

MAY 23 - 24, 2022

WASHINGTON STATE HOUSING FINANCE COMMISSION

**COMMISSION MEETING &
BUDGET PLANNING SESSION PACKET**

Additional Materials and Presentations

WSHFC

*** Please see Revised Agenda below with additional materials linked ***



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Opening doors to a better life

**WASHINGTON STATE HOUSING FINANCE COMMISSION
COMMISSION MEETING AGENDA**

YOU ARE HEREBY NOTIFIED that the Washington State Housing Finance Commission will hold a **Special Meeting** in the **Baker Room**, located at **804 - 10th Street, Bellingham, WA 98225**, on **Monday, May 23, 2022 at 9:00 a.m.**, to consider the items in the agenda below.

Per the Governor’s proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will be offered both in-person and virtually.

To join virtually, please go to www.zoom.us, go to “Join a Meeting,” and enter:

Login information for Monday, May 23, 2022:

**Webinar/ Meeting ID: 839 2576 7334
Passcode: 221092**

Participants who wish to participate telephonically, please dial either: 1-(888) 788-0099 or 1-(877) 853-5247 U.S. toll-free

Participants wishing to provide public comments, please see public engagement opportunities on pages five & six below for instructions.

- I. **Chair: Approval of the Minutes from the April 28, 2022, Special Meeting.** 1
(5 min.)

- II. **Chair: Briefing on Evergreen Ridge Apartments, OID # 22-46A** 2
 - A. **Lisa Vatske:** The proposed issuance of tax-exempt revenue bonds to finance the acquisition and rehabilitation of an existing facility (approximately 145 units), located at 3451 Woburn Street, Bellingham, WA 98226, to be owned by Mercy Housing Northwest, a Washington nonprofit 501(c)(3) corporation. The total estimated bond amount is not expected to exceed \$2,520,000. (5 min.)

- III. **Consider and Act on the Following Action Items:**
 - A. ~~**Resolution No. 22-30, Grand Street Commons, OID # 20-95A**~~ 3
~~**Lisa Vatske:** 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, construction and equipping of a 206-unit multifamily housing facility located at 2201 S. Grand Street, Seattle, WA 98144, to be owned by Grand Street Commons MBH LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$46,000,000. The public hearing was held January 27, 2022. (5 min.)~~

- B. Resolution No. 22-31, Watershed Renton, OID # 20-94A** **4**
Lisa Vatske: A resolution approving the issuance of one or more series of tax-exempt and/or taxable notes to finance a portion of the costs for the acquisition, construction and equipping of a 145-unit multifamily housing facility located at 615 and 617 Williams Avenue S., Renton, WA 98055, to be owned by GMD Renton LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$48,000,000. The public hearing was held January 27, 2022. (5 min.)

IV. Chair: Miscellaneous Correspondence and Articles of Interest (5 min.)

- A. Miscellaneous Correspondence and Articles of Interest** **5**
B. HFC Events Calendar **6**

V. Chair: Public Comment

**VI. End of Business Portion of the Special Meeting
Reconvene Business Portion on Tuesday, May 24, at 11:55 a.m.**

Bill Rumpf, Chair

The Budget and Planning Session will start five (5) minutes after the adjournment of the Commission Meeting, or at 9:30 a.m. (whichever comes first) in the Baker Room.

Members of the public joining the Budget and Planning Session virtually will be muted, and there will be no in-person or virtual public comment periods.

**Washington State Housing Finance Commission
Budget Planning Session and Board Meeting Agenda
May 23 and 24, 2022
Baker Room, 804 - 10th Street, Bellingham, WA 98225**

Monday, May 23, 2022:

COMMISSION BUSINESS MEETING (please see agenda above on pages 1 and 2):

9:00 a.m. Commission Business Meeting to approve necessary bond resolutions and other action items

End of Business Portion of the Special Meeting of the Commission

BUDGET AND PLANNING SESSION (DAY 1):

9:30 a.m. Chair: Call to Order – Planning Session – Introductions

Steve Walker: Housekeeping items

Division Reports: Successes; Meeting Challenges in PY 2023:

9:40 a.m. Bob Peterson: Administration/IT

Wubet Biratu: Asset Management and Compliance

Lisa DeBrock: Homeownership

Lucas Loranger: Finance

10:25 a.m. Break

10:45 a.m. Lisa Vatske: Multifamily Housing & Community Facilities

11:00 a.m. Steve Walker/Bob Peterson – Moving out of the Pandemic – What we have learned and what we need to plan for

11:20 a.m. Lucas Loranger, Finance Division: Overview of Proposed FY 2023 Budget
****Materials for this included in board packet****

12:00 p.m. Lunch Break

Market Updates and Discussions:

1:00 p.m. Multifamily Housing – Lisa Vatske
Mike Hemmens, Managing Director, Citi Community Capital (via Zoom)

1:30 p.m. Homeownership – Lisa DeBrock
Mina Choo, Managing Director, RBC Capital Markets and
Mike Awadis, Managing Director, Hilltop Securities Inc.

2:30 p.m. Break

3:00 - 4:00 p.m. Executive Session – Executive Director Performance Evaluation

Adjourn

**The Budget and Planning Session will continue in the Baker Room tomorrow, Tuesday, May 24, 2022 at 9:30 a.m.
(see next page)**

**Washington State Housing Finance Commission
Budget Planning Session and Board Meeting Agenda
May 23 and 24, 2022
Baker Room, 804 - 10th Street, Bellingham, WA 98225**

Per the Governor’s proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will be offered in-person and virtually.

To join virtually, please go to www.zoom.us, go to “Join a Meeting”, and enter:

Login information for Tuesday, May 24, 2022:

Webinar/Meeting ID: 895 1405 0900

Passcode: 975435

Participants who wish to participate telephonically, please dial either: 1-(888) 788-0099 or 1-(877) 853-5247 U.S. toll-free

Members of the public joining the Budget and Planning Session virtually will be muted, and there will be no in-person or virtual public comment periods.

Tuesday, May 24, 2022:

BUDGET AND PLANNING SESSION (CONTINUED -- DAY 2):

- 9:30 a.m. Chair/Steve Walker: Call to order & Housekeeping items
- 9:35 a.m. Margret Graham: Communications Activities Update and Communication assistance to programs
- 9:45 a.m. Steve Walker/Margret Graham: Report Out and Recap of Racial Equity and Social Justice activities
- 10:00 a.m. Dr. Carmen Phelps – Strategic Planning (via Zoom)
- 11:00 a.m. Steve Walker, Lucas Loranger, & Directors – Program Related Investments (PRI) Considerations ****Materials for this included in board packet****
- 11:30 a.m. Chair: Discussion of FY 2023 Budget, External challenges, and direction to staff

Adjourn Budget and Planning Session Day 2

- 11:55 a.m. Reconvene Business Portion of the Special Meeting of the Commission

I. Consider and Act on the Following Action Item:

- A. Home Advantage Down Payment Assistance

Adjourn



Public Engagement at Commission Meetings

All Board meetings and Budget/Planning Sessions of the Washington State Housing Finance Commission are open to the public. Our intention is to welcome all members of the public and to provide a clear and reasonable process through which they can share their thoughts with us.

Different Ways to Join a Commission Meeting:

1. Click [here](#) to go to the meeting directly for **Monday, May 23, 2022 (day 1 of 2)**.

Click [here](#) to go to the meeting directly for **Tuesday, May 24, 2022 (day 2 of 2)**

2. At www.zoom.us, go to “Join a Meeting,” and enter:

For Monday, May 23, 2022 (day 1 of 2):

- **Webinar/Meeting ID: 839 2576 7334**
- **Passcode: 221092**

For Tuesday, May 24, 2021 (day 2 of 2):

- **Webinar/Meeting ID: 895 1405 0900**
- **Passcode: 975435**

3. To participate by phone, dial toll-free either: **1-(888) 788-0099 or 1-(877) 853-5247**.
4. Members of the public can attend the meeting in-person on either or both days at Baker Room, 804 - 10th Avenue, Bellingham, WA 98225

During Meetings:

During Commission board meetings and budget/planning sessions, attendees in-person and virtually can see and hear all presentations and business taking place. Microphones will be turned off except to receive comment during the public general comment period (during the Commission business board meeting only on Monday).

Public Hearings:

Commission meetings often include public hearings for specific housing projects or other policy decisions. Please limit comments to those directly related to the public hearing topic.

Public Comment:

- **Purpose of Public Comment**
During this period, the Commissioners listen to public concerns and comments but do not generally engage in dialogue. Staff will follow up with commenters who request assistance or answers to questions, providing that contact information is shared. Anyone who wishes to speak during the public comment period can take this opportunity.

- **When to Comment**

The public comment period takes place near the end of the morning Commission board meeting only (and not anytime during the Budget & Planning Session). The starting time for the public comment period depends on the length of the Commission's other business. Typically, the public comment period is reached after about 15-20 minutes (9:15-9:20 a.m.) but may be sooner or later.

- **Raising Your Hand in Zoom or Through Phone Participation**

To give us a sense of the number of people wishing to speak and help us call on you in an orderly fashion, the meeting Chair will ask you to use the Zoom "raise hand" feature to indicate you would like to speak. People participating on the telephone can press *9 to virtually "raise a hand." Whether or not you are able to virtually raise a hand, the chair will provide time and opportunity for all to share their comments before closing the public comment period.

- **Timing of Comments:**

We ask that speakers keep their comments brief (2 to 3 minutes). The chair may ask you to begin bringing your statement to a close after that time, especially if others are waiting to speak. Our intention is not to impose a specific time limit unless it seems necessary to give a large number of speakers an equal chance to share their comments.

NOTICE OF PUBLIC HEARING

The Washington State Housing Finance Commission (the “Commission”) will hold an open public hearing for the purpose of considering the issuance by the Commission of a tax-exempt revenue bond (the “Bond”) to finance the acquisition and rehabilitation of an existing apartment project in Bellingham, Washington, to be owned by a single asset entity, the sole member of which is Mercy Housing Northwest, a Washington nonprofit corporation and an organization described under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The public hearing will be held starting at 1:00 p.m., on May 26, 2022.

Per the Governor’s proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will only be offered virtually.

To join virtually, please go to www.zoom.us, go to “Join a Meeting,” and enter:

Webinar/Meeting ID: 868 8036 9898
Passcode: 210309

Participants who wish to participate telephonically, please dial either: 1-(888) 788-0099 or 1-(877) 853-5247 U.S. toll-free

The Bond will be issued pursuant to the Revised Code of Washington, Chapter 43.180 and the Code.

The proceeds of the Bond will be used to provide acquisition and rehabilitation financing for the following Project and to pay costs of issuing the Bond:

Project:	Evergreen Ridge Apartments
Project Address:	3451 Woburn Street Bellingham, WA 98226-5674
Total Estimated Project Cost:	\$39,035,380
Estimated Maximum Bond Amount:	\$28,000,000

This notice is intended to comply with the public notice requirements of Section 147(f) of the Code. Written comments with respect to the Project and the proposed Bond may be mailed or faxed to the attention of Dan Schilling, WSHFC, Multifamily Housing and Community Facilities Division, 1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046 or to (206) 587-5113, for receipt no later than 5 p.m. on May 25, 2022. Public testimony will be heard from all interested members of the public attending the hearing. The Commission will consider the public testimony and written comments in determining if the project will receive funding from a tax-exempt bond. Testimony and written comments regarding land use, zoning and environmental regulation should be directed to the local jurisdiction that is authorized to consider these matters when issuing permits for the Project.

Anyone requiring an accommodation consistent with the Americans with Disabilities Act should contact the Multifamily Housing and Community Facilities Division at 206-464-7139 or 1-800-767-HOME (in state) at least 48 hours in advance of the hearing.

The results of the hearing will be sent to the Governor for approval.

Nonprofit Housing Program Project Summary

Project Description

Evergreen Ridge is a 145-unit building in Bellingham, Washington. The property serves small households and families up to 60% AMI, and the Extended Use Agreement will expire in 2025. MHNW intends to complete deferred maintenance, including building envelope and life/safety issues. this work is estimated at \$15,000 per unit. The property has demonstrated strong historic operations and low vacancy rate and is a significant community asset in Bellingham. This activity will ensure preservation of the affordability for at least an additional 50 years.

Project Name

Evergreen Ridge Apartments

OID #

22-46A

Location

3451 Woburn Street
Bellingham, WA 98118

Developer

Mercy Housing Northwest

Project Type

Acquisition and rehabilitation of an existing facility

Relation to Mission and Goals

To provide effective, low-cost financing for housing and nonprofit facilities.

Financial Information

Estimated Bond Amount

\$26,000,000	Tax-Exempt
\$0	Taxable
\$26,000,000	Total

Total Estimated Project Cost

\$39,035,380

Bond Structure

Private Sale

Lender/ Credit Enhancer

Columbia Bank

Expected Closing

July 2022

Action

Public Hearing for OID # 22-46A

WASHINGTON STATE HOUSING FINANCE COMMISSION

RESOLUTION NO. 22-31

A RESOLUTION of the Washington State Housing Finance Commission authorizing the issuance of a tax-exempt nonrecourse revenue note in a principal amount of not to exceed \$48,000,000, to finance the acquisition, construction, and equipping of a 145-unit multifamily housing facility in Renton, Washington, to be owned by GMD Renton LLLP; approving the issuance and delivery of the note to Citibank, N.A.; approving the form of a funding loan agreement, a borrower loan agreement, a regulatory agreement and a tax certificate; and authorizing the Chair, Vice-Chair, Treasurer, Secretary or his designee, and Executive Director of the Commission to amend and execute such documents and other related documents.

APPROVED ON MAY 23, 2022

PREPARED BY:

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2000
Seattle, Washington 98101

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RESOLUTION NO. 22-31

A RESOLUTION of the Washington State Housing Finance Commission authorizing the issuance of a tax-exempt nonrecourse revenue note in a principal amount of not to exceed \$48,000,000, to finance the acquisition, construction, and equipping of a 145-unit multifamily housing facility in Renton, Washington, to be owned by GMD Renton LLLP; approving the issuance and delivery of the note to Citibank, N.A.; approving the form of a funding loan agreement, a borrower loan agreement, a regulatory agreement and a tax certificate; approving a fee waiver; and authorizing the Chair, Vice-Chair, Treasurer, Secretary or his designee, and Executive Director of the Commission to amend and execute such documents and other related documents.

WHEREAS, the Washington State Housing Finance Commission, a public body corporate and politic of the State of Washington (the “Commission”) has been duly constituted pursuant to the authority and procedures of the Laws of 1983, Chapter 161 of the State of Washington, as amended, and codified at RCW 43.180 et seq. (the “Act”); and

WHEREAS, the Act authorizes the Commission to issue its bonds and other evidences of indebtedness for the purpose of acquiring mortgage loans used to finance multifamily housing facilities in Washington; and

WHEREAS, the Internal Revenue Code of 1986, as amended (the “Code”), grants an exemption from federal income tax for interest paid on obligations where the proceeds thereof are used to finance multifamily housing facilities meeting the requirements of the Code; and

WHEREAS, the Commission adopted a Housing Finance Plan (the “Plan”) on December 12, 2019, following public notice and hearings as required by the Act; and

WHEREAS, Citibank, N.A. (“Citi”) has offered to make a loan in a principal amount of not to exceed \$48,000,000 to the Commission (the “Funding Loan”) to provide funds for the acquisition, construction and equipping of a multifamily residential rental facility with 145

housing units (the “Project”) located in Renton, Washington, to be owned by GMD Renton LLLP, a Washington limited liability limited partnership (the “Borrower”); and

WHEREAS, the Commission will use the proceeds of the Funding Loan to acquire a loan originated by a mortgage lender to the Borrower (the “Borrower Loan”) for the Project; and

WHEREAS, it is desirable for the Commission to provide the Borrower with tax-exempt financing of the Project through: (1) the incurrence of the Funding Loan, as evidenced by its Multifamily Revenue Note (Watershed Renton Apartments Project), Series 2022 (the “Note”) in the principal amount of not to exceed \$48,000,000; and (2) its acquisition of the Borrower Loan with proceeds of the Note; and

WHEREAS, the Note is unrated and privately placed and will be issued with terms consistent with and in furtherance of the Commission’s policy for unrated obligations; and

WHEREAS, the Commission has previously given preliminary approval of the Project by Official Intent Declaration No. 20-94A, the Commission held a public hearing on January 27, 2022, and the Governor has, or by the closing on the Note will have, approved the Project and the Note; and

WHEREAS, the Commission has received an offer to make the Funding Loan evidenced by the Note (the “Loan Commitment”) from Citi; and

NOW, THEREFORE, BE IT RESOLVED by the Washington State Housing Finance Commission as follows:

Section 1. Definitions. Unless otherwise defined in this resolution, capitalized terms used herein shall have the meanings set forth in the following documents filed with the Executive Director of the Commission: the Funding Loan Agreement (the “Funding Loan Agreement”), among Citi, the Commission and U.S. Bank Trust Company, National Association,

as fiscal agent (the “Fiscal Agent”); the Borrower Loan Agreement (the “Borrower Loan Agreement”), among the Commission, the Fiscal Agent, Citi, acting as mortgage lender, and the Borrower; the Non-Arbitrage Certificate of the Commission (the “Tax Certificate”); and the Regulatory Agreement (the “Regulatory Agreement”) between the Borrower and the Commission.

Section 2. Findings. The Commission hereby ratifies its prior findings that there are a substantial number of persons and families in the state of Washington (the “State”) who are unable to rent apartments in various parts of the state or the rents required are substantially in excess of the available income of such persons or families. As a result, many persons and families are unable to rent safe and sanitary housing at reasonable cost without financial assistance. A principal reason that the cost of renting apartments is not affordable for such persons and families is the interest rate on mortgage loans used to acquire, construct and rehabilitate multifamily rental projects. The provision of lower interest rate loans will encourage developers to acquire, construct and rehabilitate projects which will make additional units available to persons and households at affordable cost and will act as a significant stimulant to the economy of the State.

Section 3. Financing Program. The Commission hereby confirms and ratifies its program for the acquisition of loans for the financing of eligible housing facilities under the Act through the issuance of privately placed nonrecourse revenue obligations (the “Program”). The Commission hereby finds and determines that the Program and the Note are in furtherance of the Act and the Plan.

Section 4. Authorization of the Note. The Commission hereby authorizes the issuance and delivery of its Note to be designated “Multifamily Revenue Note (Watershed

Renton Apartments Project), Series 2022” in a principal amount of not to exceed \$48,000,000, pursuant to and in accordance with the provisions of the Act, the Code and the Funding Loan Agreement.

Section 5. Approval of Documents. It is hereby found and determined that the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Tax Certificate conform to the requirements of the Act and the Code and provide appropriate security for the Note consistent with the Act and the Code.

The Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Tax Certificate are hereby approved in substantially the forms filed with the Executive Director of the Commission. The Commission hereby authorizes the Chair, Vice-Chair, Treasurer, Executive Director and the Secretary, or his designee, to execute on its behalf such documents, the documents contemplated therein, and any other necessary documents or certificates, and to do all things necessary on its behalf to proceed with the Program and the issuance and delivery of the Note as authorized herein. Such officers, the Executive Director and the Secretary’s designee, are each authorized to approve such changes in these documents as are recommended by counsel to the Commission that are consistent with the Program and which do not materially increase the obligations of the Commission as described in the documents on file with the Commission. The designee of the Secretary may execute documents on behalf of the Secretary, and all prior acts of such designee on behalf of the Secretary are hereby ratified and confirmed.

Section 6. Issuance and Delivery of the Note. The Commission hereby authorizes and approves the issuance and delivery of the Note to Citi to evidence the Funding Loan, in

accordance with the terms and conditions set forth in the Loan Commitment, attached hereto as Exhibit A.

Section 7. Fee Waiver. The Commission has determined that the use of a significant amount of recycled private activity bond volume cap for this Project justifies a temporary waiver from its fee policy. The Commission hereby approves a fee waiver for the portion of the Note funded with recycled private activity bond volume cap until the Funding Loan converts to a permanent phase, at which time the Commission's stated annual fee shall apply.

Section 8. Executive Director. The Deputy Director is hereby authorized to act on behalf of the Executive Director for all purposes of this resolution if it is necessary or desirable to accomplish the purposes hereof.

Section 9. Effective Date. This resolution shall become effective immediately after its adoption and signature by the Chair and attestation by the Secretary of the Commission or his designee and when effective shall act to ratify and confirm all acts taken previously in furtherance of and consistent with this resolution.

[Signature Page Follows]

ADOPTED at a special meeting duly noticed and called this 23rd day of May, 2022.

WASHINGTON STATE HOUSING
FINANCE COMMISSION

By _____
Chair

ATTEST:

Secretary

APPROVED AS TO FORM:

General Counsel

EXHIBIT A
Loan Commitment

May 18, 2022

The Commissioners
c/o Steve Walker, Executive Director
Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Re: Washington State Housing Finance Commission Multifamily Revenue Note (Watershed Renton Apartments Project), Series 2022

Dear Honorable Commissioners:

Citibank, N.A. ("Funding Lender") is pleased to offer to make a loan (the "Funding Loan") to the Washington State Housing Finance Commission (the "Commission") to be evidenced by the above-referenced Multifamily Revenue Note (the "Note") in an aggregate principal amount of \$48,000,000, which amount includes \$17,000,000 of recycled volume, with the understanding that the proceeds of the Funding Loan will be used by the Commission to purchase a loan being originated by Citibank, N.A. ("Mortgage Lender") to GMD Renton LLLP, a Washington limited liability limited partnership ("Borrower") for purposes of financing the construction, rehabilitation, development and/or equipping of a 145-unit multifamily rental housing development, known or to be known as Watershed Renton, located in the City of Renton, King County, Washington all pursuant to the provisions of the Funding Loan Agreement, dated as of May 1, 2022 (the "Funding Loan Agreement"), among the Funding Lender, the Commission and U.S. Bank Trust Company, National Association ("Fiscal Agent"), and a Borrower Loan Agreement, dated as of May 1, 2022 (the "Borrower Loan Agreement"), among the Commission, the Borrower, the Mortgage Lender and the Fiscal Agent.

The Note will be dated the date of closing, which is anticipated to be May 26, 2022. The Note is expected to mature on June 1, 2040. Principal on the Note will initially accrue interest at a variable rate equal to one-month Term SOFR (with a floor of 0.39%) plus a margin equal to 2.11% until the Conversion Date, which can occur no later than December 1, 2025, and thereafter principal on the Note will accrue interest at a fixed rate to be locked just prior to closing not expected to exceed 6.25%. Interest only payments will be made from the closing date to the Conversion Date, and thereafter principal and interest are to be paid in monthly installments amortized over 40 years.

Our offer is subject to a legal opinion from Pacifica Law Group LLP of Seattle, Washington, acceptable to the Funding Lender, and to other conditions set forth in the Funding Loan Agreement, Borrower Loan Agreement, Construction Funding Agreement, and in the Borrower Loan application, all of which have been reviewed and approved by Borrower.

Very truly yours,

CITIBANK, N.A.

By:

Name: Matt Knipprath

Title: Authorized Signatory



Administration (ADM)
Budget Summary for the fiscal year ending: June 30, 2023

FINANCIAL AND PROGRAM INFORMATION

	FYE 23 Proposed Budget	FYE 22 Projected Actual	FYE 22 Budget as Adopted
Personnel Resources [FTE's]			
Permanent	12.77	11.82	12.77
Temporary	-	-	-
Total FTE's	12.77	11.82	12.77
Program Budget			
Fee Income	-	-	-
Interest Income	-	-	-
Other Income	30,300	30,423	25,680
Grant Program Income	-	-	-
Total Revenue	30,300	30,423	25,680
Employee Expenses	2,087,355	1,629,892	1,881,595
Travel Expenses	56,466	9,929	42,507
Professional Fees	565,000	426,899	497,132
Office Expenses	975,338	657,717	1,000,491
Grant Program Expense	-	-	-
Total Expenses	3,684,159	2,724,438	3,421,725
Income over Expense Excess (Deficit)	(3,653,859)	(2,694,015)	(3,396,045)
Overhead Allocation	3,653,859	2,694,015	3,396,045
Program Allocation	-	-	-
Total Income/(Loss)	-	-	-

PERFORMANCE MEASUREMENTS

	FYE 23 Proposed Budget	FYE 22 Project Actual	FYE 22 Budget as Adopted
PERFORMANCE MEASUREMENTS			
Housing Washington Conference	1	1	1
Monthly Hfc Mtgs., 1 Planning	12	12	12
Impact Cumulative Report	1	1	1
Annual Report & Financial Stmt's.	1	1	1

COMMISSION-WIDE PERFORMANCE MEASUREMENTS

Number Of Housing Units Financed / FTE	300	276	300
\$ Amount Of Bonds Issued / FTE	5,911,871	14,715,448	6,231,579
\$ Amount Of Revenues / FTE	437,933	670,041	552,778
\$ Amount Of Expenses / FTE	224,960	184,808	210,703
\$/Tax Credits Reserved / FTE	649,107	691,913	684,211
Number Of Units Monitored / FTE	1,458	1,590	1,487
Number Of Bond Issues Outstanding / FTE	5	5	5
\$ Amount Of Bonds Outstanding / FTE	91,610,653	104,052,567	90,774,954
Units By 2025*	320,000	320,000	320,000
Number Of Persons Served**	640,000	640,000	640,000
Nonprofit Facilities Financed By 2023***	220	215	205
Farmer/Rancher Loans By 2023	40	37	40
Score On Employee Engagement	>4	>4	>4

* Includes projects refinanced with regulatory agreements extended ten years or more.

** Assumes average of 2 persons per unit. Does not include non-housing, nonprofit facilities.

*** Original goal of 205 has been met. New target is 220.

Strikethrough measurements - To be confirmed at the June Board Meeting.



WASHINGTON STATE
HOUSING FINANCE
COMMISSION



WSHFC 2022 Budget & Planning Session

May 23-24, 2022



Day 1 Agenda

Following the May business meeting

9:30

Call to Order

9:40

Division Reports: Successes & Meeting Challenges in PY 2023

10:25

Break

10:45

Multifamily Division Report

11:00

Moving out of the Pandemic – What we have learned & what we need to plan for
Steve Walker and Bob Peterson



Day 1 Agenda (cont'd)

11:20

Overview of PY2022 Commission Budget
Lucas Loranger - Senior Director, Finance

Noon

Lunch Break

1:00

Market Updates

- Multifamily - Mike Hemmens
- Homeownership – Mina Choo and Mike Awadis

2:30

Break

3:00

Executive Session – ED Performance
Evaluation



Day 2 Agenda

- 9:30** Intro/Housekeeping
- 9:35** Communications Activities Update
- 9:45** Report and Recap of Racial Equity and Social Justice activities
- 10:00** Strategic Planning - Dr. Carmen Phelps
- 11:00** PRI Considerations
- 11:15** 2022 Budget, External Challenges, and Direction to Staff
- 11:55** Adjourn – *briefly reconvene business meeting*



WASHINGTON STATE
HOUSING FINANCE
COMMISSION



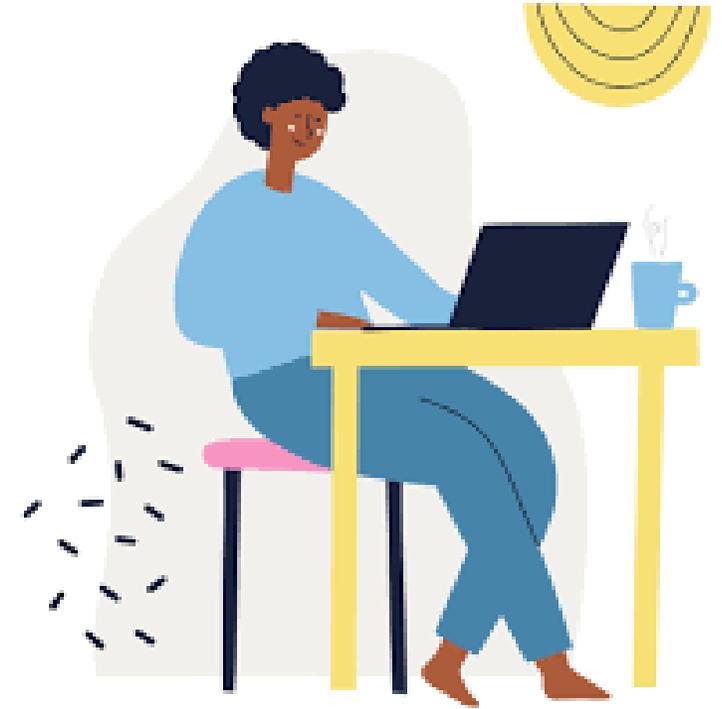
Successes & Challenges: Administration Division



Administration

Successes

- Hired a new Deputy Director & Sr. Finance Director.
- Recruited and on-boarded two new Commissioners.
- Held 11 successful board meetings.
- Re-opened the Commission offices.
- Supported staff in a hybrid work environment.





Human Resources

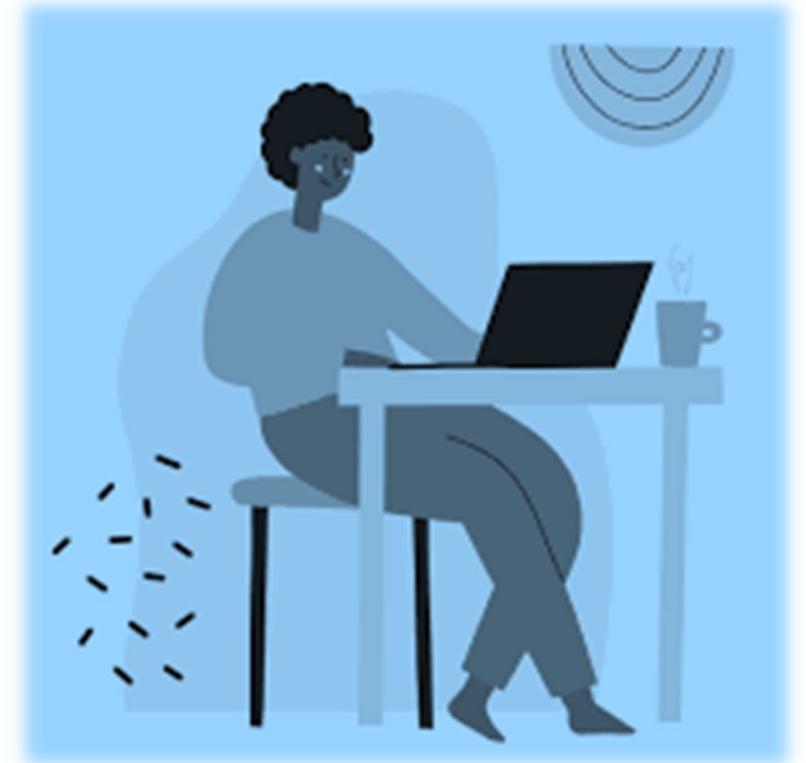
Successes

- Four (4) staff retirements and eleven (11) positions filled
- Updated four Diversity, Equity and Inclusion (DEI) Policies and implemented a mandatory all staff DEI training in the fall
- Enhanced recruiting efforts for BIPOC

Government Relations

Successes

- Secured agency debt limit increase
- Monitored and Participated in 2022 Legislative Session and in inter-governmental discussions regarding ameliorating the impacts of the COVID-19 pandemic on programs and services
- Obtained state and federal resources to support WSHFC's counseling grant programs





Administration

Challenges

- Determining future office space needs.
- Identifying future equipment needs
- Creating a paperless environment.
- Recruitment and retention of staff
- Supporting staff in a hybrid work environment.





Human Resources

Challenges

- Keeping staff engaged, motivated and feeling connected as we continue to telework
- When and how to bring staff back to the office?

Government Relations

Challenges

- Determining how best to use federal resources to support programs and services
- Passing federal legislation that increases and broadens the reach of the LIHTC and bond programs





Information Technology

Challenges

- Staying current with all cybersecurity trainings
- Launch the new HomeBuyer Education Seminar registration platform
- Continue roll out of our Electronic Enterprise Content Management System
- Continual monitoring of Zoom Video Conferencing platform
- Developing an online application portal for the 4% Tax Credit Program

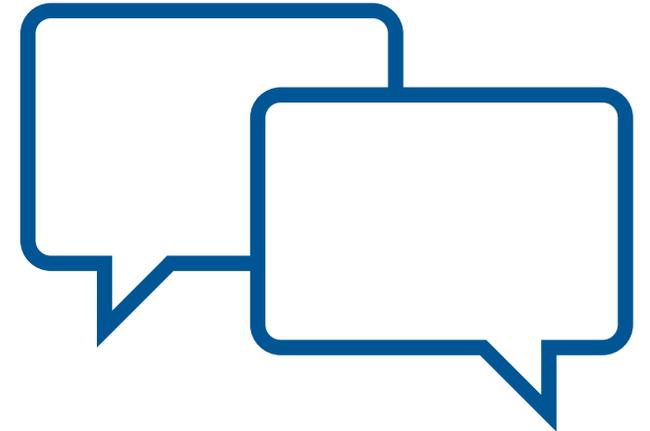




Communications

Successes

- Supporting Homeownership and Multifamily in new outreach efforts and partnerships to reach people of color and meaningfully engage community members
- Another successful all-virtual and free Housing Washington conference
- Launched Affordable Housing Data Portal



Challenges

- Implementation of Homeowner Assistance Fund (HAF) is of major importance in 2022
- Finishing new Homeownership website
- Main Commission website needs redevelopment



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Successes & Challenges: Asset Management & Compliance



Asset Management & Compliance



- ARRA Projects monitoring
- Preserving expiring projects
- Data collection and analysis



- Tax Credit and Bond Properties Monitoring
- File Reviews
- Site Inspections
- Trainings



Portfolio Overview

1,172 Projects

111,603 units

9% Projects

594 Projects

29,614 units

4% Projects

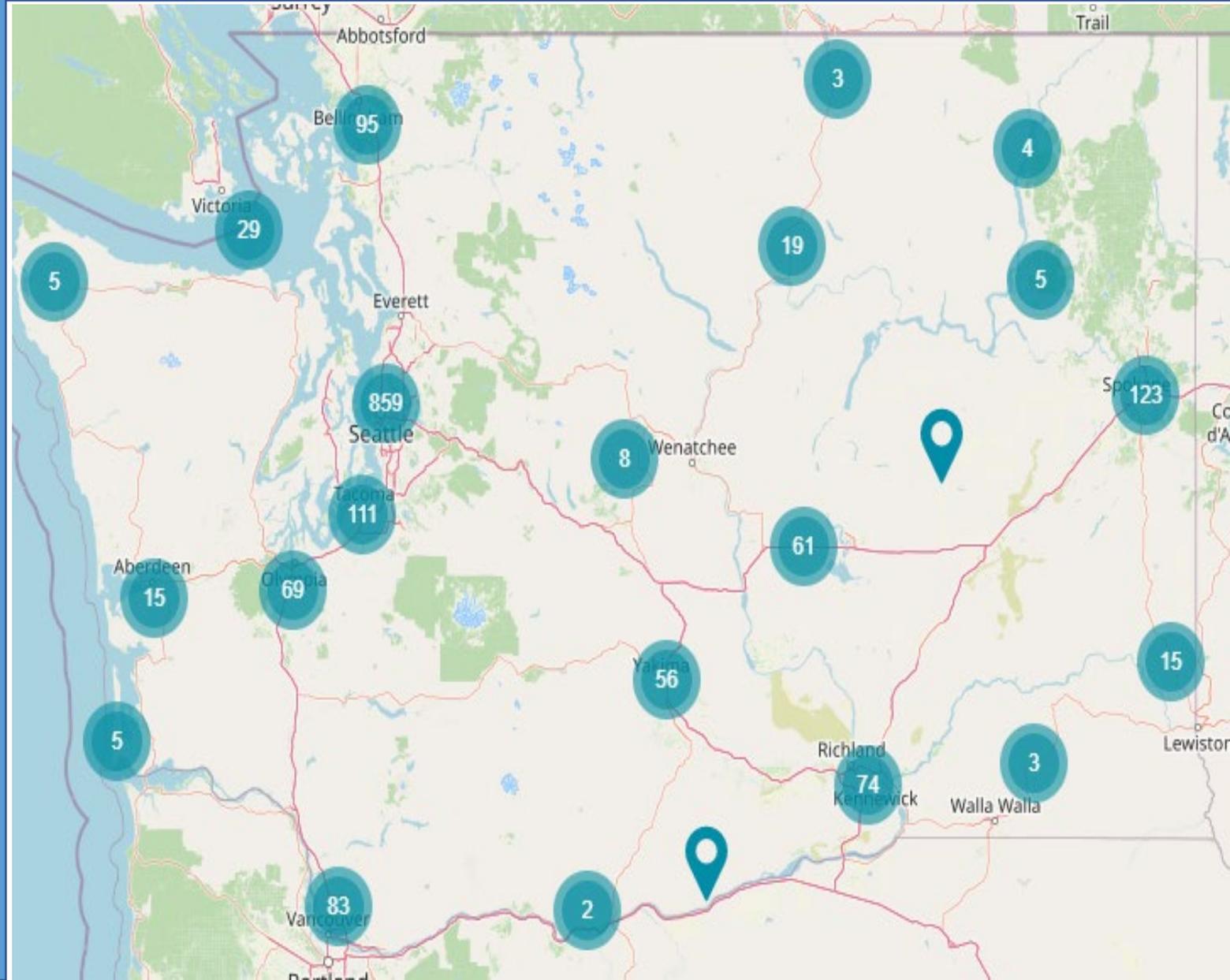
492 Projects

73,869 Units

80/20 Bonds and Nonprofit Housing

86 Projects

8,120 Units

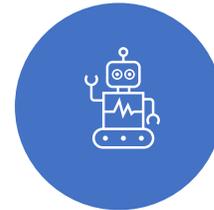




Successes



Monitored 111,000+ units, in 1,100+ properties



Digitalization of processes. Implemented Laserfiche A-Z workflow of reporting, inspection, and transfer processes.



