Limits 3+	Targeted Federal Limits 1-2	Targeted Federal Limits 3+	Proposed Non-Target 1-2	Proposed Non-Target 3+	Proposed Target 1-2	Proposed Target 3+
Clark/Skamania	\$97,680	\$112,460	\$97,680	\$113,960	\$90,000	\$105,000	\$90,000	\$105,000
King/Snohomish	\$128,400	\$149,800	\$128,400	\$149,800	\$120,000	\$140,000	\$120,000	\$140,000
Kitsap	\$82,600	\$94,990	\$99,120	\$115,640	\$80,000	\$90,000	\$95,000	\$110,000
Pierce	\$89,520	\$104,440	\$97,320	\$113,540	\$85,000	\$100,000	\$95,000	\$110,000
All Other Counties	\$81,100	\$93,265	\$97,320	\$113,540	\$75,000	\$90,000	\$95,000	\$105,000

The above chart provides in red the House Key Bond Program federal limits that the Commission is allowed to go and in blue staff recommendations for the House Key program.

The Commission may be used to thinking about income when referring to a scarce resource such as its bond program. For the House Key programs, the IRS sets the maximum income limits. In the past, the Commission ratcheted those numbers down to make sure its income limits were never over the federal limit. Most importantly, for House Key, the number of loans the Commission can do in any given year is limited and it has still been able to assist the maximum number of families with this valuable resource by limiting the qualifying income. It has even further limited the program by requiring the borrower to use a Commission downpayment assistance program, including House Key Opportunity, HomeChoice, Seattle, ARCH, Tacoma, Pierce, or Bellingham DPA programs. All of these DPA programs are geared to households at 80% and below of area median income. The House Key Opportunity program targets funds for the families who need it the most.

The reason staff is asking to raise the income limits is because the IRS considers household income for compliance purposes. For instance, the new proposed income limits provide flexibility for additional income earners who are not on the loan, for example an 18 year old child living in the home and working. However, the borrower responsible for the payment must still be at or below 80% of area median income to qualify for the loan. All recommended limits are beneath the federal allowable limits and have been approved by special tax counsel.

COUNTY		CURRENT	FHA LIMIT	FHA MEDIAN	NON-TARGETED	TARGETED	WCRER	PROPOSED NON-TARGETED	PROPOSED TARGETED
Clark	Non-Targeted	\$ 330,000	\$448,500	\$ 458,824	\$412,942	\$ 504,706	\$ 298,900	\$375,000	\$435,000
	Targeted	\$ 360,000					\$ 277,500		
Skamania	Non-Targeted	\$ 235,000	\$342,700	\$ 350,588	\$315,529	\$ 385,647	\$ 316,400	\$300,000	
	Targeted	\$ 360,000							
Chelan	Non-Targeted	\$ 300,000	\$345,000	\$ 352,941	\$317,647	\$ 388,235	\$ 345,600	\$300,000	\$360,000
	Targeted	\$ 360,000							
Island	Non-Targeted	\$ 285,000	\$330,050	\$ 337,647	\$303,882	\$ 371,412	\$ 320,200	\$300,000	\$360,000
	Targeted	\$ 335,000							
Kitsap	Non-Targeted	\$ 295,000	\$322,000	\$ 329,412	\$296,471	\$ 362,353	\$ 356,800	\$295,000	
	Targeted	\$ 450,000	\$667,000	\$ 682,353	\$614,118	\$ 750,588	\$ 641,400	\$500,000	\$575,000
King	Non-Targeted	\$ 475,000							
	Targeted	\$ 370,000					\$ 442,300		
Snohomish	Non-Targeted	\$ 395,000					\$ 315,600		
	Targeted	\$ 440,000	\$483,000	\$ 494,118	\$444,706	\$ 543,530	\$ 537,500	\$440,000	
San Juan	Non-Targeted	\$ 285,000	\$315,100	\$ 322,353	\$290,118	\$ 354,588	\$ 329,600	\$285,000	
	Targeted	\$ 235,000	\$316,250	\$ 323,529	\$291,176	\$ 355,882	\$ 287,900	\$285,000	\$340,000
Thurston	Non-Targeted	\$ 285,000							
	Targeted	\$ 285,000							
Whatcom	Non-Targeted	\$ 285,000	\$345,000	\$ 352,941	\$317,647	\$ 388,235	\$ 345,900	\$310,000	\$350,000
	Targeted	\$ 335,000							
All Other	Non-Targeted	\$ 235,000	\$294,515	\$ 301,294	\$271,165	\$ 331,423		\$265,000	\$310,000
	Targeted	\$ 285,000							

