

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

January 23, 2020

The January 23, 2020 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Diane Klontz, Wendy Lawrence, Alishia Topper, Ken Larsen, Rich Nafziger, Lowel Krueger and Jason Richter.

Lisa Vatske gave a 4% tax credit/bond round update.

Lisa Vatske and Bob Cook made a presentation on the Evergreen Impact Housing Fund and introduced Greg Johnson, President of Wright Runstad, and Kris Hermanns, Chief Impact Officer of the Seattle Foundation who spoke about the Fund.

Cheryl Engstrom gave a presentation on Housing Washington through the years and a recap on the 2019 conference.

Bob Cook introduced Chad Kemper and Andrew Haas from Nuveen Investment Management for a presentation on the investment work they do for the Commission.

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

January 23, 2020

The Commission meeting was called to order by Chair Karen Miller at 1:00 p.m. in the Board Room of the Washington State Housing Finance Commission at 1000 Second Avenue, 28th Floor, Seattle, Washington. Those Commissioners present were Diane Klontz, Wendy Lawrence, Alishia Topper, Ken Larsen, Rich Nafziger, Lowel Krueger, Jason Richter and Randy Robinson.

**Approval of the
Minutes**

The minutes of the December 12, 2019 special meeting were approved as mailed.

**Public Hearing:
Washington Odd
Fellows Home, OID
20-39A**

The Chair opened a public hearing on OID # 20-39A, Washington Odd Fellows Home at 1:00 p.m.

Claire Petersky, Manager of Multifamily Housing and Community Facilities Division, said this is a proposed issuance of one or more tax exempt revenue bonds to finance and refinance an existing nonprofit facility located at 534 Boyer Avenue, 20 S. Clinton Street, 30 S. Clinton Street and 115 Merriam Street, Walla Walla, WA 99362, for the benefit of Washington Odd Fellows Home, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds will be used to: (i) refinance existing debt of the Borrower which financed and refinanced the Facility, including (a) the acquisition of a nursing home, boarding home and assisted living facility, (b) the construction of an independent living facility, (c) the renovation of the nursing home and assisted living facility, and (d) the payment of costs of issuing the existing debt, (ii) finance capital improvements at the Facility, and (iii) pay all or a portion of the costs of issuing the Bonds. The total estimated bond amount is not expected to exceed \$7,400,000. Ms. Petersky introduced John Brigham, CEO of Washington Odd Fellows Home.

Mr. Brigham stated that Washington Odd Fellows Home originally opened in 1897 as a home for widows, orphans and half orphans. Currently it is a senior living community that houses 300 seniors and has a staff of about 240 individuals. Mr. Brigham also mentioned that the Odd Fellows Home is still associated with the Odd Fellows. All members of their Board are Odd Fellow Members.

There were no comments from members of the public and the hearing was closed at 1:06 p.m.

**Action Item:
Conduit Bond
Trustee for FYE
2021 – 2023**

Bob Cook, Senior Director of the Finance Division, stated the Commission recently solicited a Request for Fee Quotation (RFFQ) for Trustee and Paying Agent services for the Commission's conduit bond programs including the Multifamily, Nonprofit Housing and Nonprofit Facilities bond programs. The selected firm performs these services on the bond issues at the borrower's expense.

Four proposals were received. An evaluation committee of Debra Stephenson, Steve Walker, Faith Pettis, and Bob Cook reviewed the proposals and discussed the responses.

The evaluation committee agreed that each of the four firms were well qualified and could make valuable contributions, but felt that one firm had strong, proven success with diverse and complex portfolios.

The evaluation committee unanimously recommend retaining U.S. Bank Corporate Trust to provide Trustee services.

In a response to a question from Commissioner Richter, Mr. Cook stated that the States umbrella contract does not align with the Commission's needs.

Ms. Topper moved approval of the evaluation committee recommendation to retain U.S. Bank Corporate Trust as provider of Trustee and Paying Agent services on the Commission's conduit bond programs including the Multifamily,

Nonprofit Housing and Nonprofit Facilities bond programs, and to authorize the Executive Director to negotiate and execute a Fee Agreement according to the terms of their proposal. Mr. Robinson seconded the recommendation. The recommendation was unanimously approved.

**Action Item:
Delegate to the
Executive Director
authority to
negotiate and
execute an
agreement with
The Seattle
Foundation to
administer the
Evergreen Impact
Housing Fund**

Mr. Cook recommended the Commission delegate the authority to the Executive Director to enter into an administration agreement with the Seattle Foundation that would enable the roll out of a social impact investment fund to work in conjunction with the Commission's Bond/Tax Credit Program. The Fund would provide low interest, subordinate loans to developers using the Bond/Tax Credit Program, similar to the soft funds deployed by public funders, like the Housing Trust Fund and local jurisdictions, but funded with private dollars.

The Fund will be established by the Seattle Foundation and would operate similarly to a tax credit investment fund, i.e., each annual tranche of investment would be made through the creation of a limited liability company in which investors are members and the Foundation is the managing member. The Commission is being asked by the Seattle Foundation to administer Fund.