Supported 21 property owners through year-15 exits and ownership interest transfer transactions



Conducted 7 virtual trainings
359 attendees participated from 142 companies



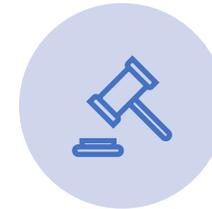
Provided significant guidance to managers and owners to help them navigate compliance issues resulting from pandemic



Challenges/Opportunities



Not positioned to address Long standing structural **inequity** outcomes related to evictions and rent burden



Litigation and PRR; Staff time and budget impact



Providing clear guidance to our multiple stakeholders in a very fluid environment.



Preservation of expiring and struggling projects. Lack of resources and policies.



The future of onsite inspections



Rent Burden & Evictions

How do we position ourselves to combat long standing inequities i.e., rent burden and eviction, that disproportionately affect low-income BIPOC renters?

Over 70% of the total units in our portfolio are set at **60% & 50% AMI income** eligibility threshold

Rents are set at 30% of a unit's income eligibility threshold – not of the tenant's income

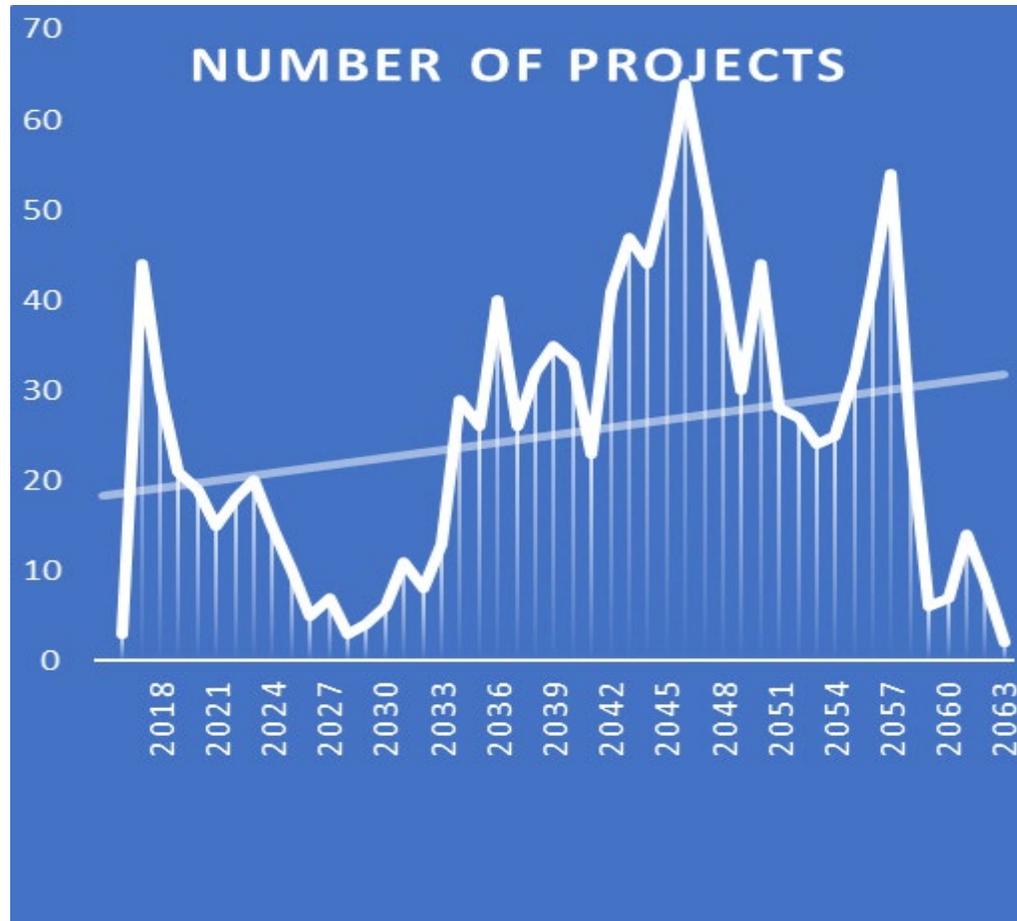
The average gross income of renters in our portfolio is 38% below the average maximum income limit

60% of all renters in our portfolio receive **no form of rental subsidy**

1 reason legal reason for eviction is **falling behind in rent**



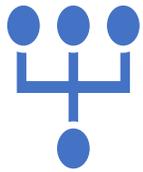
Preservation



- ✓ Projects are reaching the end of their federally and state mandated affordability restrictions
- ✓ Over the next decade 89 projects will exit our portfolio and additional 265 projects in the following 10 years.
- ✓ In Year 2023 comparable number units are being placed in service as the number of units exiting.



Strategic Goals



Inter-departmental collaboration with MHCF to develop policies



Preservation
Policies and resource mapping



Eviction and Rent Burden
Data collection, analysis and recommendation



Strategic Partnership with advocacy partner agencies to support eviction prevention and mitigation legislative work.



Technology Solutions
trainings and record keeping





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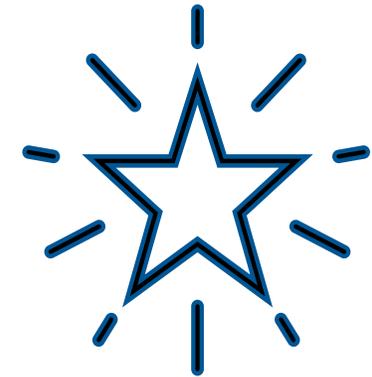


Successes & Challenges: Homeownership Division



Homeownership Successes

- Implementation of Pilot HAF Program
- Approval from Treasury of HAF Plan
- Our Partners/Outreach Initiatives
- Homebuyer Education Instructor Portal
- Completion of infrastructure for homeownership website
- Hiring of Kathleen Komin and Emily Northrup
- Working Remotely





Homeownership Challenges

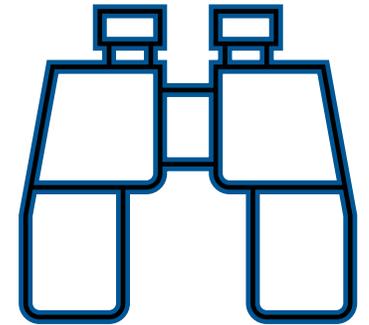
- Maintaining Production:
Market/Rising Rates/Lack of
Liquidity/Limited Inventory
- Lack of Conventional HFA Product
- Looming Default Crisis
- HUD DPA Policies





Looking Ahead:

- Impact of Systemic Racism on Programs
- Marketing/Outreach
- Homeownership Assistance Fund
- Seller Servicer - Implement Plan
- Nimble Policies and Programs





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Successes & Challenges: **Multifamily Housing & Community Facilities**

Four Ps:



People



Production



Policies



Partnerships

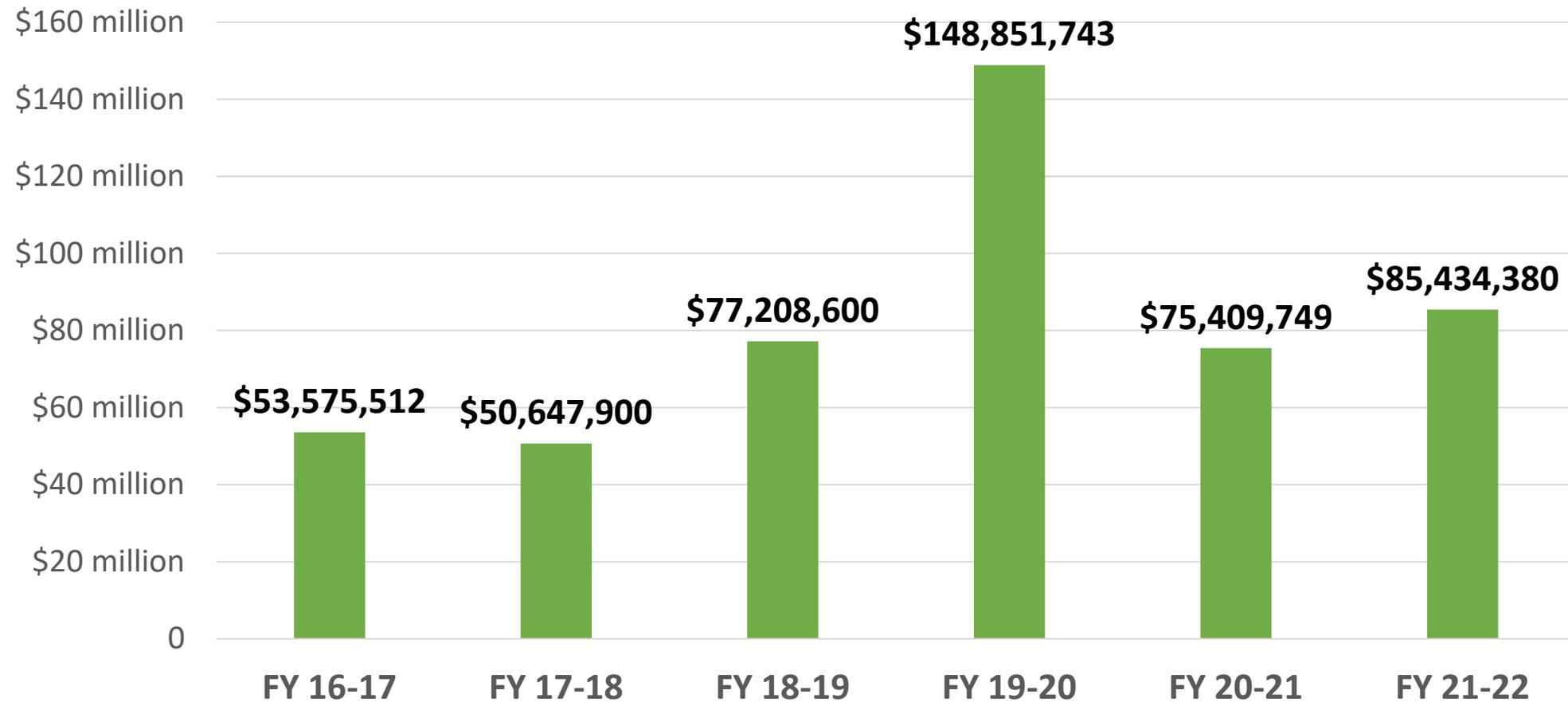
People

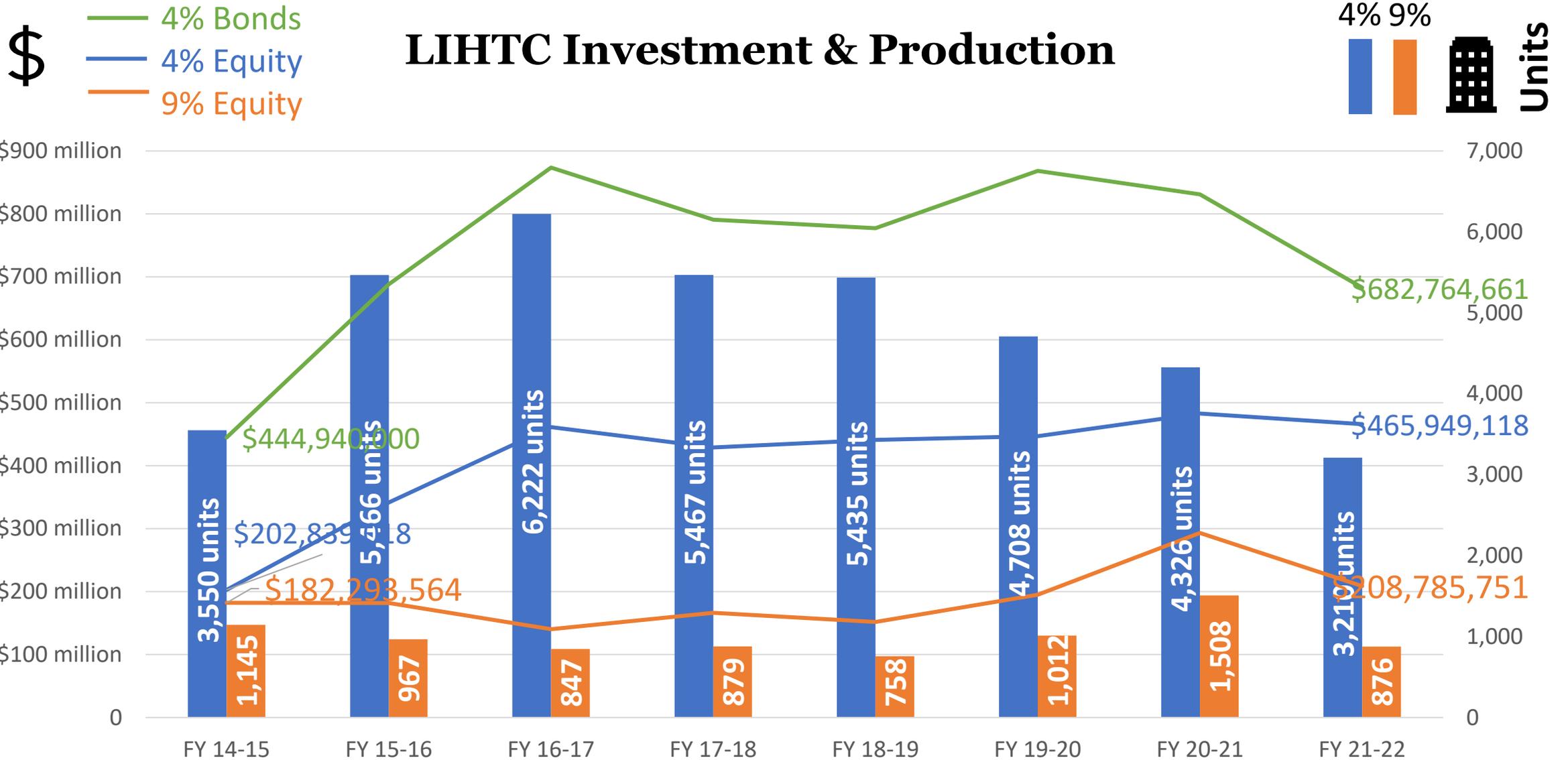
Goodbyes and new faces





Recycled Bonds







Reset 9% - Outcome Based



Refine Bond/4% policies



Alternative financing structures



PRI strategic framework



Preservation/Tenant focus



Partnerships



Housing Trust Fund/Clean Energy Fund

Hospitals/Farmland Trusts/Sound Transit

Microsoft/Amazon/Seattle Foundation

Community Based Organizations





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Successes & Challenges: **Finance Division**



Division-Wide Successes



Internal promotion of one staff to Financial Assistant and hired a new Fiscal Analyst 1



Hired new independent auditor beginning with FY 22 audit



Independent and State Audits completed on time and on budget



Finance Successes (continued)

- **Operations:**

- Processed over 900 invoices to date, to over 200 different vendors
- Deposited and recorded 2500+ transactions
- Monthly financial statements provided timely each month

- **Bonds:**

- All required reporting and disclosures delivered on time
- Adapted to increased transaction load and complexity
- Began monitoring of 21 new transactions for \$700 million





Finance Successes (continued)

Program Related Investments (PRI):

- Financial Activity (excluding DPA):

Action	Number	Amount
New Loans	15	\$57.0 million
Repayment	16	\$11.8 million

- Monitor, track, and reconcile 40 PRI programs with an outstanding balance of \$536 million
- Continue to increase portfolio of self-serviced loans, reducing reliance on outside servicers.



Finance Successes (continued)

- **Home Advantage**

Managed, processed MBS and loan purchased, FY22 to date

SF Mortgages	Number	Amount
Firsts	5,385	\$1.9 billion
Seconds	5,256	\$75.2 million (4% of firsts)
Liquidity Deployed	2,864	\$986.1 million



Finance Challenges



Hiring and retaining qualified staff



Adjusting to a new audit firm



Creating processes, procedures and controls around administering Homeowner Assistance Fund grant and seller/servicing



Implementing GASB pronouncements

Leases and long-term contracts
Subscription based IT arrangements



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Questions?



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Fiscal Year 2023 Budget Review

July 1, 2022 – June 30, 2023



What's in your packet...

- Allocated FTEs
- Revenue
- Expense
- Allocations
- Net result



Overview of the budget process

- Large, complex process with lots of data
- Simultaneous bottom-up and top-down process
- Significant revenue and expense items projected with high level of certainty
 - Use significant amount of existing data
 - Apply known factors



The bottom-up items:

- Division staff create business objectives for programs
- Project new production for the year
 - Homeownership Home Advantage loans
 - Conduit bond issuances (multifamily, nonprofit and specialty program)
 - Compliance fees on projects placed-in-service
- Project division specific expenditures



The top-down: High-certainty expense

- Review/update assumptions
- Salaries, taxes and benefits
- Per capita items
- Other fixed and known costs



Result

- Revenue:
 - Estimate about 90% MF, Comp revenue is known
 - SF 14% on servicing portfolio
- Expense:
 - 70% people and related costs
 - Overall, about 85% expenses fairly certain



Revenue sources

	<u>HO</u>	<u>MHCF</u>	<u>AMC</u>	<u>Finance</u>	<u>Admin</u>	<u>Total</u>
Issuance & app fees	\$8,793,175	\$3,674,837	-	-	-	\$12,468,012
Comm (ongoing) fees	-	\$11,416,044	-	-	-	\$11,416,044
Compliance fees	-	-	\$4,126,030	-	-	\$4,126,030
Servicing income	\$5,163,905	-	-	-	-	\$5,163,905
Interest	-	-	-	\$1,236,057	-	\$1,236,057
Other	\$508,500	-	\$130,000	\$4,000	\$30,300	\$672,800
Total	\$14,465,580	\$15,090,881	\$4,256,030	\$1,240,057	\$30,300	\$35,082,848



Revenue Comparison

	FY 2023 Budget	FY2022 Projected	% Change	% Change FY2021 Actual
Comm Fees (ongoing)	\$20.71M	\$16.52M	6%	24%
Issuance & App Fees	\$12.47M	\$26.31M	-53%	-59%
Interest	\$1.24M	\$0.90M	38%	43%
Other	\$0.67M	\$0.38M	75%	38%
Total Revenue	\$35.09M	\$47.11M	-26%	-28%



Budgeted FTEs

Division/Entity	Fiscal Year 2022 Budget	Fiscal Year 2023 Budget
Homeownership	18.30	19.30
MHCF	15.74	17.30
Asset Mgmt Compliance	13.66	13.30
Finance	11.69	12.59
Administration	15.77	17.62
Total WSHFC	75.16	80.11
WHEFA	2.43	2.46
TSA	0.41	0.43
Total FTEs	78.00	83.00



Expense Comparison

	FY 2023 Budget	FY2022 Projected	% Change	% Change FY2021 Actual
People & travel	\$12.29M	\$9.33M	32%	40%
Professional fees	\$1.31M	\$1.05M	25%	30%
Office expense	\$4.42M	\$2.61M	69%	93%
Total Expense	\$18.02M	\$12.85M	40%	49%



Why the Increase?