For the House Key program and for IRS compliance, the Acquisition Cost includes the total purchase price of the home plus any additional expenses assumed by the borrower or others, i.e. Mortgage Lender, Realtor, etc., which are not typical borrower costs or fees. If any repairs are to be paid for by the Borrower or others, those costs must be included in Acquisition Cost.

For acquisition limits, the first column of numbers in the above Acquisition Cost table are the current limits for non-targeted and targeted areas for specified counties where the IRS sets limits. All other counties are included on the bottom. According to the IRS, a Target Area refers to a Qualified Census Tract in which at least 70% of the population of Washington makes 80% of the areas' median or an area of "chronic economic distress". These are areas where the IRS wants to raise homeownership rates and so it waives first time homebuyer requirements for a Target area and allows the Acquisition Cost to be higher. However, not all counties have Targeted Areas by IRS definition. After the first column, it then shows the FHA limit that the IRS bases their calculations on. The IRS then divides this number (by 76%) to come up with the FHA Median limit in the next column. The two columns in red show the highest limits for non-targeted and targeted areas allowed by the IRS in each county. The formula allows the Commission to take 90% of the FHA median for non-targeted areas and 110% of FHA median for targeted areas. For Commission purposes, although it can sometimes go much higher than what the IRS recommends, the numbers do not always make sense for the market.

In its analysis, staff also relied on the data provided by the Washington Center for Real Estate Research last year for a local perspective.

The non-bond Home Advantage program is much different. Home Advantage accesses the open market and is an unlimited resource. There is no federal statute requiring a maximum income or acquisition limit. However, the Commission has set an income limit to meet the needs of low to moderate income families. At the time of program implementation, 6 years ago, the Commission approved one income limit of \$97,000 per year state-wide, which was and still is the highest income limit currently offered in the House Key Program. Today we are asking for a 50% increase statewide for Home Advantage. Why raise the income limits by

50%? Simply stated the Commission hasn't kept up with the rapidly rising cost of houses across the state. The current income limit makes it impossible to help a growing number of families to buy homes because home prices have moved beyond the capacity of these families to support mortgages or accumulate a downpayment. As a result, the Commission's Home Advantage program is becoming increasingly ineffective in helping families buy their first home.

We considered bifurcating the Home Advantage program to offer different limits for high cost and non-high cost areas. Staff even looked at bifurcating the limits based on one versus two wage earners. Staff ultimately decided to stay with the simplicity that it currently offers, which is a selling point with the lenders. Staff used the same methodology used when originally setting the limits of the program 6 years ago. The highest federal limit under the House Key program is currently at \$149,800. Staff rounded this number down and is now proposing one income limit of \$145,000. Although the Commission will most likely not be able to help families in Seattle or Bellevue, it believes it can help on the fringes of King, Snohomish, Pierce, Whatcom, and Clark Counties. Loan originators truly only use our programs if they absolutely need the assistance. In many counties, it may be rare to see homebuyers at the proposed new limit who will use the program, but it will be available if they need it. Staff believes that with the proposed limit the Commission will be able to reach more families who are able to qualify for a mortgage, but lack the ability to save for downpayment.

**Action Item:  
Single-Family  
House Key  
Opportunity  
income and  
acquisition cost  
limits**

Ms. DeBrock requested approval to increase the Commission's Single-Family House Key Opportunity income and acquisition cost limits.

Mr. Richter moved to approve the request with his recommendations regarding the sliding scale of the DPA program. There was no second. The motion was not moved.

