

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

February 25, 2021

The February 25, 2021 work session was called to order at 11:00 a.m. by Bill Rumpf. In attendance were Commissioners Diane Klontz, Albert Tripp, Mike Pellicciotti, Lowel Krueger, Ken Larsen and Alishia Topper.

Lisa Vatske provided a power point presentation and referred to her memo provided in the additional materials regarding the 9% allocations that were announced in December for the 2021 allocation. The presentation overviewed the allocations made in each of the geographic regions and laid out that the action that will need to be taken by the Board at a future meeting regarding forward committing. Our current policy allows a forward commit of up to 20% and the current allocations total is 24.38%. This additional level of forward commitment is being done to provide an additional 3 projects of funding in coordination and alignment with the HTF and provides additional farmworker units in Yakima and permanent supportive housing units for the homeless in Pasco. In addition, the Housing Trust Fund will be fully funding an additional project in Port Townsend serving homeless households.

Lisa Vatske provided an overview of the status of the bond cap program and a summary of the memo provided in the packet. The presentation provided slides that showed the increased competitiveness of the last several rounds, displaying the history of the amount of bond cap available, the increased amount of applications being submitted and the declining success rate overall given the amount available versus the amount being requested. Given all of the projects

and the need to provide for additional geographic distribution including projects focusing on Seattle communities of color, additional bond cap authority was reserved from the second half of the Commission's allocation. There was a discussion of the potential implications and scenarios for the remaining allocation of 2021 bond cap authority and the potential of further reserving cap from 2022.

Additional slides outlined the tensions and challenges with prioritizing projects and the need to reset and overhaul the current point system. Ongoing discussions with stakeholders and the Board will take place, with a short-term plan to address the upcoming July round and policy changes to be considered at the April meeting. Additional policy considerations for the 2022 allocation will be brought forward by the July Commission meeting.

The work session was adjourned at 12:00 p.m.

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

February 25, 2021

The Commission meeting was called to order by Chair Bill Rumpf at 1:00 p.m. via Zoom and conference call. Those Commissioners present were Diane Klontz, Albert Tripp, Mike Pellicciotti, Lowel Krueger, Ken Larsen and Alishia Topper.

**Approval of the
Minutes**

The minutes of the January 28, 2021 special meeting were approved as mailed.

**Public Hearing:
Mirabella, OID #
06-87A**

The Chair opened a public hearing on OID # 06-87A Mirabella, at 1:03 p.m.

Claire Petersky, Manager of Multifamily Housing and Community Facilities Division (MHCF) said public hearing was for the proposed issuance of one or more series of tax-exempt and taxable revenue bonds to refinance existing bonds previously issued by the Commission for the acquisition of land and the construction of a continuing care retirement community consisting of 285 independent living apartments, 24 assisted living units, 22 special care units and 46 skilled nursing beds, located at 116 Fairview Avenue North, Seattle, WA 98109. The project is owned by Mirabella, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds may also be used to pay a portion of the costs of issuing the bonds. The estimated bond amount is not expected to exceed \$100,000,000. Ms. Petersky introduced Mary Schoeggl, Chief Financial Officer of Pacific Retirement Services.

Ms. Schoeggl stated that this is their 50th affordable retirement community serving 5200 seniors with support from 300 employees. This refinancing project will consist of 285 independent living apartments, 24 assisted living units, 22 special care units and 46 skilled nursing beds.

There were no other comments from members of the public and the hearing was closed at 1:12 p.m.

**Public Hearing:
Garten Haus
Apartments, OID #
21-45A**

The Chair opened a public hearing on OID # 21-45A Garten Haus Apartments, at 1:12 p.m.

Ms. Petersky said the public hearing was for the proposed issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition, rehabilitation, expansion and equipping of a 40-unit multifamily housing facility located at 1300 Commercial Street, Leavenworth, WA 98826, to be owned by Garten Haus Apartments LLLP, a Washington limited liability limited partnership. Proceeds of the bonds may also be used to pay a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$8,000,000. Ms. Petersky introduced Linda Price, Director of Development /Asset Management Housing Authority of Chelan County & the City of Wenatchee and Korbie Jorgensen Haley, Director of Housing Development Office of Rural & Farmworker Housing.