- 5 new FTEs to support HAF, DEI initiatives, and IT
- Consultants
 - Strategic Plan Development
 - DEI Coaching & Training
 - Business Process Improvements
 - Seller/Serviceing Consultants
- IT systems & hardware modernization
- Outreach to underserved communities



Net Revenue Comparison

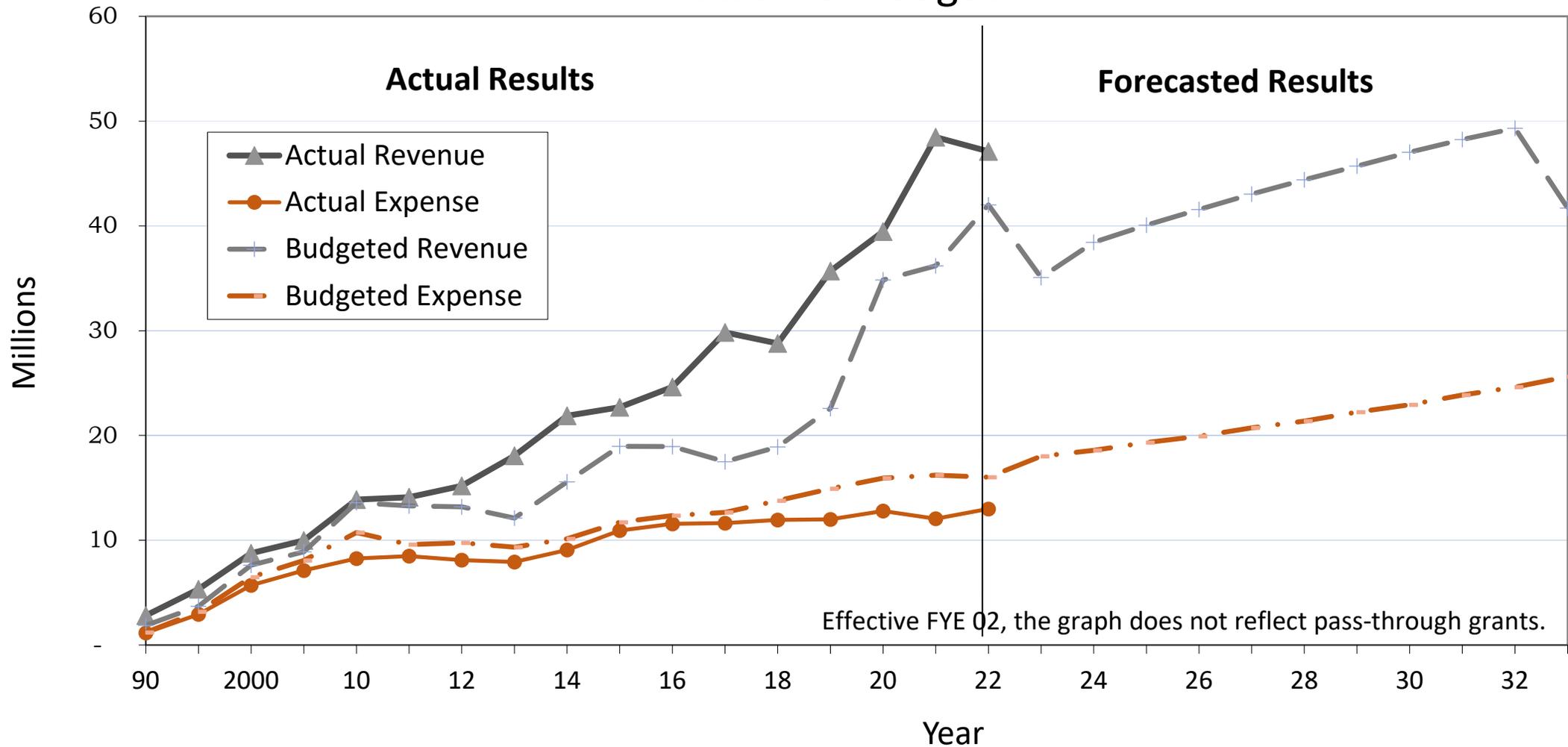
	FY 2023 Budget	FY2022 Projected*	% Change	% Change FY2021 Actual
Net revenue	\$17.06M	\$34.12M	-50%	-53%

*FY 22 projected actuals use current year numbers to date, prorated over 12 months. Recent slowdowns in the Home Advantage program make a \$34.12 million net revenue unlikely. Current projections anticipate \$25-27 million net.



Capital Adequacy Analysis

Actual vs. Budget





Capital Budget

• Buildout of 9%, non-profit online applications	\$ 30,000
• IT infrastructure upgrades	<u>77,000</u>
Total	<u>\$107,000</u>

* Website and staff internet upgrades anticipated to be added prior to final budget at estimated cost of \$130,000.



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Questions?



Day 2 Agenda

- 9:30** Intro/Housekeeping
- 9:35** Communications Activities Update
- 9:45** Report and Recap of Racial Equity and Social Justice activities
- 10:00** Strategic Planning - Dr. Carmen Phelps
- 11:00** PRI Considerations
- 11:15** 2022 Budget, External Challenges, and Direction to Staff
- 11:55** Adjourn – *briefly reconvene business meeting*



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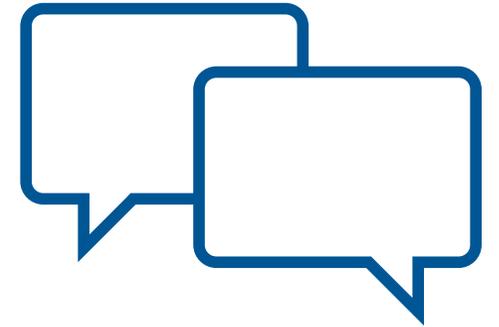
WSHFC Communications Update

Margret Graham
Communications Manager



Communications Activities 2021-22

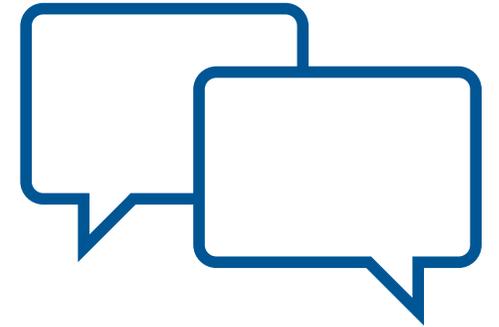
- Year of introspection
- Supporting Homeownership and Multifamily in new outreach efforts and partnerships to reach people of color and meaningfully engage community members
- Another successful all-virtual and free Housing Washington conference
- Launched Affordable Housing Data Portal





Coming Up

- Implementation of Homeowner Assistance Fund (HAF) is of major importance in 2022
- Finishing new Homeownership website and staff intranet
- Main Commission website needs redevelopment





The Bigger Picture

- Strategic plan
- Community outreach
- How do we share success?





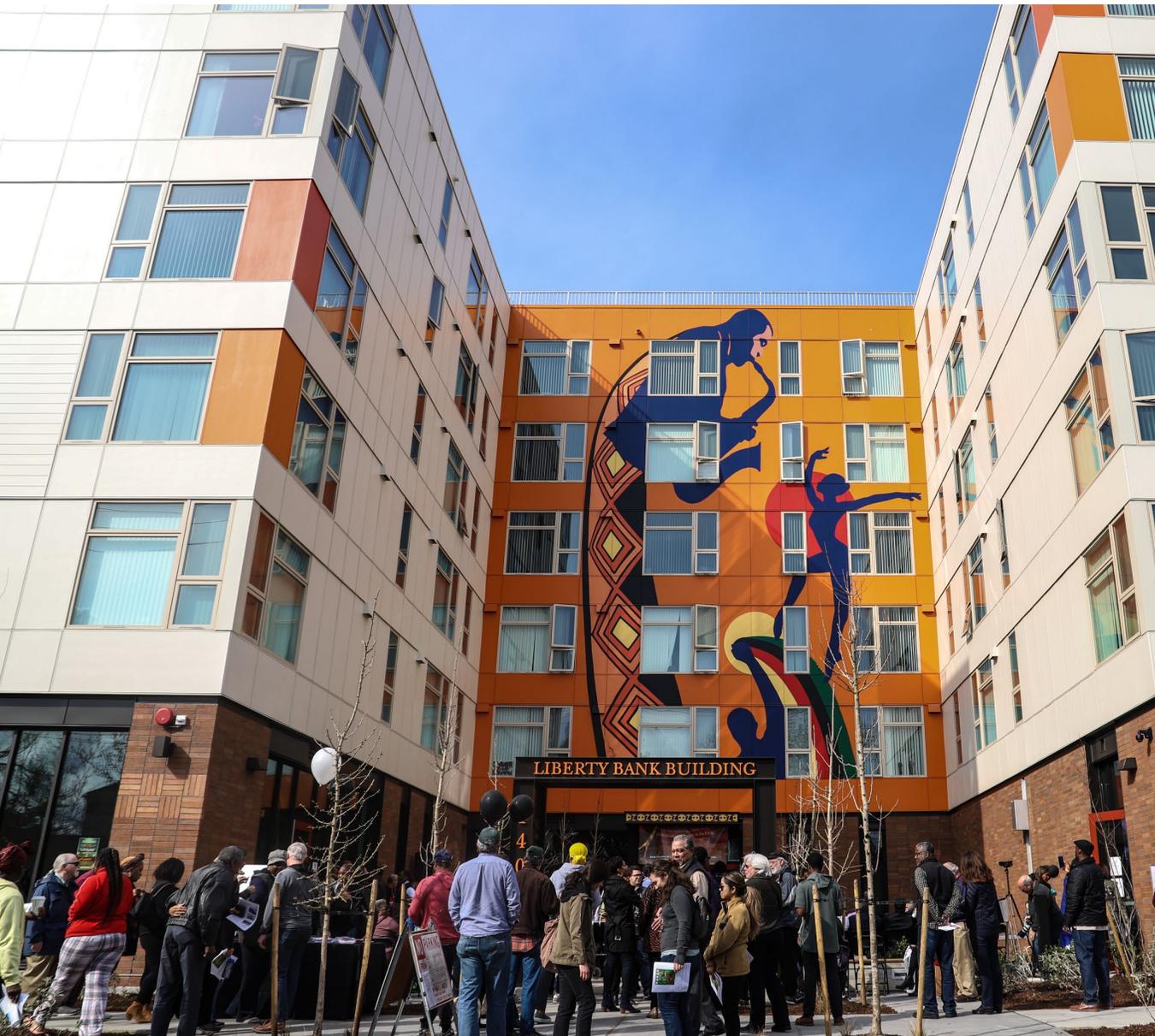
Support and Partnership

- Working with the divisions
- How can communications support Commissioners?





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Report and Recap: Racial Equity and Social Justice activities



Progress in 2021-22

- Strategic Plan
- Ongoing work with Antiracism Consultant





Progress in 2021-22

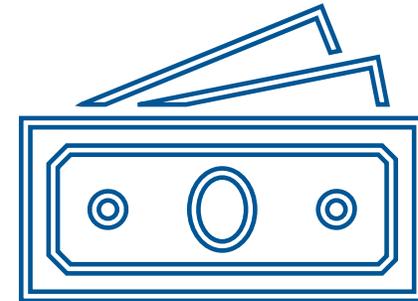
- Racial Justice and Equity Team accomplishments





Progress in 2021-22

- PRI Investments





Progress in 2021-22

- Multifamily Bond/4% Policy





Progress in 2021-22

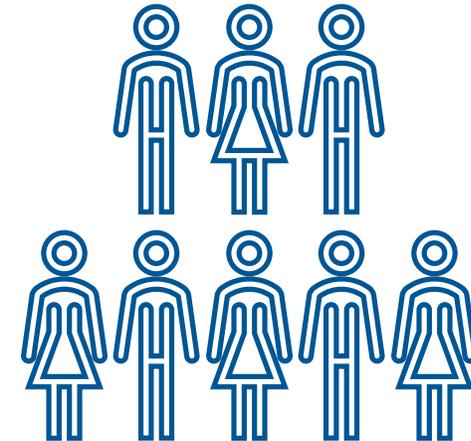
- Homeownership Marketing and Outreach





Progress in 2021-22

- Human Resources



Supplement to “Report Out and Recap of Racial Equity and Social Justice Activities” Memo

Agenda Item for Tuesday, 9:45 a.m.

BIPOC PRI-\$7 million set-aside from last year’s investment

Last August, the Commission made a \$7 million PRI allocation for future BIPOC investment tools. Over the past year, staff has been investigating the types of tools and programs being developed around support and capacity of BIPOC organizations and assessing where there may be the gaps. In partnership with the Seattle Foundation, JP Morgan Chase, Microsoft and Enterprise Community Partners a working group was established to understand and inventory some of the programs and initiatives that have been created. The UW START Center (Strategic Analysis, Research and Training Center) was hired with funds from JP Morgan Chase to do a market scan which has provided some helpful context and recommendations and work was completed March 31, 2022. Ongoing work is underway to provide a capacity building initiative, similar but separate from the LISC initiative through Enterprise Community partners.

Although a specific program or fund has not been identified or created, the Commission is poised to help provide some specific financing tools that would complement and enhance a continuum of resources to build and support BIPOC organizations. Based on requests and learnings of the needs for BIPOC organizations, the Commission is developing two potential tools 1) utilizing the LAP model to provide access to capital for land or building acquisitions and 2) create a deferred developer fee bridge loan product. These two tools can be financed through last year’s BIPOC set-aside and an additional investment in the LAP program. Additional funding opportunities maybe available through the ongoing partnership with Microsoft but would be targeted in the Seattle/King County area. The Commission’s resources would be targeted statewide but would also be used to leverage and partner with the capacity building cohorts developed through LISC and Enterprise.



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Program Related Investment Considerations



Annual PRI Cycle

When	Action Taken	Description
Annual May Budget & Planning Session	No Action, Discussion Only	Staff introduce new programs, present proposals for anticipated funding needs (new & existing programs)
June Commission Meeting	Transfer excess reserves to PRI	Commission approval to transfer excesses as of 6/30, must be prior to fiscal year end
Generally August Meeting	Scheduled, annual designations to PRI Programs	Consider approval of new programs and designating funds for them, as well as existing programs
Remainder of Fiscal Year	Approve unanticipated requests for designation	Consider approval of unanticipated funding needs or new programs that address emergent issues



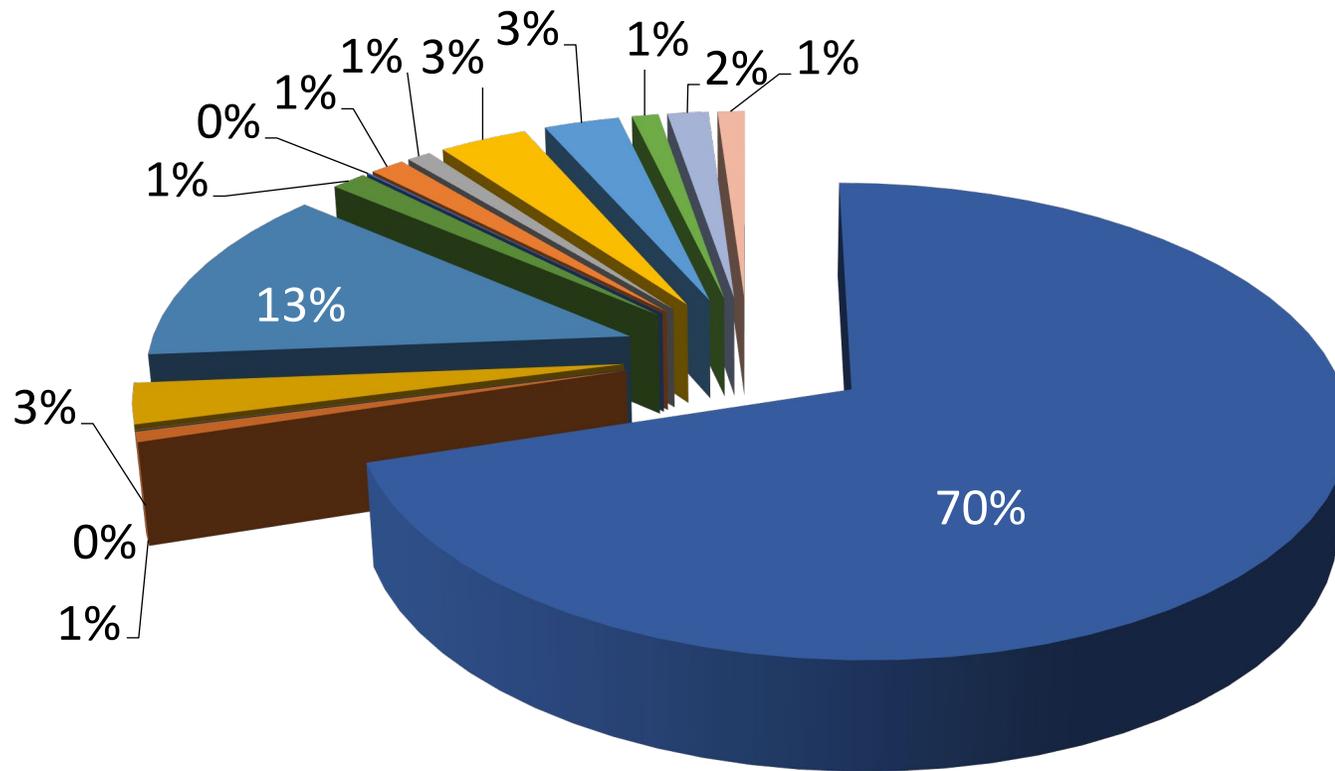
Anticipated FY 23 PRI Requests

Investment Program	Proposed Request	Balance/In Progress	Notes
SET	\$ 3M	2 New initiatives Matching funds with Seattle City Light and Commerce	Vacant position-new application just submitted, will be handled by other staff
Critical Preservation	\$ 5M	Several projects currently in the pipeline	Lots of potential need and a key tool to help offset demand in the bond program
LAP	\$ 5M	Several projects in the pipeline, looking at new strategic prioritization	Continued need for resources, lots of demand
MFG HSG	\$5M	Currently all funds committed	Averaging \$1.5/project and 2-3 projects per year
Farm PAI	\$3M	Plan to launch in July with a pipeline of projects	Initiative to preserve farmland and assist BIPOC farmers
Habitat	\$2M	Support Program Pipeline	Provides liquidity to support development
TOTAL	\$ 23M		



PRI Asset Distribution

PRI Program Assets at March 31, 2022 By Program



- Homeownership Programs
- Predevelopment Loan Fund investment (Impact Capital)
- Construction Defect Insurance Program
- Sustainable Energy Programs
- Land Acquisition Program
- Rapid Response Loan Program
- Pac Towers Medical and Non profit centers
- NonProfit Equity and Washington Works Funds
- Community Land Trust Program
- Critical Community Response
- Manufactured Housing
- Farmland and Beginning Farmer Assistance
- Capital Plus Program (WCRA)
- Reserves and Available for Future Designation

**Total Program Assets, including Partner Investment
\$748,740,281**



BIPOC PRI Update

- Working group established in partnership with Seattle Foundation, JP Morgan Chase, Microsoft, and Enterprise Community Partners
- UW START Center (Strategic Analysis, Research and Training Center) hired
- Capacity building initiative through Enterprise Community Partners
- Poised to deploy two potential tools
 - Program modeled on LAP
 - Deferred developer fee bridge loan



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Discussion: PY23 Budget, External Challenges, and Direction to Staff



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Thank you!