Ms. Lawrence moved to approve the original motion. Ms. Topper seconded the motion. The motion was approved with six yes votes and one no vote.



**Action Item:  
Increase the  
Commission’s  
Single-Family  
Home Advantage  
income limits**

Ms. DeBrock requested approval to increase the Commission’s Single-Family Home Advantage income limits.

Ms. Topper moved to approve the request. Ms. Lawrence seconded the motion. The motion was unanimously approved.

**Action Item:  
Program Related  
Investments  
Overview**

Kim Herman, Executive Director, stated that the Commission staff is asking the Commission to consider funding Program Related Investments (PRI) from the approximately \$15.8 million authorized for transfer in June to the PRI account and unallocated funds currently in the account. These investments and program changes will allow us to improve important and widely used programs in keeping with the guidance following the 2015 report.

A summary of the current status of the PRI program similar to the quarterly reports was included in the Commissioners’ August packets.

**Action Item: PRI  
request; Habitat  
for Humanity of  
Washington State;  
Allocation of \$2  
million; Add  
HomeSight as an  
eligible participant.**

Bob Cook, Senior Director of the Finance Division, stated that Habitat for Humanity of Washington State provides liquidity loans to local Habitat for Humanity chapters (the “Locals”) in the state for use in the furtherance of their mission. The investment is placed with Habitat for Humanity of Washington State (“Habitat-WA”) which makes and administers the loan(s). The Locals pledge and maintain a pool of performing loans from their mortgage portfolio of at least 125% of the loan amount they have outstanding from Habitat-WA who in turn pledges those loans as collateral to the Commission.

HomeSight, a long-time partner with the Commission, has approached the Commission over the past few years seeking liquidity for their loan programs and presenting several preliminary program proposals. Rather than developing a program for this specific borrower, Commission staff suggested working through the existing Habitat for Humanity of Washington State loan program. All parties have agreed it fits well within this program.

Mr. Cook stated that this request is to allow HomeSight, a local Community Development Financial Institution focused on affordable homeownership, to borrow

liquidity through the existing program with Habitat for Humanity of Washington State and to allocate an additional \$2 million to the program for that purpose.

Ms. Lawrence moved to approve the request. Mr. Krueger seconded the motion. The motion was unanimously approved.

**Action Item: PRI request; Downpayment Assistance, Shared Appreciation Programs**

Mr. Cook stated that the Downpayment Assistance/Shared Appreciation Program requests \$1 million to allocate among the following downpayment assistance (“DPA”) programs, as necessary, subject to the approval of the Executive Director.

HomeChoice is a Commission-only funded DPA program for people with disabilities or who have a family member with a disability living with them.

The following partnership programs with local investment:

- House Key Plus Seattle – DPA program in cooperation with the City of Seattle.
- House Key Plus ARCH – DPA program in cooperation with A Regional Coalition for Housing, a consortium of several East King County cities.
- House Key Plus Bremerton – DPA program in cooperation with the City of Bremerton.
- House Key Plus CLT – DPA program in cooperation with Commission approved Community Land Trusts, including Homestead, Kulshan, Opal, San Juan and Bainbridge HRB.

Mr. Cook stated that this is a request to expand eligibility for this investment to all partnership DPA programs. This would include Tacoma, Pierce County, King County, and Bellingham.

He also mentioned several of the programs authorized in the initial investment have become dormant due to prohibitive housing costs in their area or lack of ongoing local funding for additional contracts. In the meantime, the Commission has added new partnership programs. The partners fund these programs when resources are available to them, generally in contract increments of about \$100,000 which the Commission, in most cases, match. This authority would help the Commission meet partner timetables and allow the Commission to match funds without seeking small additional PRI approvals from the Board.

Ms. Klontz moved to approve the request. Mr. Krueger seconded the motion. The motion was unanimously approved.