Mr. Krueger moved the approval of the administrative role of the Commission in the Evergreen Impact Housing Fund and the delegation to the Executive Director of the authority to negotiate and execute a contract with the Seattle Foundation for the administration of the Fund. Mr. Larsen seconded the motion. The motion was unanimously approved.

**Action Item:
Resolution No. 20-
38, The Confluence,
OID # 19-75A**

This item was pulled from the agenda.

**Informational
Report on
Department of
Commerce
Activities**

Ms. Klontz stated that the Department of Commerce ("Commerce") and the Governor's office announced the award of the 2019 funding round on December 19, 2019:

- \$91.5 million awarded to 46 projects
- 36 rental and 10 homeownership projects
- Over 2,400 units will be developed

HTF 2020 Funding Round

Commerce will solicit the Housing Trust Fund (HTF) 2020 funding round in the summer for the approximately \$36 million remaining funds, plus any federal funds available at that time.

2019 Preservation Funding Round

Applications were due on Dec. 31 for the 2019 preservation funding round. Ten million is available for existing HTF projects seeking funds for major building improvements, preservation, and system replacements. Thirty-three project applications requested a total of \$16 million. Applications are under review, and Commerce will announce awards in March.

Modular Housing Funding Round

Commerce will release the modular housing funding round in the next few months for the \$10 million available from the 2019-21 capital budget. The pre-application solicitation (Stage 1) indicated that 11 projects might be ready to move forward. The pre-application solicitation is not a requirement for applying for funds in the funding round.

Rural Development

A special work session was held at the December Policy Advisory Team meeting to discuss how to increase housing developments in rural areas and underserved communities. Many great ideas and recommendations surfaced from the stakeholders. The Housing Finance Unit team is currently reviewing the outcomes of the session and working on the next steps. Recommendations include addressing the need for technical assistance to work with communities and revisiting the “Rural” definition as it varies in state and federal requirements.

Federal Programs

The Housing Finance team hired a consultant to help improve the policies, rules, and contract templates for the HOME and National Housing Trust Fund programs administered by Commerce. Commerce hired TDA Consulting, which has experience working with these two programs at a national level. This is the time to be working on improving these programs, as Commerce is currently working on creating the 2020-24 Consolidated Plan. The Plan will identify how

the agency will administer federal Housing and Urban Development funds (beyond HOME and National HTF), over the next five years, to:

- Provide units of affordable housing
- Emergency funds for those experiencing or facing homelessness
- Strengthen local communities with funding for local government infrastructure
- Assist persons living with AIDS with direct housing assistance

Affordable Housing Advisory Board

- Commerce selected Big Water Consulting for the Native American housing study
- Commerce published the first HB 1406 report, [Encouraging Investments in Affordable and Supportive Housing — Update on Implementation.](#) Up to date information on the adoption of the tax credit by jurisdictions is available at <https://www.1406status.com/>

2020 Point in Time Count

The 2020 Point in Time count is today (Thursday, January 23) for counties in Washington. Last year there was a very slight (3%) decrease in the count of people experiencing homelessness, although there were still nearly 22,000 people experiencing homelessness. About half of them are unsheltered.

HUD Section 811 NOFA Application

Commerce, in partnership with the Department of Social and Health Services (DSHS), Health Care Authority (HCA), and the Commission will submit an application in response to a Notice of Funding Availability (NOFA) for additional Section 811 funding. If awarded, Commerce will double its portfolio of units set aside for non-elderly persons with disabling conditions, from the current 135 units to 270 units.

Executive Director's Report

Mr. Walker said that Bill Conner has done it again! The Commission was awarded \$822,707.80 in housing counseling dollars from the King County levy

to provide foreclosure prevention and loss mitigation services in partnership with the Urban League of Metropolitan Seattle, Washington Homeownership Resource Center and El Centro de la Raza. These funds will specifically assist King County Veterans, Seniors, and vulnerable populations including persons of color, immigrants/refugees, and those with disabilities. This is the second time the Commission has received these funds.

The Homeownership Division completed another downpayment assistance mortgage sale with Banner Bank. Banner purchased 138 of the Commission's second mortgages totaling over \$1.1 million made to low income borrowers which will allow Banner to obtain CRA credit in specific counties.

The Division extended our contract with cFX through December 31, 2021 as permitted under our current contract. cFX performs quantitative services for our single-family bonds.

The Division also extended the contracts with both of its master loan servicers, Idaho Housing & Finance Association and Lakeview Loan Servicing, for one year which is also permitted under the current contracts. The Commission is considering conducting an RFP for master loan servicer over the summer.

In December, for Home Advantage, Homeownership had over \$190 million in reservations assisting 639 families. For House Key Opportunity, it had over \$10 million in reservations assisting 49 families, totaling \$201 million and 688 families for the month. It was by far the largest December in program history.

Asset Management and Compliance (AMC) closed out another successful year having monitored over 100,000 units across the state. In addition, AMC staff provided multiple trainings here in Seattle as well as across the state.