May 16, 2022

Citi Community Capital Affordable Housing Market Overview

CAPITAL IMPACT
VOLUME LENT
\$7 Billion

LIHTC
EQUITY INVESTED
\$333 Million



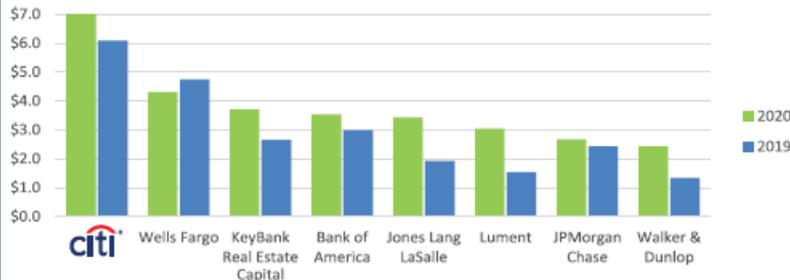
Balance Sheet | Acquisition
 Construction | Permanent
 LIHTC | NMTC | HTC
 Freddie Mac | Fannie Mae
 Portfolio Solutions
 Investment Banking

Fast. Simple. Certain.
 This is Citi Community Capital

citicommunitycapital.com
askciticommunitycapital@citi.com

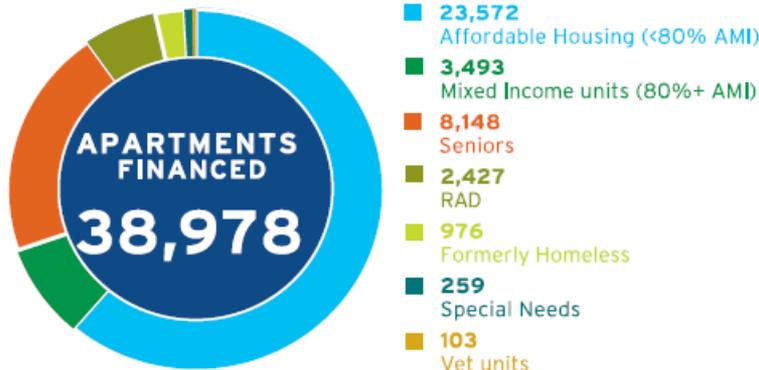
HOW WE RANK

(\$ IN BILLIONS)



Source: Affordable Housing Finance, March 2021

WHERE TRANSACTIONS CLOSED



Source: Citi

BUILDINGS FINANCED

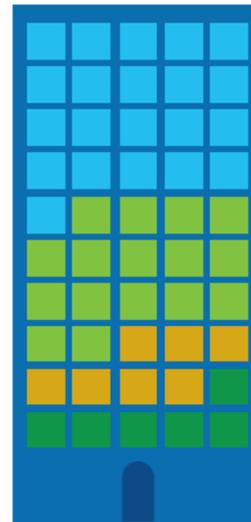
1,842



330
 Green buildings

PROJECTS CLOSED

229



- 98 New Construction
- 75 Rehabilitation
- 34 Agency
- 22 Balance Sheet Acquisition and Permanent

CLIENTS SERVED

112



32
 States

216
 Cities

Citi Community Capital – Affordable Housing Sources and Uses

Can They Build It? Can They Acquire It?

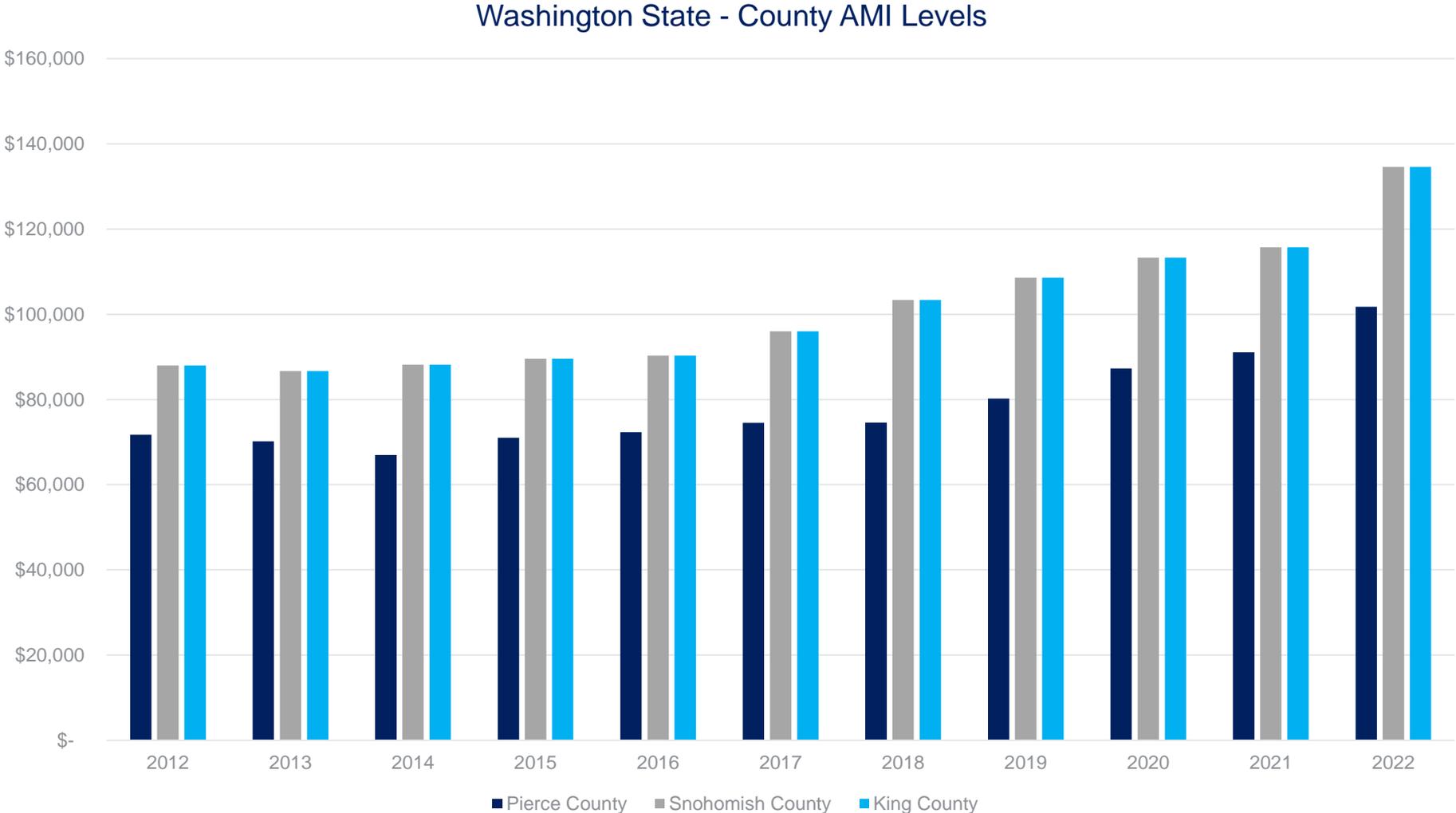
- Does the sources and uses (“S&U”) balance?
- What comprises the S&U?

Sources	
Construction Loan	\$ 15,000,000
LIHTC Equity	\$ 10,000,000
Subordinate Source #1	\$ 1,000,000
Subordinate Source #2	\$ 1,500,000
Total Sources	\$ 27,500,000
Uses	
Construction Costs	\$ 21,350,000
Land	\$ 1,250,000
Architect/Engineering	\$ 750,000
Legal Fees	\$ 450,000
Third Party Reports	\$ 150,000
Bank Fees	\$ 100,000
Interest Reserve	\$ 1,650,000
Other Soft Costs	\$ 1,800,000
Total Uses	\$ 27,500,000

- It should be called a U&S because Uses are developed first, then Sources follow.
 - Land and entitlement costs
 - Hard costs (includes labor)
 - Financing costs (construction and lease-up carry)
 - Soft costs and other

Citi Community Capital – Area Median Income (“AMI”) Trends

Below is a chart showing the AMI trends for Pierce, Snohomish, and King County in Washington:



Citi Community Capital – AMI Rent Calculations

Below is a chart showing how to calculate the max LIHTC AMI rents for King County 2 & 3 bedroom units:

King County – 2021 AMI Limits

▲ Two-Bedroom Units

\$62,520 (3-Person Income Limit)
 *0.3
\$18,756
/ 12 Months
\$1,563 2021 Max LIHTC Rent

▲ Three-Bedroom Units

\$69,420 + \$75,000 = \$144,420 / 2
\$72,210 (4.5-Person Income Limit)
 *0.3
\$21,663
/ 12 Months
\$1,805 2021 Max LIHTC Rent

King County – 2022 AMI Limits

▼ Two-Bedroom Units

\$69,900 (3-Person Income Limit)
 *0.3
\$20,970
/ 12 Months
\$1,747 2022 Max LIHTC Rent

▼ Three-Bedroom Units

\$77,640 + \$83,880 = \$161,520 / 2
\$80,760 (4.5-Person Income Limit)
 *0.3
\$24,228
/ 12 Months
\$2,019 2022 Max LIHTC Rent



Citi Community Capital – 10-Year U.S. Treasury Index

Below is a chart showing the 10-Year Treasury Index trend from 2017-2022:

- 10-Year U.S. Treasury Index Rate as of 05/16/2022 – 2.87%



Citi Community Capital – Lending Spreads

Below is a breakdown on current spreads over the construction and permanent loan interest rate indexes:

Pre-Conversion (“Construction”) <u>Borrowing Rates</u>	<u>Dec. 2021</u>	<u>March 2022</u>	<u>May 2022</u>	
1-Month Term SOFR	0.02%	0.40%	0.78**%	<ul style="list-style-type: none"> • Index up about 70 Basis Points since December 2021 • Spreads down about 40 Basis Points since December 2021
Spread (now typically, 200-250)	<u>2.35-2.85%</u> 2.75-3.25%	<u>2.15-2.65%</u> 2.55-3.05%	<u>1.95-2.25%</u> 2.73-3.03%	
Post-Conversion (“Permanent”) <u>Borrowing Rates</u>	<u>Aug. 2020</u>	<u>Aug. 2021</u>	<u>May 2022</u>	
18-Year LIBOR	0.80%	1.50%	3.01**%	<ul style="list-style-type: none"> • Index up about 280 basis points since Summer 2020. • Spread down about 70 Basis Points since Summer 2020
Spread (now typically, 205-215)	<u>2.75%-2.85%</u> 3.55-3.65%	<u>2.20%-2.30%</u> 3.70-3.80%	<u>2.05%-2.15%</u> 5.06-5.16%	

* 1-Month Term SOFR = 0.78%; assume 0.40% floor; 1-Month Term SOFR has been increasing steadily in 2022

** 18-Year LIBOR = 3.01%; assume 0.75% floor; 18-year LIBOR up about 140 basis points since January 2022, but we are seeing spreads slightly lower since January 2022.

Citi Community Capital – Loan Sizing Comparisons

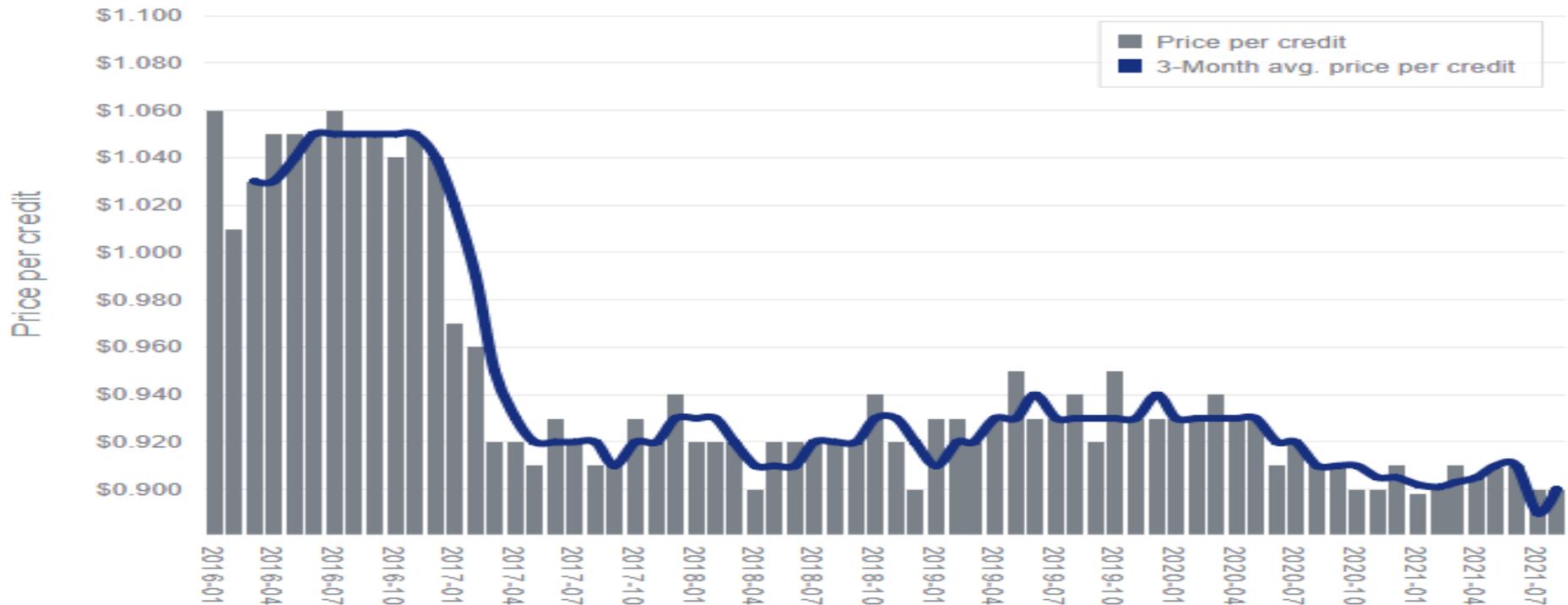
Simply looking how rates are affecting loan sizing:

PROPOSED LOAN SUMMARY	AUGUST 2020	MAY 2022
Proposed 1st Mortgage:	\$ 18,560,000	\$ 14,900,000
Minimum DSCR:	1.150	1.150
Underwriting Rate:	3.55%	5.06%
Term:	15	15
Amortization:	40	40
Underwriting Debt Service:	\$869,489	\$869,285

- The above chart represents a 19.7% decrease in loan proceeds due to interest rates increasing by 151 bps since August 2020.

Citi Community Capital – Construction Lending & LIHTC Equity

- Construction Lending Market:
 - Appetite of lenders has decreased given the volatility in the market due effects of COVID-19
 - Increased capital requirements at the overall bank level
 - Risk concerns in markets more heavily affected by market downturn
- LIHTC Equity Market:
 - Investor pool shrinking
 - Banks are a major contributor to the investor pool
 - Needed expansion in investor pool



Citi Community Capital – Future Trend of Construction

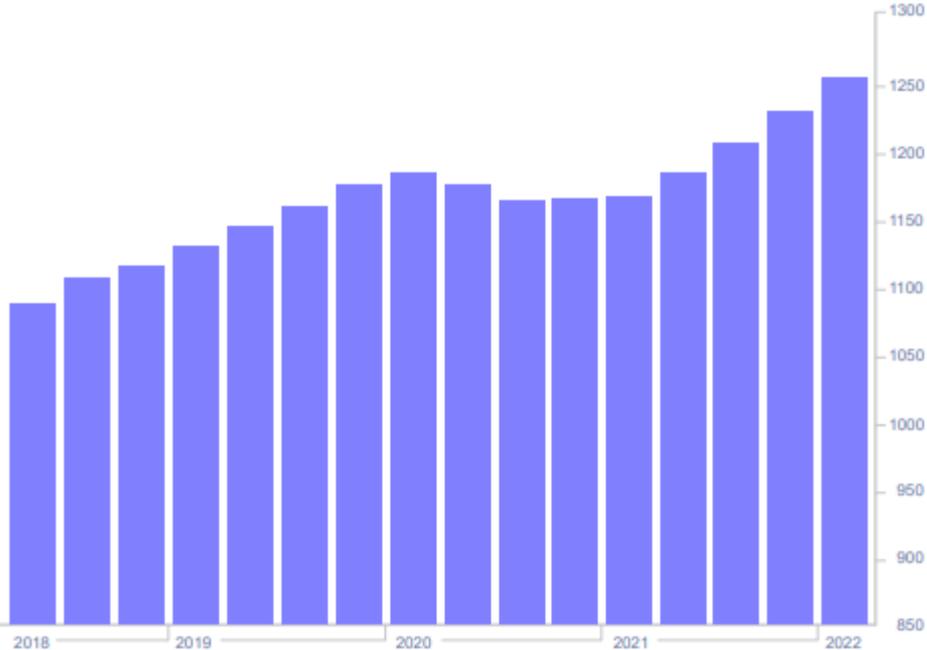
Below are high-level overviews of the future trends of the real estate construction and statistics produced by Turner Construction Company as of Q2 2022:

- Construction costs have been rising – Will labor and material costs be coming down?
- Construction Schedules have been increasing – Will they start to decrease with the enlarged labor pool?
- Construction Lending has been readily available – Are credit parameters starting to tighten?
- Tax Credit Pricing will be driven by supply and demand – How will policy changes impact this?

Quarter	Index	△%
1st Quarter 2022	1255	2.03
4th Quarter 2021	1230	1.91
3rd Quarter 2021	1207	1.68
2nd Quarter 2021	1187	1.28

Year	Average Index	△%
2021	1199	1.9
2020	1177	1.8
2019	1156	5.5
2018	1096	5.6
2017	1038	5.0
2016	989	4.8
2015	943	4.5
2014	902	4.4
2013	864	4.1
2012	830	2.1
2011	812	1.6
2010	799	-4.0
2009	832	-8.4

The Turner Building Cost Index is determined by the following factors considered on a nationwide basis: labor rates and productivity, material prices and the competitive condition of the marketplace.