**Action Item: PRI request: Washington Access Fund (now Northwest Access Fund) Expand maximum loan size**

Mr. Cook stated that the PRI currently increases the number of home modification loans for persons with disabilities made by the Washington Access Fund (“WAF”). The organization is now known as the Northwest Access Fund, however all activity with the Commission’s investment is restricted to Washington State.

Mr. Cook stated that this request is to extend the maximum loan term allowable from 5 years to 10 years and increase the maximum loan amount from \$25,000 to \$50,000. He mentioned Emerson Sekins, Executive Director of Northwest Access Fund, has asked that the Commission consider the proposed modifications. Their experience is that as construction and material prices have increased, the necessary home modifications of their borrowers are often exceeding the current maximum loan amount of \$25,000. With larger loan amounts, borrowers also need additional time to complete repayment of their loans.

Mr. Krueger moved to approve the request. Mr. Richter seconded the motion. The motion was unanimously approved.

**Action Item: PRI request: for Critical Project Preservation Program: Renaming to Critical Community Response Program; an allocation of \$8 million; and, adding new construction**

Valeri Pate, Director of Asset Management and Compliance and Ms. Vatske stated that Commission staff continue to see a gap in financing tools for critical community projects. From 2015 to the present five projects have received support from Program Related Investment (“PRI”) dollars to preserve projects and buildings with funding gaps that could have resulted in a loss of inventory for low income residents. Although the Commission created the Critical Project Preservation Fund in 2016 to address critical preservation, it continues to see examples of critical community needs that indicate a need for a more responsive structure and definition. These critical project financings have ranged from the rehabilitation and preservation of multifamily housing to the repurposing of abandoned buildings for either new low-income housing or much needed community facilities and the need for gap funding for new construction. These requests come to staff by way of applications for existing programs, local and state government officials, and other funders and lenders.

Commission staff was able to respond to these requests by either creating new one-off programs for Commission approval or by seeking waivers to current PRI programs or policies. It has become apparent to staff, that the preservation, repurposing, and new construction of these projects has met a critical need in their communities and that current federal, state, local, and commercial tools cannot meet the full funding requirements. However, the Commission has limited funds. Grouping these efforts into one PRI fund would allow administrative efficiencies in policies and processes. In addition, a separately funded program able to respond to and assess future requests would provide the needed flexibility, allow for more timely response, and ensure a better stewardship of both the funds and the selection of projects to be financed.

The Commission staff is proposing that \$8 million funds be incorporated into this program to better respond to the preservation of existing housing, the modification and the purposing of critical community assets, and the assistance in developing necessary housing and other critically needed projects.

It is proposed that:

- project loans not exceed two million dollars unless otherwise approved by the Executive Director.
- loan terms be as short as feasibly possible unless those terms must be extended due to the requirements of other programs or other funders, primarily tax credit investors or first position lenders.
- interest rates be flexible but no more than 3%, and whether or not the interest rate compounds will be part of the negotiation.
- the repayments be flexible and collected monthly, annually, at the end of the loan-term, or as determined by project need.
- principal and interest payments will recycle back into the program.

The following can participate in the program: nonprofit organizations, Native American Tribes, Small Housing Authorities, and developers either preserving, repositioning, creating or repurposing community assets. For-profit developers may participate but will be considered for low income housing preservation and

development only. They must have support from the local community and participate in one of the Commission's financing programs.

The following can be financed: acquisition, rehabilitation, construction, preservation and repurposing of community facilities critical to the population such as low-income housing or services that are not otherwise available in the community.

The Commission will prioritize projects in the following order:

- Existing Commission-financed multifamily properties serving households with low-incomes that serve a unique population; are a current health risk to residents; are in an area that has a lack of alternative safe and affordable housing; or are at risk of loss from the Commission's affordable housing portfolio.
- New construction multifamily projects in difficult to develop areas that have no other options for resources.
- Facilities serving the health and welfare of the community that currently do not exist or are vital to maintain.
- Projects determined critical by the community, legislature, or are deemed important for historical, cultural, or their unique position in the community.