Mary Lightle developed a new online system for the submission of transfer application materials, greatly streamlining the process for both the analyst staff and property owners. AMC tested the system right away, as December is

typically the busiest month. In addition to normal workflow, the Division also facilitated the transfer of a 10-property portfolio to a new nonprofit owner.

The 2020 inspection process has begun, with several property inspections already completed. Many others are already scheduled, so AMC is well on its way through the portfolio. File submissions, both electronically, and through WBARS, are due at the end of the month for the LIHTC projects, and most of the bond files have already been received.

Multifamily Housing and Community Facilities Division (MHCF) received 27 9% applications yesterday at the application deadline.

MHCF released the bond cap first round 2020 list. Division staff did an outstanding job of reviewing and vetting the top scoring projects. They have allocated cap to 9.5 projects as the 10th project is conditionally funded based on availability of cap. Ms. Vatske intends to do a fuller presentation of the outcomes next month at the February 2020 meeting.

Ms. Vatske participated in a housing forum sponsored by the Washington State Housing Alliance and Representative Macri, presenting to approximately a dozen legislators interested in housing issues.

Ms. Petersky attended the NCSHA Institute in Washington, DC.

MHCF hired a new analyst, Tanya Scratchley, who will join the Division at the beginning of February. Ms. Scratchley has a good working knowledge of the tax credit program from experience at the King County Housing Authority.

MHCF currently has a recruitment underway for an additional analyst position.

Mr. Walker attended the annual Spokane Low Income Housing Consortium meeting in Spokane, WA. He stated it was a nice opportunity to reconnect with eastside partners and stakeholders.

The 2020 Legislative session began on January 13 and the Legislature hit the ground running. Many bills were pre-filed before the session and even more dropped the weekend before the session started. In addition, because this is a continuation of last year's legislative session, a few bills have resurfaced. Commission staff are currently monitoring the status of approximately 80 bills that encompass many topics, ranging from increased tax exemptions, bills that continue to address homelessness, and many bills that are proposing ways to positively impact the shortage of affordable housing.

This session, there is a bill that could provide dedicated funding to the Housing Trust Fund and we anticipate a budgetary ask to assist in funding the housing counseling programs and the Foreclosure Fairness Act.

In the first week of the session the Commission testified against a bill that proposed to modify our enabling statute by stating "nothing precludes others from offering downpayment assistance." Although Commission staff were told the purpose of the bill was to expand downpayment assistance opportunities, staff was concerned the change would adversely impact current litigation against the National Homebuyer's Fund.

Staff presented to the Housing Stability Committee on the Commission's downpayment assistance programs. Staff also testified before the Committee regarding the lawsuit and the potential unintended consequences that could expose consumers to predatory lending. Staff will continue to monitor this bill, but are hopeful that it will not move forward this session.

Steve Walker met also met with Senator Kuderer as an introduction and to discuss her legislative priorities, spoke a few times with the Governor's staff regarding legislative items, met with committee staff and Senate caucus staff to do the same and met with Keith Swenson, Director of Boards and Commissions in the Governor's office.

The Commission continues to work with its legislative partners at the Washington Low Income Housing Alliance, Housing Development Consortium, Association of Washington Housing Authorities and many others.

Steve Walker gave a presentation regarding JLARC in Olympia. JLARC was appreciative of the Commission's work and were satisfied. Staff considers the JLARC project as closed.

Steve Walker attended the HDC Housing Underproduction meeting in Federal Way sponsored by Up For Growth and attended by numerous legislators.

Mr. Walker attended a groundbreaking for Founders Court, a Plymouth Housing project. This project houses 91 people and has space for Path with Art, a nonprofit that provides people who have experienced homelessness, addiction, and other traumas with opportunities to engage with the arts.

Microsoft partnered on an innovative opportunity to deploy capital to extend the State's limited volume cap. Microsoft has provided a no-cost \$250 million line of credit to the WSHFC to enable it to preserve and recycle the state's limited tax-exempt private activity bond volume cap. The line of credit will enable the WSHFC to finance approximately 3,000 additional units of much-needed affordable housing.

Wendy Lawrence and Ken Larsen have their gubernatorial appointment hearings in Olympia on Monday, January 27, 2020 for their second terms.

**Action Item:
Election of Officers
Vice Chair**

Ms. Miller announced that with Ms. Baum leaving the Commission, the office of Vice-Chair is open. She opened the floor for nominations. Mr. Larsen nominated Lowell Kreuger as Vice Chair. Ms. Topper seconded the nomination. There were no other nominations. Ms. Miller called for the vote on the nomination of Mr. Kreuger for the office of Vice-Chair. The election was unanimously approved.

Consent Agenda

The Consent Agenda was approved as mailed.

Public Comment

Kara Latchinian, a resident at the Chalet Apartments in Seattle, which is owned by Imagine Housing and managed by Allied Residential, testified to say that nothing has changed since her last appearance before the Commission in December. She has not met with Allied and she was disappointment with the communication from the Commission.

Commission staff said they will speak with her after the meeting to help clear up her issues.

Adjournment

The meeting was adjourned at 1:50 p.m.

Signature