Source: © 2022 Turner Construction Company

Citi Community Capital – The Insulated Tax Credit Project

An Affordable Housing transaction is different than your typical real estate transaction. Below are a few attributes that allow affordable housing projects to remain more insulated:

- **Operating Reserves**
- **Tax abatements / waivers**
- **Valuable 10-year stream of Tax Credits**
- **Low vacancy rates**
- **Elevated discount to market rents**
- **Tenant Based Rental Vouchers**

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WSHFC Budget and Finance Meeting

May 23, 2022



Opening doors to a better life



Capital
Markets

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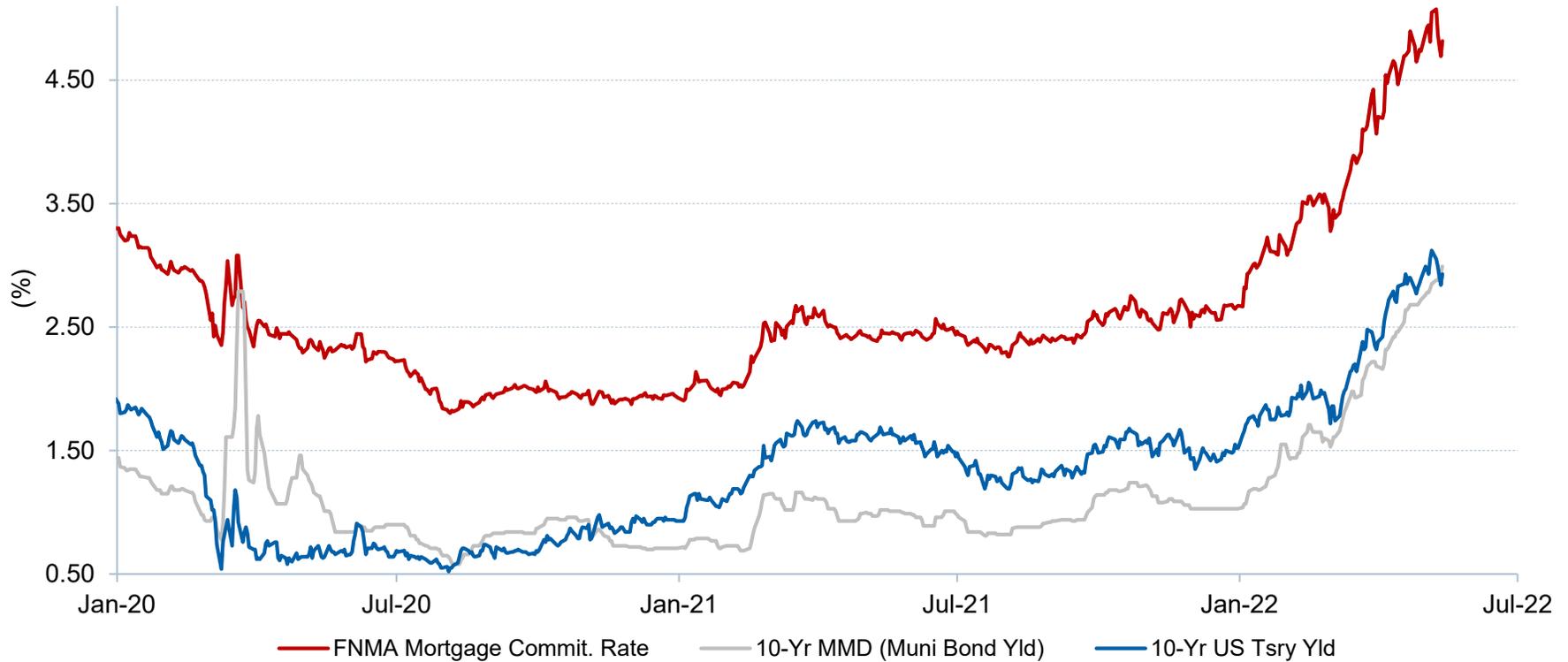
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Interest Rate Relationships (2020 - 2022YTD)

Spread between bond (borrowing) rate and mortgage rate = annuity that Commission earns over the 30 year life of mortgage

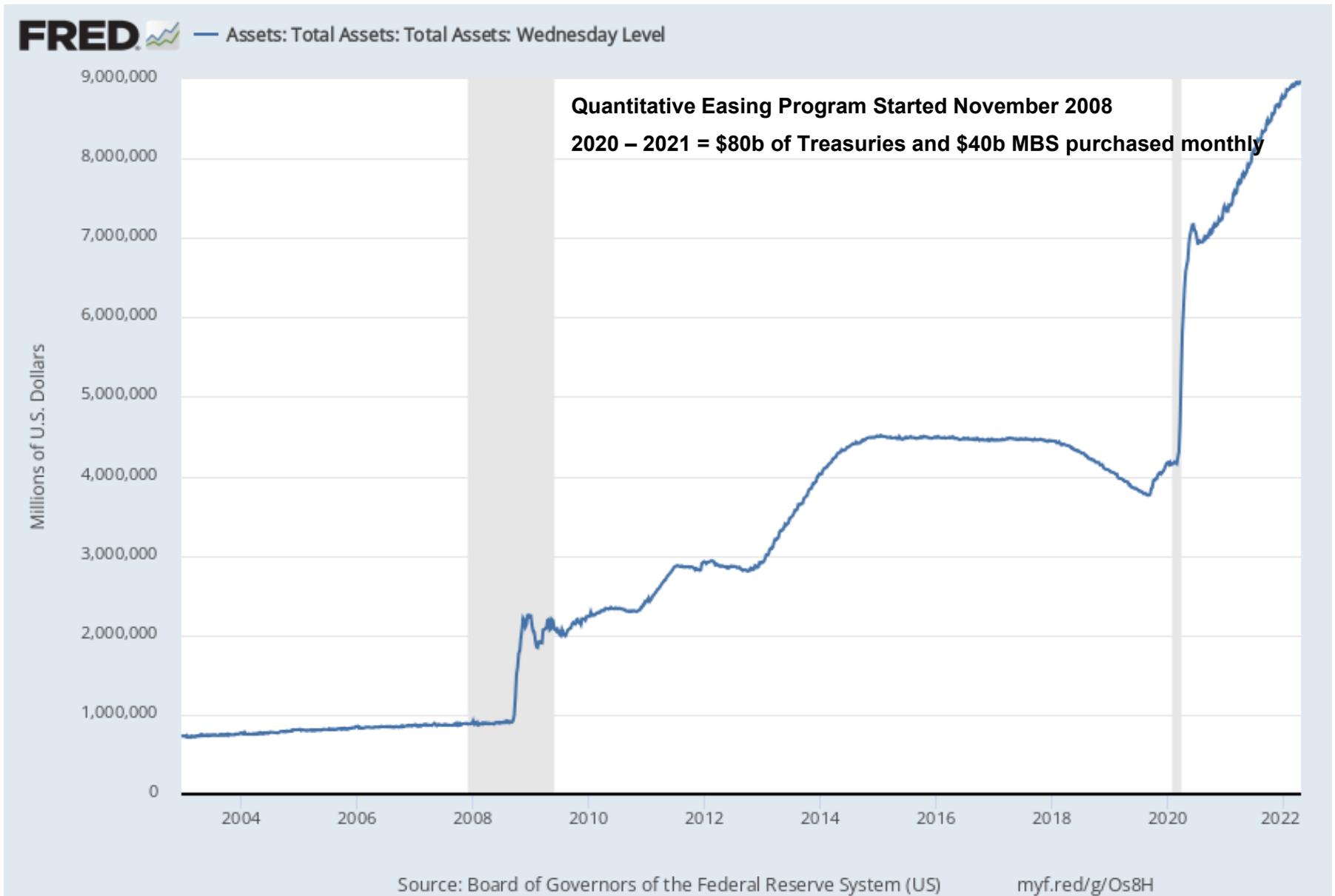
FNMA Mortgage Rates vs. 10-Year Treasury vs 10-Year MMD



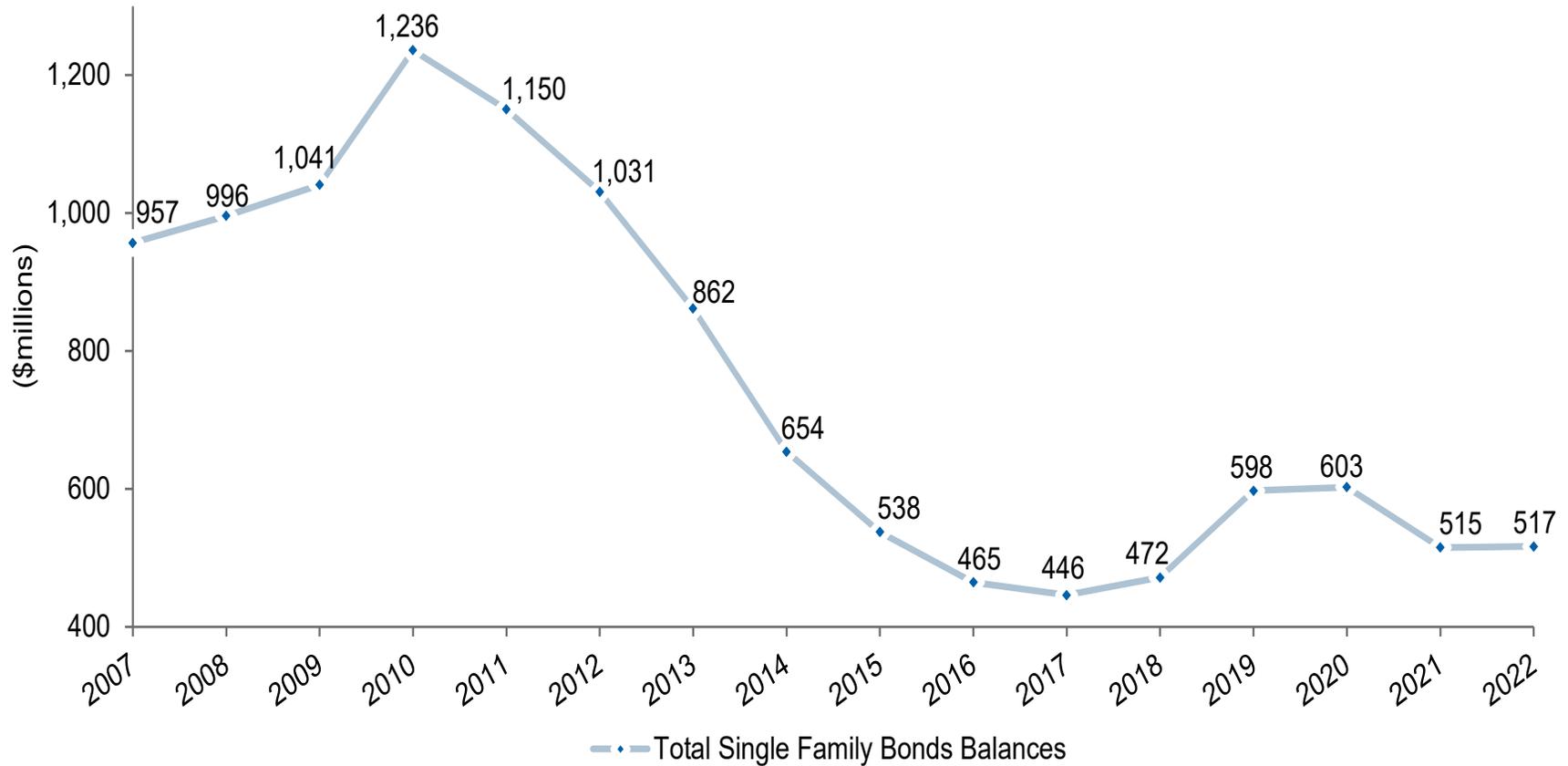
Rates	01/03/2022	05/13/2022	2022YTD Δ
FNMA Mortgage	2.67	4.82	2.15
10-Year MMD	1.04	2.99	1.95
10-Year Treasury	1.63	2.93	1.30

Source: Bloomberg, as of May 13, 2022

Federal Reserve Asset Holdings (Historical)



WSHFC Single Family Bonds Outstanding



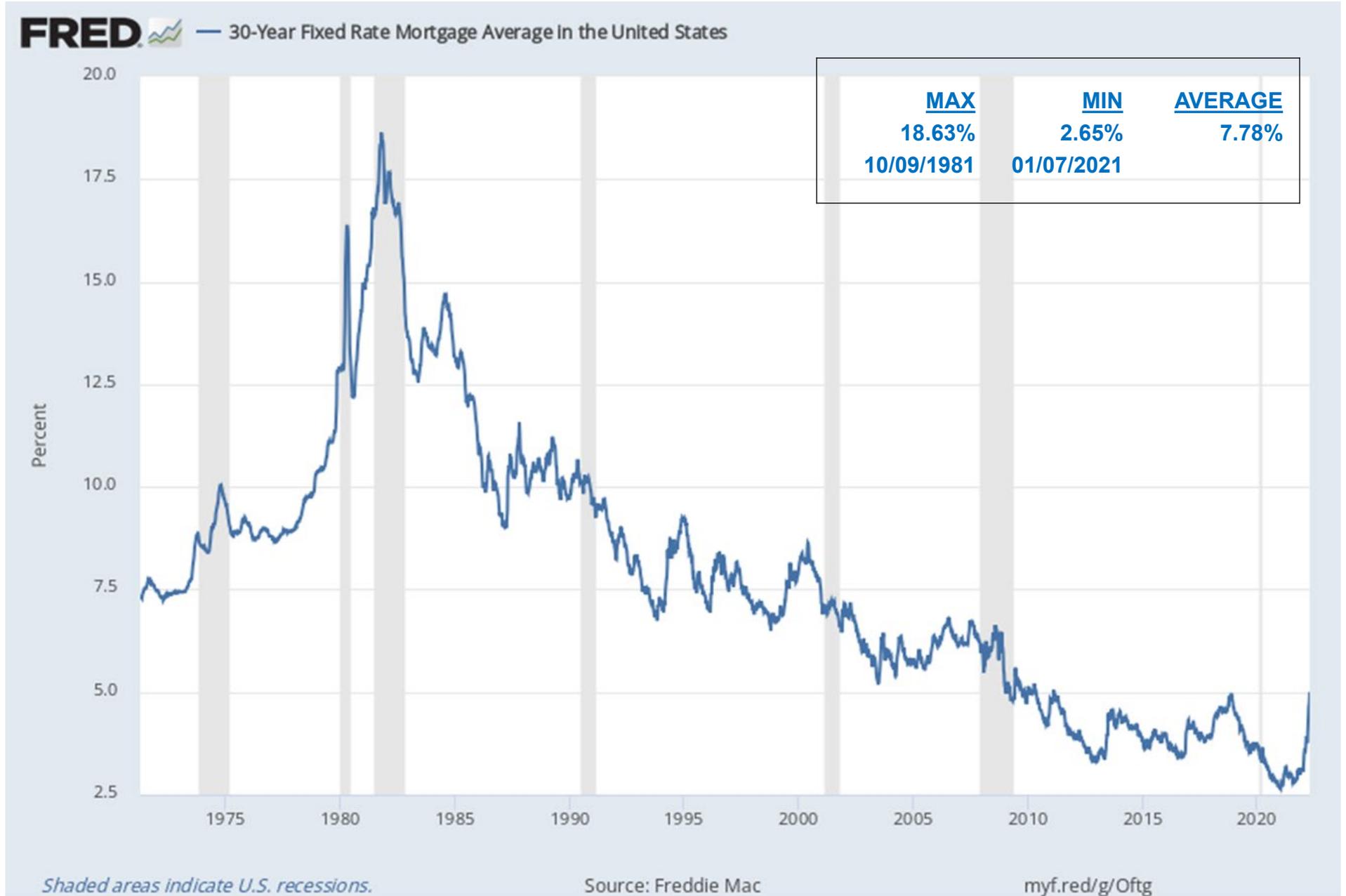
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Single-Family Program	957	996	1,041	916	792	676	509	384	327	316	342	382	527	551	493	500
Homeownership Program				320	359	355	329	247	193	135	94	81	64	47	19	14
Single-Family Special Program							24	23	18	14	10	8	6	5	3	3
Total Homeownership Bonds	\$957	\$996	\$1,041	\$1,236	\$1,150	\$1,031	\$862	\$654	\$538	\$465	\$446	\$472	\$598	\$603	\$515	\$517

- **Homeownership has entered the conversation of social/economic equity**
 - Programmatic Outreach to underserved communities
- **Growth of Social Impact Funds (investor driven)**
 - Increasing investor base by adding Social Bond designation
- **Inflation Concerns and Geopolitical Instability**
 - FOMC increasing rates, tapering of asset purchase program (Treasuries/MBS)
 - With tapering, TBA program pricing more challenging
- **Financing lending program with bonds vs. TBA**
 - adding/using taxable bonds (variable, serials, PAC, pass-throughs)
 - premium lock-out serial bonds (5% coupon)
 - social bond designations (to increase investor base)
- **Adapting to Rising Rate Environment**
 - mitigate interest rate risk by issuing bonds earlier in the reservation pipeline
 - issuing taxable advance refunding bonds
 - investigate reinvestment options (GICs) to mitigate negative arbitrage

- ✓ There has been an exponential growth of ESG (Environmental, Social and Governance) Funds
- ✓ Starting 2021 HFAs have started designating their single family bonds as “Social”
- ✓ There are now more HFAs designing their bonds as Social (than not)
- ✓ An issuer can either self-certify or have a second party verification firm provide an opinion

Social Bond Certification in Single Family 2021-2022 YTD			
#	Self	2 nd Party	None
1	Alaska HFC	Colorado HFA	California Dept. of VA
2	Florida HFC	Connecticut HFA	Georgia HFA
3	Illinois HDA	Minnesota HFA	Kentucky HC
4	Indiana HCDA	North Dakota HFA	Missouri HDA
5	Iowa FA	Tennessee HDA	Montana BOH
6	Louisiana HC	Texas Dept. HCA	Nevada HD
7	Maine St. HA	Washington St. HFC	New Hampshire HFA
8	Maryland CDA	Wisconsin HEDA	New Mexico MFA
9	Massachusetts HFA		South Carolina St. HFDA
10	Michigan St. HDA		St. of Oregon HCSD
11	Mississippi HC		Utah HC
12	Nebraska IFA		Virginia HDA
13	New Jersey HMFA		Wyoming CDA
14	North Carolina HFA		
15	Ohio HFA		
16	Pennsylvania HFA		
17	Rhode Island HMFC		
18	St. of New York MA		
19	South Dakota HDA		
20	Vermont HFA		
21	West Virginia HDF		

Historical 30-Year Fixed Rate Mortgage Rates (past 50 years)



TBA MARKET

WASHINGTON STATE HOUSING
FINANCE COMMISSION

BUDGET PLANNING MEETING
MAY 23, 2022

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Contents

- Basics of TBA Market
- Production Trends
- Market Update
 - TBAs
 - Pricing Example