Mr. Richter suggested amending the last category to state: "Projects determined critical by the community, legislature, or are deemed important for historical, cultural, or their unique position in the community, *which serve households with low income and/or the benefit a welfare of the community.*"

Ms. Topper moved to approve the proposal with the amendment. Mr. Richter seconded the proposal. The proposal was unanimously approved.

**Action Item: PRI request:  
An allocation of \$2.5 million to the WCRA Capital Plus! program**

Ms. Vatske stated that over the past several years, the Commission and WCRA have partnered to respond to additional community needs that were not anticipated by the original scope of the WCRA Capital Plus! program but have underscored the unique partnership that exists between the organizations. It also has led to several sidebar discussions at various times about the program and its original parameters.

Commission staff is recommending Capital Plus! Program loans be increased to \$1,000,000 or up to \$1,500,000 with special permission of the Executive Director. As Commissioners may recall, WCRA partnered with the Commission to assist the Yakama Tribe in acquiring critical housing for homeless and mentally tribal members that was difficult to finance, regular loan terms will remain as ten-year terms with the current work-out periods; but that certain loans may be made with 15-year terms upon special request from the president of WCRA and approval of the Executive Director and no more than two loans may be outstanding to any one borrower simultaneously.

Additionally, WCRA makes loans on behalf of a consortium of member banks. A potential borrower in need of construction lending has approached WCRA and the Commission to help meet the growing demand for seasonal farmworker housing specifically built and designed for migrant workers.

According to estimates, Washington had 20,000 H-2A workers last year. Thirty thousand are expected this year and up to 60,000 seasonal workers are expected annually within a decade. WCRA wants to make the permanent loan and has no funds for the construction lending. After discussions with the borrower, staff and WCRA have researched the job-services contractor who has been in business since 1945, has no citations from Labor and Industries, and has received positive feedback from industry professionals. The labor contractor will be signing a lease with the builder.

WCRA would like to make a permanent loan at a Loan to Value (LTV) ratio of 75%, provided, that the Commission is willing to fund the construction loan through WCRA's for-profit construction lender named 1200 Fifth LLC. The Commission's loan will be paid off upon construction completion from WCRA's permanent loan

but may not be more than \$3,500,000 (which is also the maximum for construction loans that can be outstanding at any one time).

This program is open to for-profit borrowers (LTV at 75%) and nonprofit borrowers (LTV at 80%). Basic conditions of the construction program are that WCRA and the Commission will work together on special projects that:

- 1) are in need of construction and permanent financing that is not met by conventional lenders,
- 2) meet a special need in the community,
- 3) fulfill the missions and goals of both organizations
- 4) will use Commission funds for construction only
- 5) are mutually considered

The Commission will only enter into an agreement to fund a construction loan after WCRA's loan committee has approved and committed to the permanent financing and the Commission's construction loan will not exceed the permanent loan amount.

Mr. Krueger moved to approve the request. Ms. Lawrence seconded the motion. The motion was unanimously approved.

**Action Item: PRI  
request for  
Manufactured  
Housing  
Community  
Investment  
Program**

Ms. Vatske requested that the parameters of the Manufactured Home Community Investment program be changed to allow additional lenders and eligible borrowers, small housing authorities, Indian tribes, or nonprofit organizations, to participate in the program. The sponsoring organization must have experience in manufactured housing community management or ownership. They must agree to long term land covenants and intend to either lease spaces to low-income home owners or own and lease the manufactured housing unit to low-income households. In addition, should the sponsor fail, the lender will have an agreement to work in good faith with the Commission to find another eligible borrower or to work with the residents to purchase the land. Qualified Resident Owned Communities (QROC) that qualify under ROC USA Capital's guidelines would still be financed with that organization.

In addition to the current program guidelines eligible borrowers must:

- have experience in manufactured housing community management.
- agree to long-term land-use covenants and to own the property long term.

- have plans for housing replacement.
- agree to seek energy efficiency or renewable energy improvements as part of the capital needs assessment for the community.

Lenders in the program must agree to:

- underwrite and assume Commission recording fees, if any
- a servicer chosen by the Commission
- assist in any workout financings necessary should the sponsor not meet commitments
- agree to three years' post foreclosure eligible borrower search

All investments will be in ROCs, or communities owned by Eligible Borrowers, in which at least seventy-five percent (75%) of the residents qualify or will soon qualify as low-income (below 80% of area median income). Long-term affordability of these communities is ensured by: a) nonprofit ownership, which maintains by covenant the use of the land as a manufactured home community; b) if a QROC a limitation on the cost of membership to no more than \$1,000 per household and no appreciation on this membership interest and c) a marketing preference built into the borrower's organizational documents for re-sale of homes to other lower-income buyers. Should a QROC community fail, it is ROC's and ROC Capital's mission to step in and preserve the community. Finally, there must be a plan at the time of closing for QROC that any rental homes in the community have a limited time to convert to home ownership. Eligible borrowers may own the housing as well as the land.

Mr. Krueger moved to approve the request for the proposed modification to the Manufactured Housing Community Investment Program (MHCIP) and PRI request to increase the investment in the program by an additional \$1,500,000. Ms. Klontz seconded the motion. The motion was unanimously approved.

**Action Item: PRI  
request: The  
Sustainable Energy  
Trust (SET)**

Ms. Vatske requested approval of \$2.5 million in funding for the Sustainable Energy Trust (SET) program to maintain the current balance and have available funds to handle the current pipeline of approximately \$3-4 million in loans per year.

In addition, a new request for \$1 million has been submitted to the Department of Commerce, which would be used to leverage any additional investments the



Commission puts in. Analysis suggests that the fund will be self-sustaining at \$18 million, and this investment would help to achieve that goal.

Ms. Lawrence moved to approve the request. Mr. Krueger seconded the motion. The motion was unanimously approved.

**Action Item: PRI request; Land Acquisition Program (LAP)**

Ms. Vatske requested approval of \$2.5 million in funding for the Land Acquisition Program (LAP), which assists eligible organizations to purchase and hold undeveloped land and improved real property for future affordable housing development activities and/or community service facilities. She mentioned that current demand for the program continues. This resource is an important tool for keeping projects moving forward by helping non-profits purchase property.

Ms. Topper moved to approve the request. Ms. Lawrence seconded the motion. The motion was unanimously approved.

**Discussion Item: Briefing of Policy Discussions and Policy Changes for the 9% 2019 Allocation Round and 4% Bond Round**

Ms. Vatske led a discussion on the upcoming policy changes for the 9% 2019 allocation round and 4% bond round. She made a presentation and proposed recommendations for changes to the 2019 Tax Credit Program Policies for both the 9% and 4% programs. These changes are the results of in-house staff discussions and meetings with stakeholders. She held 2 meetings at the Commission with conference call/web access: one for the Metro pool, one for the Non Metro pool. She regularly attended the Seattle/King County Housing Development Consortium Tax Credit Affinity group and visited each of the metro pool counties. As is customary, proposed changes will be posted on the Commission's website and sent to stakeholders providing them the opportunity to comment. To accommodate the State's delayed legislative funding, the Commission decided to hold a June 9% round. The goal was to better coordinate with the Housing Trust Fund and effectively align resources for successful forward allocation of some of the 2019 9% credit and full project funding. In part due to this, the changes to the policies for the 9% 2019 will be limited. As far as the 4% policies, only limited changes are being proposed. These reflect changes in the current points in a process that is otherwise working well in the quasi competitive process and this current market environment.

The proposed changes include:

- Total Development Cost Limit Increases
- Addition of Guidance for Income Averaging
- Consistency between program points for Utility Allowance Option
- Change to Metro Homeless Points

Ultimately, revisions ratified by the Commission in September will be incorporated into the Tax Credit Policies and application materials for the January 9% 2019 tax credit allocation cycle and for the upcoming October Bond /4% application round. A formal public hearing and Commissioner approval is scheduled for the September meeting. The memo in the packet summarizes the policy intention, the issue and the reason for the proposed policy change(s). At the August work session, Ms. Vatske will provide additional information and any updates.