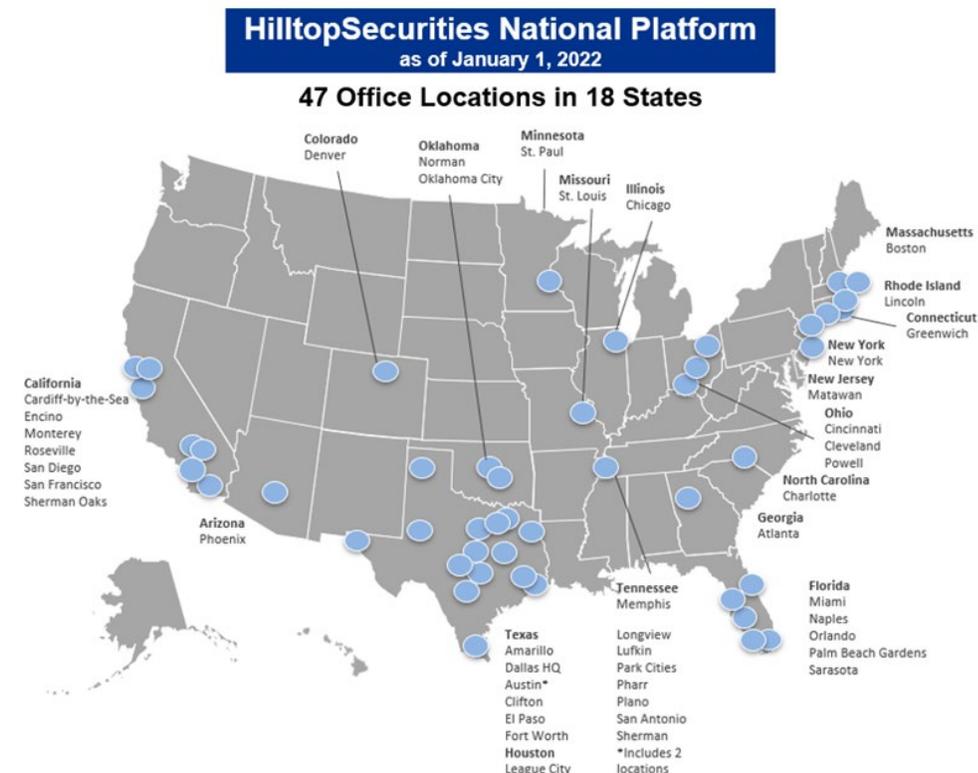
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- Wholly owned subsidiary of Hilltop Holdings Inc. (NYSE: HTH)
- Created through the combination of Southwest Securities Inc. and FirstSouthwest Company

- A leader in public finance since 1946 with a national presence
- Sister companies: Prime Lending and Plains Capital Bank
- Hilltop Securities Inc. (HTS) is a wholly-owned subsidiary of Hilltop Holdings Inc. (NYSE: HTH); \$17.7 billion in assets and Approx. 4,900 employees across the nation (as of March 31, 2021)
- HTS has approximately 740 employees
- One of the nation's largest clearing services firm by number of broker-dealer clients
- Working with HFAs for over 30 years

MAIN REVENUE GENERATING BUSINESS LINES

-  **Capital Markets**
Institutional sales and trading of munis and taxable fixed income; muni underwritings; portfolio trading
-  **Public Finance**
Generates financial advisory and underwriting fees for debt issuances of municipalities
-  **Retail Brokerage**
Employed financial advisors in Pacific and Gulf regions and independent advisors nationwide as part of HilltopSecurities Independent Network
-  **Structured Finance**
Includes Mortgage Trading/Securitization, which provides interest rate protection for housing authorities
-  **Clearing Services**
Provides transaction clearing and ancillary services to correspondents
-  **Securities Lending**
Lends and borrows stock from third parties





TBA MARKET

Current Environment for HFA's

- Over 40 state HFAs have initiated non-bond MBS programs, fulfilling their mission by offering downpayment assistance and selling the companion MBS into the highly liquid TBA market, typically at a premium price
 - Other HFAs are maintaining flexibility to either sell into the TBA market or utilize as MRB collateral
- Without a pipeline hedge in place, an HFA faces market risk, and potential losses (or gains), should interest rates increase (decrease) pending loan delivery
- Given volume cap limitations, since 2013, TBA has been the predominant single-family financing vehicle for the Commission. In the last 10 years, WSHFC lenders have closed and delivered over \$14.4 billion in HomeAdvantage loans assisting over 55,700 families
- Since 2012, TBA has been the predominant single-family financing vehicle for HFA's – HTS estimates that the HFA TBA market is \$20-30 billion annually
- HTS is currently providing TBA Administration to 18 state and local HFAs. To date we've accepted almost \$59 billion in locks and purchased over \$46 billion in MBS. In CY 2021 HTS purchased about \$8 billion in MBS from HFAs

TBA (Mortgage-Backed) Securities Market

- Mortgage-backed securities (MBS) -- debt obligations
- The most common form of MBS are pass-through certificates
- MBS are highly liquid -- particularly those backed by agency guarantees
- Most mortgages in the US are securitized through the agency MBS market
- This trading convention significantly improves agency MBS liquidity – leading to lower mortgage rates for households
- The key distinguishing feature of agency MBS is they carry a form of government guarantee – explicit (Ginnie Mae) or implied (Fannie and Freddie)
- Other distinguishing feature is the existence of liquid forward market for trading
- “TBAs” or “To Be Announced” are a form of future contracts

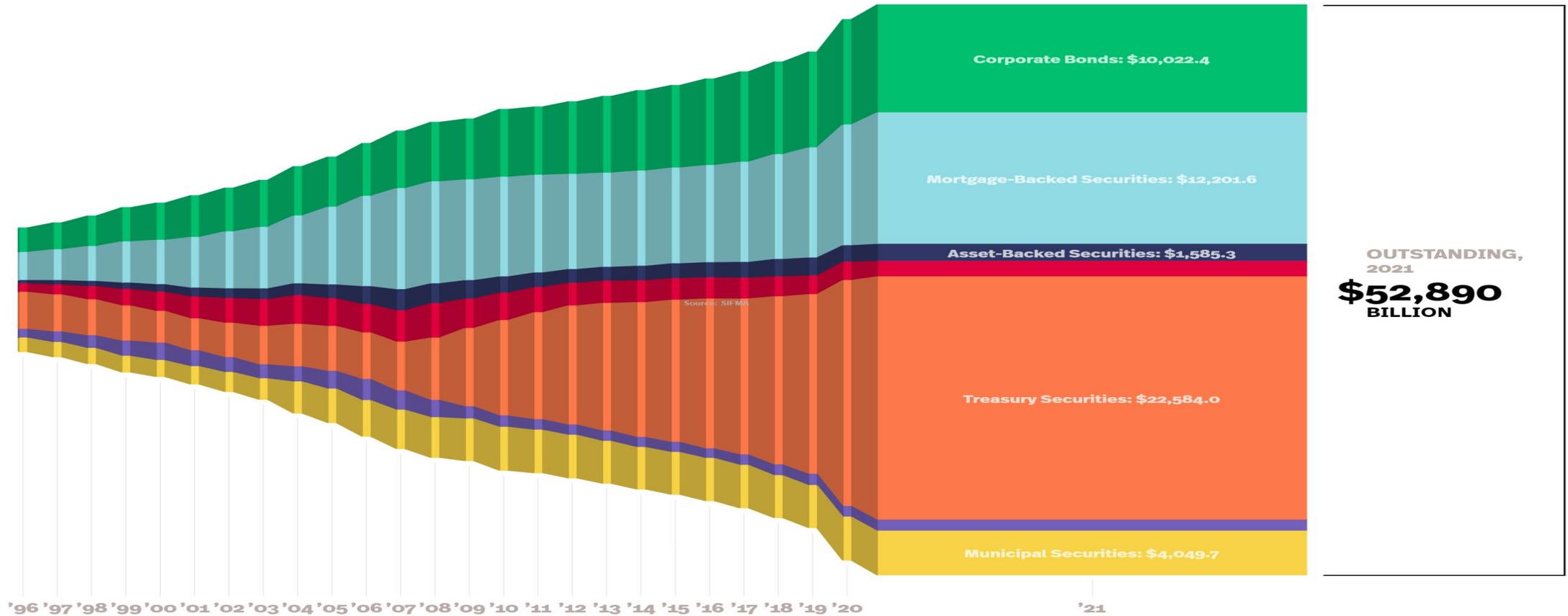
TBA (Mortgage-Backed) Securities Market – continued

- Vast majority of MBS trading (over 90%) occurs in the forward market – TBA Market
- Seller and buyer agree to a sale price without identifying the specific pool numbers
- Six basic characteristics -- issuer, maturity, coupon rate, price, par amount and settlement date are agreed upon
- On a forty-eight-hour day, the seller selects which MBS in its inventory will be delivered to the buyer at settlement
- Pools guaranteed by Ginnie Mae (a federal government agency), Fannie Mae or Freddie Mac (GSEs) can be allocated to TBA transactions
- The goal of the TBA market was to create liquidity
- A hedging tool – with settlement dates up to nine months out -- allows lenders to “lock in” sale prices for loans
 - The use of dollar rolls allows the seller to extend hedges
- Drivers of market activity are broker dealers. Virtually every primary broker/dealer on the street and in the world makes a market in TBA MBS

TBA (Mortgage-Backed) Securities Market – continued

- TBA trading occurs electronically on an over-the-counter basis
 - Two platforms, DealerWeb (interdealer trades) and TradeWeb (customer trades)
 - Trades can also take place via telephone, fax or e-mail – not common
- Securities Industry and Financial Markets Association (SIFMA) has specific rules regarding what constitutes TBA eligible deliveries also known as “good delivery”
- Only mortgages meeting certain size and credit quality criteria “conforming mortgages” are eligible for inclusion
- Sheer aggregate size and the homogenous nature of agency MBS contribute significantly to liquidity – compared to corporate bonds or munis
- TBA Market is the largest debt market in the world outside of US Treasuries
- TBA Market is made possible largely because agency MBS are exempt from the registration requirement of the Securities Act of 1933

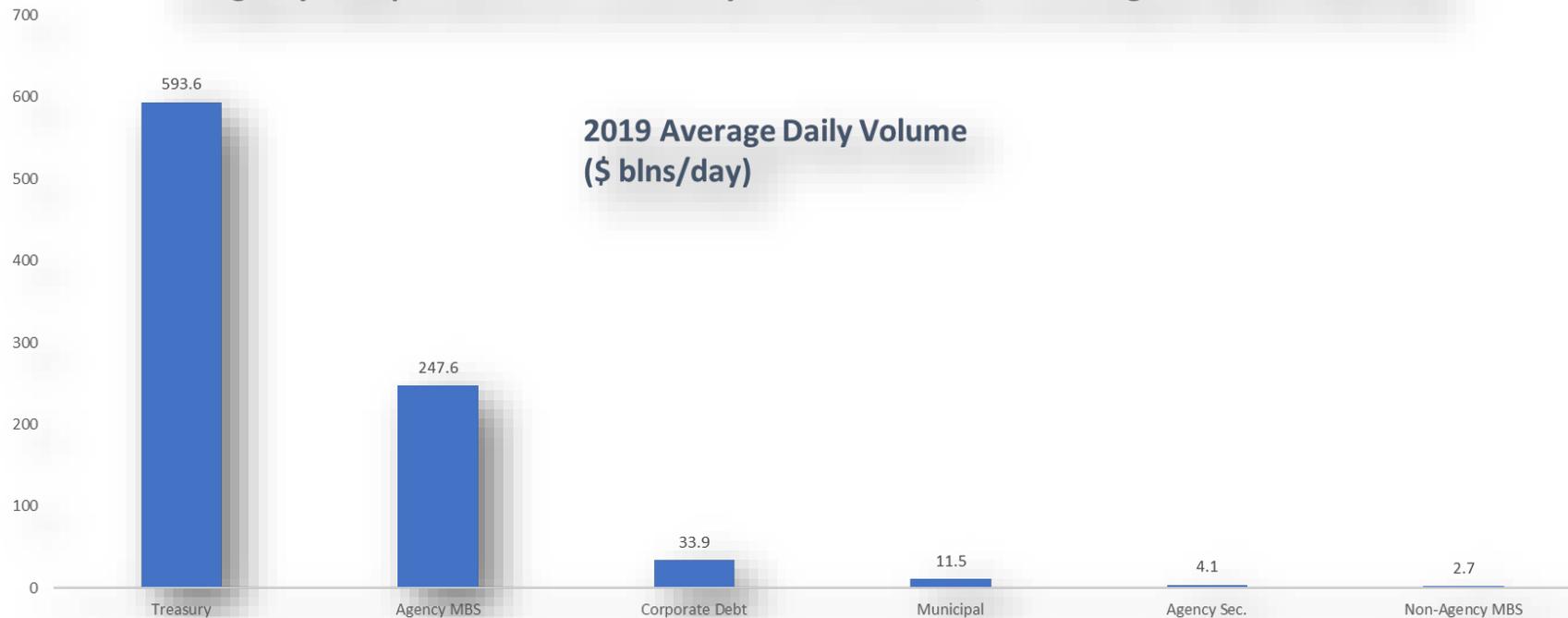
US Fixed Income Issuance Market (Outstanding)



Source: SIFMA

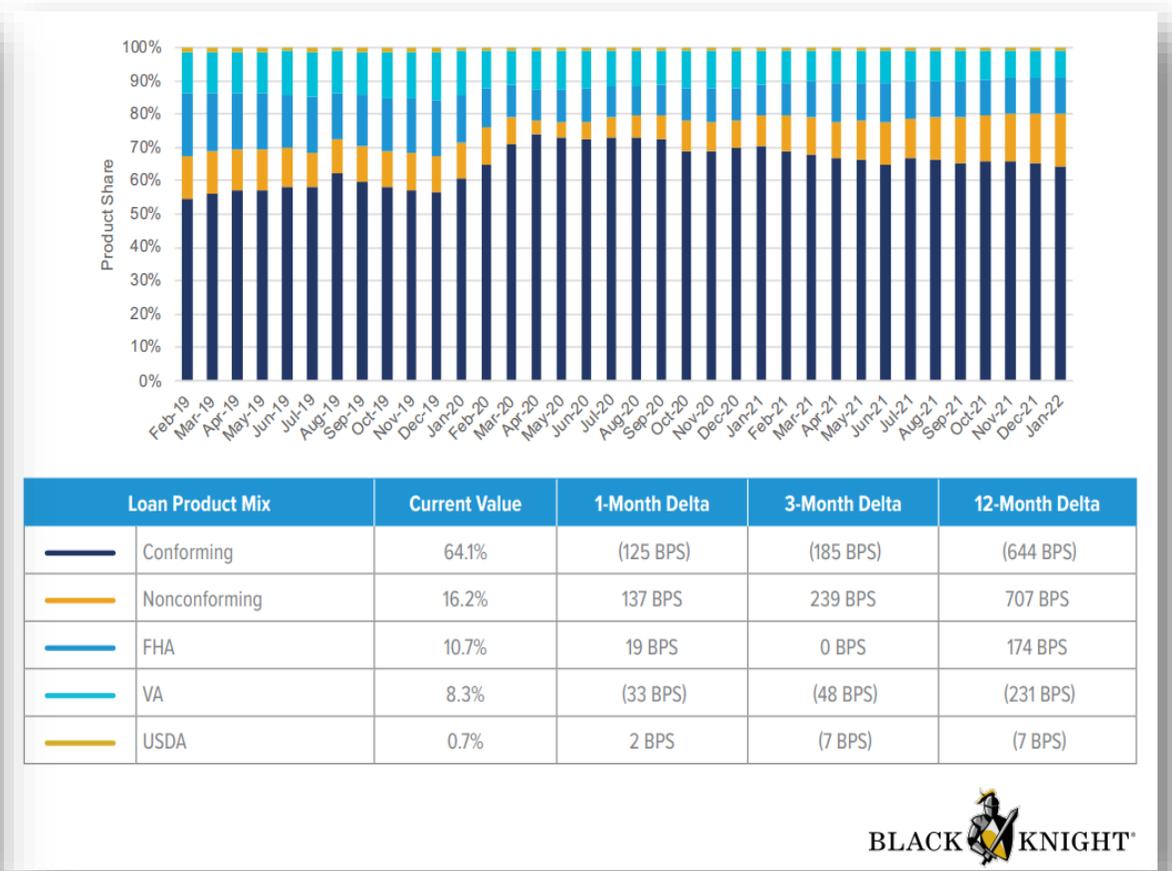
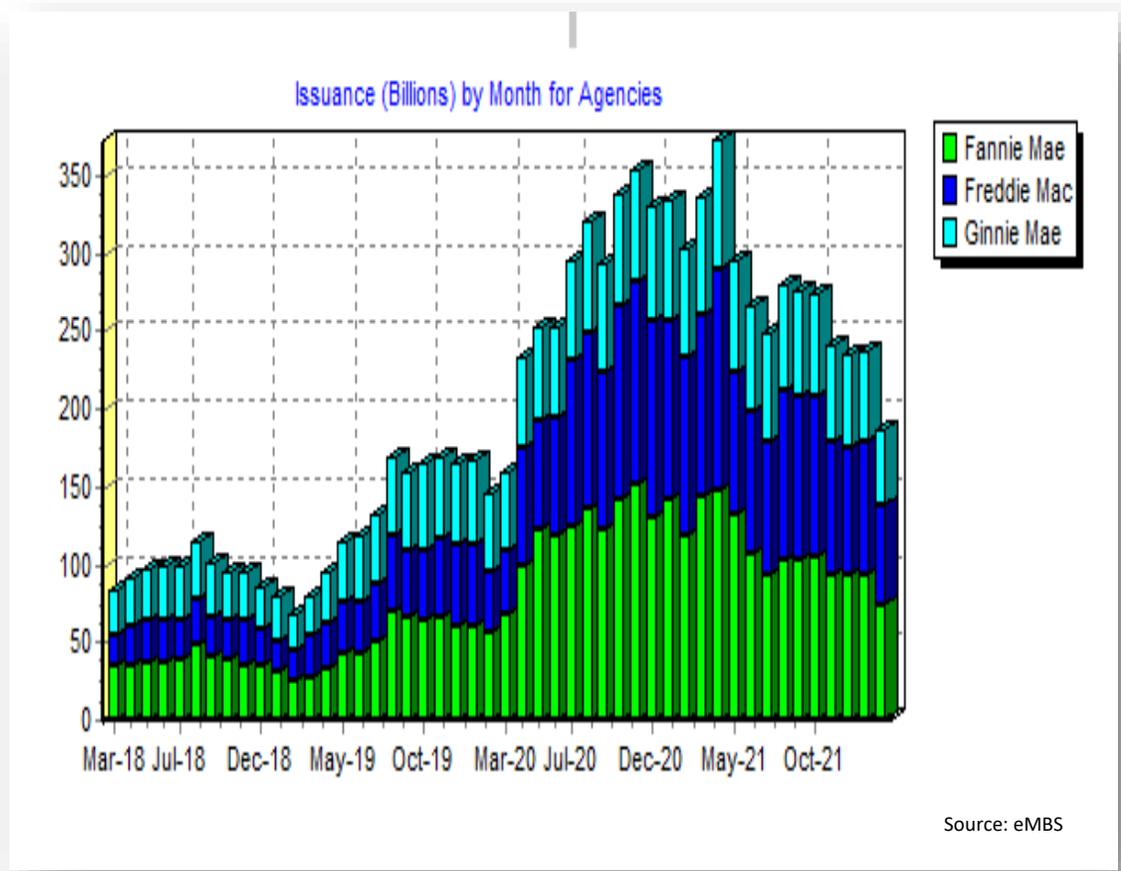
US Fixed Income Daily Trading Volume