**Action Item:  
Change to  
December Meeting**

Mr. Herman requested approval to change the December 2018 Commission meeting from December 20 to December 13.

The Board unanimously approved the request.

**Executive  
Director's Report**

Mr. Kim Herman mentioned staff conducted interviews and is in the process of hiring for the Sustainable Energy Position.

He mentioned Sharonn Meeks reported that the Department of Commerce's Early Learning Facilities program received 127 applications by the closing date. The total amount requested for all the applications was \$34,757,218.07.

There were a total of eight K-12 School District Applications submitted from the following:

- Ellensburg School District
- Everett School District
- Kettle Falls School District
- Lake Quinault School District
- North Thurston Public Schools
- Toppenish School District

- Richland School District
- Tukwila School District
- Next steps are to score the application and have recommendations compiled mid-September.

He also mentioned in July Home Advantage had over \$164 million in reservations assisting 658 families. For House Key Opportunity, the Commission had over \$28 million in reservations assisting 140 families totaling \$193 million and 798 families for the month.

Asset Management and Compliance (AMC) had a successful visit by TCAM, which began with last month's Commission meeting, and included multiple meetings with staff, stakeholders and other public funders. The Commission is looking forward to some initial recommendations within the month, and is planning to have TCAM come back to the September Commission meeting.

Shawna and Erik from AMC are headed to Louisville, KY for their next installment of certified housing asset manager (CHAM) training.

The Commission continues to work with Intellectyx to re-design its WBARS user interface and is looking forward to entering a testing phase early this fall.

**Department of  
Commerce  
Activities**

Ms. Klontz stated that there are several Affordable Housing Advisory Board (AHAB) Meetings scheduled in the near future:

- August 30 AHAB Policy Committee Meeting - Conference Call
- September 18 AHAB (full board) Policy Meeting - Seattle Pac Tower
- October 2 AHAB Meeting - Housing Washington Conference in Tacoma

The AHAB Needs Study Committee is scheduling their first meeting now. The committee plans to build the housing needs analysis primarily around the inventory currently being collected through the Commission's housing data portal.

Commerce is pleased to announce that the new Landlord Mitigation program has been launched. Claims can be filed here:

<https://www.commerce.wa.gov/building-infrastructure/housing/landlord-mitigation-program/>

The Housing Finance Unit is negotiating contracts with 2017 awardees, as well as several direct appropriation projects. Commerce is in the Q&A period on the Stage 2 application round. Please make sure to check its website for the Q&A file. Commerce's current Notice of Funding Availability (NOFA) includes \$5 million available for housing those displaced by a Governor-declared natural disaster. Commerce received its HOME award for 2018, and is awaiting the National Housing Trust Fund (HTF) award. These funds will be awarded in December (current Stage 2 NOFA). Staff is reviewing the Preservation Program applications and hopes to make awards in mid-September. Commerce is in the process of revamping its templates for State HTF, HOME and National HTF contracts. Commerce's HTF decision package is underway and will be submitted to the Governor's Office in September.

The Office of Homeless Youth (OHY) is hosting its grantee forum on October 2nd in Chelan. The Balance of State Continuum of Care was awarded \$4.6 million in a HUD Youth Homelessness Demonstration Program grant. OHY will play a significant role in supporting this work.

**Commissioners' Reports**

Mr. Krueger stated that the Audit Committee met today. He stated they discussed the charter, swap policy, and the upcoming changes to Governmental Accounting Standards Board (GASB) standards.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Executive Session**

At 12:49 p.m., Mr. Herman called an Executive Session to discuss personnel review of an employee.

The Executive Session ended at 1:04 and the meeting was reconvened at that time. Mr. Krueger stated that Commissioners discussed Mr. Herman's salary and did research on similar Executive Directors salaries nationwide.

Mr. Krueger moved that the Executive Director's salary be increased to \$187,999 as of September 1, 2018. Ms. Topper seconded the motion. The motion was unanimously approved.

**Adjournment**

The meeting was adjourned at 1:06 p.m.

**Signature**

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