US Agency MBS products are second only to US Treasuries, accounting for 28% of 2019 ADV



Source: FINRA

GSE Share of the Market



TBA Program Benefits When Compared to MRB

- Provides a no risk forward commitment mortgage program with no costs of issuance, negative arbitrage and legal expenses (outsourced)
- Eliminates volume cap limitations
- Fund down payment and closing cost assistance without using HFA funds – In normal markets
- Flexibility to adjust rates as the market moves -- no yield implications
- Can be used to provide financing for non-first-time homebuyers, HomeAdvantage
- Program is more lender friendly -- less paperwork for the lender
- Can be combined with MCCs thus creating a lower effective mortgage rate
- It can be used as a hedging tool to accumulate MBS for future bond transactions

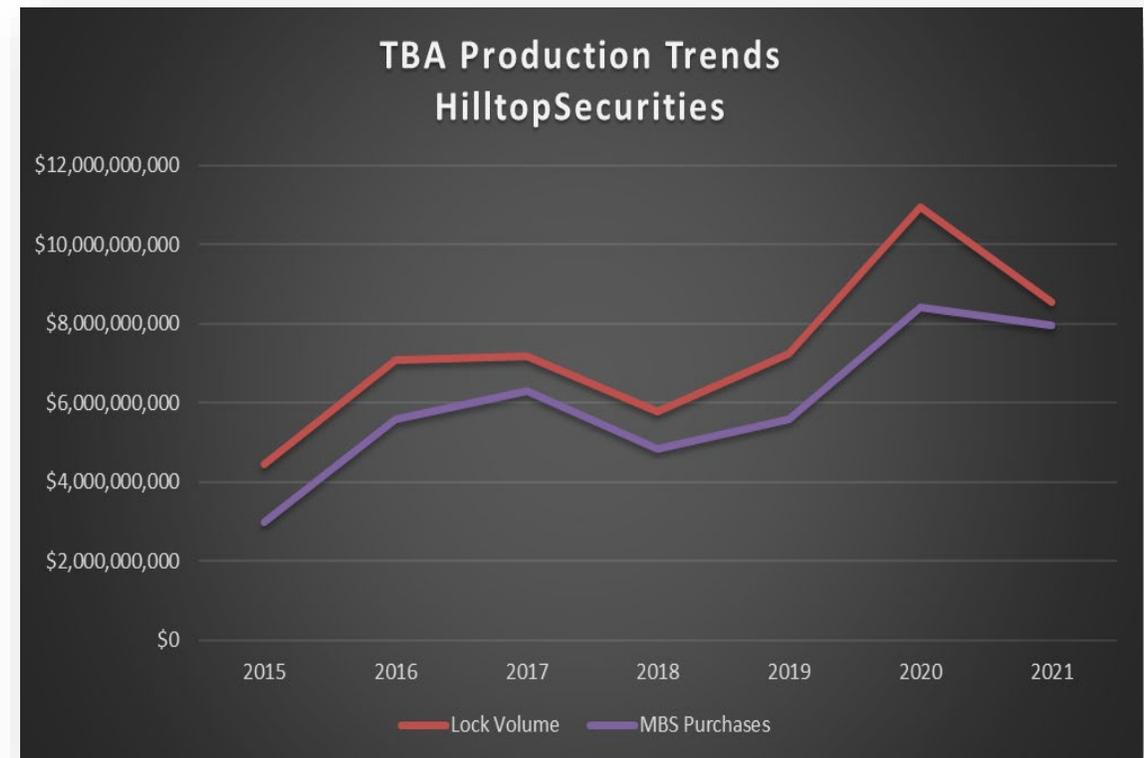


PRODUCTION TRENDS



Production Trends

- Up until the recent market turmoil in rates, HFAs were seeing robust TBA volume fueled by
 - Record low mortgage rates
 - Strong home purchase activity
- 2021 was another strong year in lock volume for HTS clients
 - 2021 locks of \$8.5 billion
- Since July 2012 represented 18 state programs and almost \$59 billion in locks and over \$46 billion in MBS purchases
- Towards the end of 2021 we started seeing a reversal of the trend driven primarily by higher rates, lack of supply and record home prices



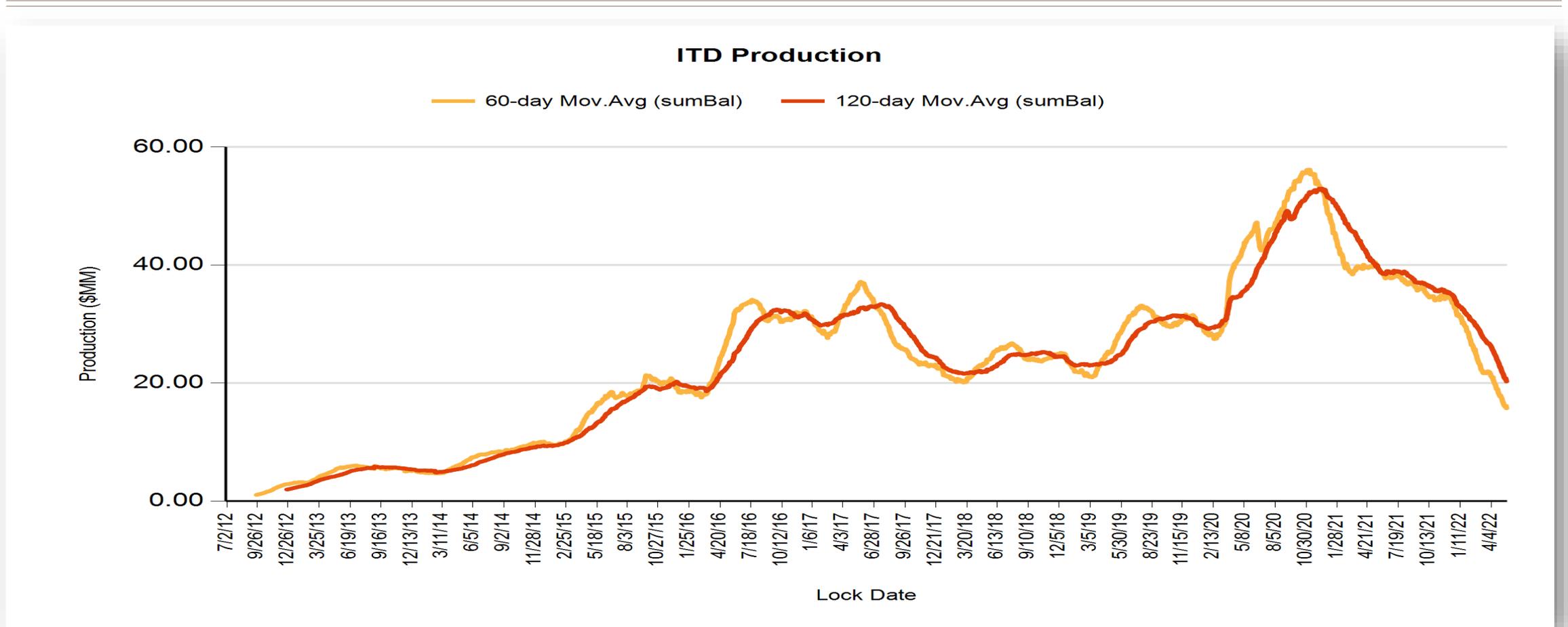
WSHFC Monthly TBA MBS Delivery Volume



WSHFC TBA Locks – Last 12 Months



Other HFAs Are Having Similar Challenges





MARKET
UPDATE

Market Update – TBAs



- Mortgage markets have been in steep decline this year
- As rate moves sidelined major mortgage investors

Source: Bloomberg

Pricing example

- In order to fund an FHA loan, the Commission needs to achieve almost 107% price when selling its loans
 - 4% down payment assistance
 - 2.25% Lender compensation
 - 0.5% minimum net gain on sale for the Commission to meet operating expenses
- Given the steep selloff in mortgages and market dislocation, that price is not achievable today
- At a \$400K average loan amount, every 0.5% increase in mortgage rates adds \$125 a month to the borrower's payment

23:59		Outright	Switch	Bfly	* Market Closed *			
		4) TBA30	5) TBA15	6) MBS	7) Swaps	8) Butterflies	9) Basis	
		21) UM30	22) UM15	23) GD30	24) GD15	25) GN30	26) GN15	27) GNII
		3.0		3.5		4.0		
May	95-16+ / 19	- 19+	98-06 / 08+	- 16	100-10 / 12+	- 13+		
Jun	95-09+ / 11	- 20+	97-29 / 31+	- 16	99-25 / 26	- 17+		
Jul	95-04 / 05+	- 20	97-21+ / 23	- 17	99-14+ / 16	- 18		
May/Jul	06+ / 06 ⁷ / ₈	- 00+	09 ³ / ₈ / 09 ³ / ₄	+ 00 ³ / ₄	14 / 16+	+ 00 ¹ / ₈		
Jun/Jul	05 ⁵ / ₈ / 06 ¹ / ₈	- 00 ¹ / ₈	07 ¹ / ₄ / 07 ³ / ₄	+ 00 ³ / ₄	09 ¹ / ₄ / 09 ³ / ₄	--		
May/Jul	12+ / 13+	--	16+ / 17+	--	27+ / 28+	--		
		4.5		5.0		5.5		
May	101-19+ / 21	- 16	102-21 / 24	- 11+	103-14+ / 16	- 11		
Jun	101-08 / 09+	- 15	102-10 / 12	- 11	103-01 / 03+	- 09+		
Jul	100-27 / 28+	- 14+	101-26 / 28+	- 10+	102-19 / 21+	- 08+		
May/Jul	11 ¹ / ₈ / 11+	- 01 ⁷ / ₈	11 ³ / ₄ / 12+	- 02 ¹ / ₄	13+ / 12+	--		
Jun/Jul	12+ / 14 ¹ / ₈	+ 00 ⁵ / ₈	15 ⁵ / ₈ / 17 ¹ / ₄	--	14 / 14	--		
May/Jul	24+ / 24+	--	27 / 27+	--	27+ / 26+	--		
		Benchmarks		Roll Analysis-G2SF			May/Jul	
Treas 2Y	99-21 ¹ / ₄ / 21 ⁵ / ₈	2.677 / 671	+ 01 ³ / ₄	Cpn	Cpr	Drp		
Treas 3Y	99-20 ³ / ₄ / 21	2.873 / 871	+ 02	3.00	16.44	6.500		
Treas 5Y	99-03 ¹ / ₄ / 03 ³ / ₄	2.946 / 943	+ 03	3.50	20.73	9.375		
Treas 7Y	99-09 / 09+	2.990 / 988	+ 04+	4.00	24.76	14.000		
Treas 10Y	99-06+ / 07+	2.968 / 964	+ 06	4.50	28.95	11.125		
Treas 30Y	94-11+ / 13+	3.168 / 164	+ 08	5.00	29.65	11.750		

For detailed roll analysis, please right-click a cell with a price, and select "RA"



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Opening doors to a better life

MEMO

TO: Commissioners
FROM: Lisa DeBrock & Lucas Loranger
DATE: 5/23/2022
RE: Approval to Revolve Home Advantage Downpayment Assistance Repayments

Background

The Commission's DPA programs were originally funded with Program Related Investments. When the Commission started the Home Advantage program, the DPA loans in that program were funded with the "premium" on the Home Advantage loan.¹ As the Commission began receiving Home Advantage DPA repayments, it deposited those amounts into PRI. Today, there is currently \$131 million held at the Commission within the PRI representing Home Advantage DPA repayments.

On December 14, 2017, in response to the success of the Home Advantage Program, and recognizing that we were beginning to see repayments of Home Advantage DPA loans, the Commission approved the reinvestment of 1% of Home Advantage DPA repayments to help reduce the interest rates offered in the Home Advantage program.

The market has now changed and we are no longer able to generate the premium needed to fully fund the Home Advantage DPA loans. In response to the market changes, we are now asking for approval to revolve Home Advantage DPA repayments above that 1% threshold. The repayments would be used to fund all or a portion of the Home Advantage DPA loans by buying down the premium on the Home Advantage loans.

However, because much of the \$131 million within PRI representing Home Advantage DPA repayments will be needed to provide the Commission with the liquidity reserves required to establish itself as a seller-servicer, staff proposes that the balance of Home Advantage DPA repayments in the PRI not be permitted to fall below \$80 million.

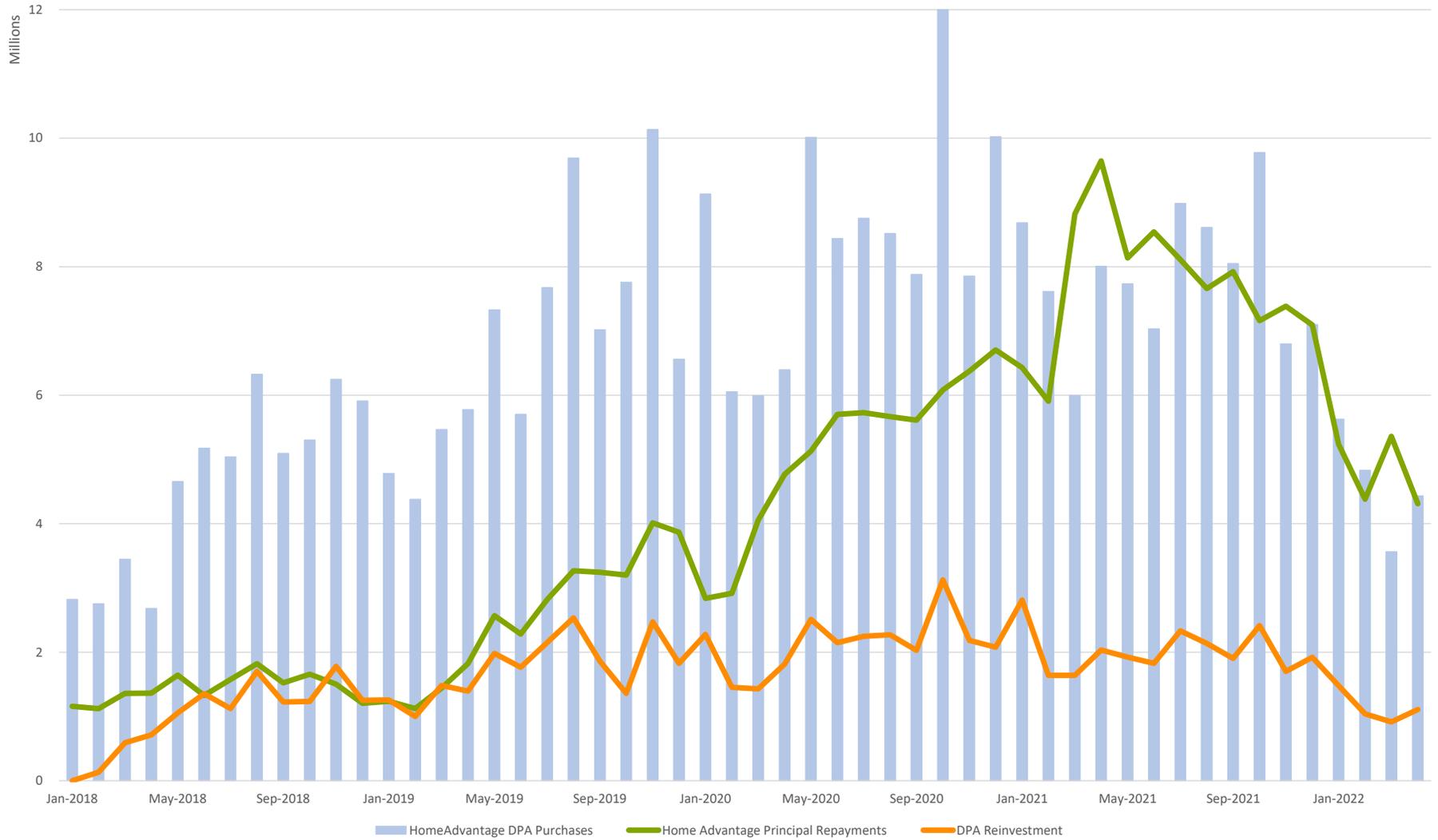
**** not limited to Home Advantage

Recommendation

Authorize the Executive Director to reallocate Home Advantage DPA repayments in excess of \$80 million to revolving Commission Down Payment Assistance Programs.

¹ Home Advantage DPA loans are considered PRI amounts at the time they are purchased. When they pay off, the cash remains within PRI.

Home Advantage DPA Repayments to DPA Reinvestment 2018-2022



Home Advantage DPA Reinvestment Scenarios - Months until \$50 million depleted

Current production levels, no growth

		Reinvestment Percentage			
		1%	2%	3%	4%
Rate of DPA repayment	0.25%	Accumulates Excess	46 Months	24 Months	16 Months
	0.50%	Accumulates Excess	Accumulates Excess	36 Months	20 Months
	0.75%	Accumulates Excess	Accumulates Excess	Accumulates Excess	30 Months
	1.00%	Accumulates Excess	Accumulates Excess	Accumulates Excess	54 Months
	1.25%	Accumulates Excess	Accumulates Excess	Accumulates Excess	120+ Months
	1.50%	Accumulates Excess	Accumulates Excess	Accumulates Excess	Accumulates Excess

Current production levels, 2% monthly growth

		Reinvestment Percentage			
		1%	2%	3%	4%
Rate of DPA repayment	0.25%	61 Months	28 Months	18 Months	14 Months
	0.50%	Accumulates Excess	40 Months	23 Months	16 Months
	0.75%	Accumulates Excess	58 Months	30 Months	20 Months
	1.00%	Accumulates Excess	Accumulates Excess	39 Months	24 Months
	1.25%	Accumulates Excess	Accumulates Excess	50 Months	30 Months
	1.50%	Accumulates Excess	Accumulates Excess	Accumulates Excess	36 Months

Current production levels, 5% monthly growth

		Reinvestment Percentage			
		1%	2%	3%	4%
Rate of DPA repayment	0.25%	34 Months	21 Months	15 Months	12 Months
	0.50%	44 Months	25 Months	17 Months	13 Months
	0.75%	54 Months	29 Months	20 Months	15 Months
	1.00%	66 Months	34 Months	23 Months	17 Months
	1.25%	Accumulates Excess	39 Months	26 Months	19 Months
	1.50%	Accumulates Excess	44 Months	29 Months	22 Months