Ms. Price stated they wanted to make this project a safe and affordable place for its tenants. Mr. Haley stated that the property originally had 32 units and they will be adding eight newly constructed units, an elevator, more safety features for seniors and other improvements. He also mentioned that 100% of the units will be at 50% area median income (AMI) or below.

There were no other comments from members of the public and the hearing was closed at 1:19 p.m.

**Public Hearing:
Mirabeau Place
LLC, OID # 19-
138A**

The Chair opened a public hearing on OID # 19-138A Mirabeau Place LLC, at 1:19 p.m.

Ms. Petersky said this public hearing is for the proposed issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition, new construction and equipping of a 300-unit multifamily housing facility located at the southern terminus of N. Robie Court, Spokane Valley, WA 99206, to be owned by Mirabeau Place LLC, a Washington limited liability company. Proceeds of the notes may also be used to pay a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$46,500,000. Ms. Petersky introduced Todd Prescott representing Whitewater Creek.

Mr. Prescott stated this project is located at the Old Elks Lodge in the Spokane Valley very close to Mirabeau Park. Occupancy will be restricted to households earning 30% - 60% of AMI. Twenty percent of the units will be set-aside for large households, and twenty percent of the units will be set-aside for persons with disabilities. Building features will include a community garden, fitness center, business /learning center, a media room, playground or fitness trail, covered and secured bike storage, electric vehicle charging stations, early learning facility, lunch program, and supportive services/ community space with a service coordinator.

In response from a question from Ms. Topper, Mr. Prescott stated that Commonwealth Agency Inc. is the non-profit partner.

There were no other comments from members of the public and the hearing was closed at 1:23 p.m.

**Public Hearing:
Low Income
Housing Tax
Credits from the
2020 Round**

The Chair opened a public hearing on the recommended allocation of Low-Income Housing Tax Credits at 1:24 p.m.

DESC Bitter Lake

Bob Peterson, Manager of Multifamily Housing and Community Facilities Division (MHCF) introduced Daniel Malone, Executive Director of the Seattle Downtown Emergency Service (DESC).

Mr. Malone stated that this project will provide permanent supportive housing using a housing first approach for chronically homeless, single adults who experience chronic mental illness, substance abuse disorders and other conditions that contribute to housing instability. The project will include 24/7 on-site personnel who can assist and support tenants with the challenges of daily living. The primary service area is located on the ground floor and will provide approximately 5,500 square feet of common area including a lounge/recreation space for resident socialization, private outdoor area, a common kitchen, a dining room, laundry and bathrooms, a multipurpose room and offices dedicated to supportive services to the residents.

There were no other comments from members of the public and the hearing was closed at 1:28 p.m.

**Public Hearing:
Proposed changes
to Transfer Policy,
Chapter 7 & 9 of
the 9% and
Bond/4% Tax
Credit Policies**

The Chair opened a public hearing on the proposed changes to Chapter 7 & 9 of the 9% and Bond/4% Tax Credit Policies at 1:28 p.m.

Ms. Vatske stated that the public comment period ended February 3rd, and we received three comments. As a summary, one of the comments was in support and did not provide any additional suggested edits; the other two did provide suggestions for edits. There is a modified version of the proposed language included for the Commissioners' consideration. These edits incorporate and address the comments that staff felt enhanced the clarity or were in alignment with the Commission's intent. Other comments that were contrary to the Commission's intent, regulations or policies were not incorporated. Ms. Vatske and Melissa Donahue, Acting Director, Asset Management and Compliance, provided an overview of the changes at the January 28, 2021 WSHFC Board Meeting.

Proposed language with modifications reflecting public comment (in red):

Pursuant to the Commission's rules (WAC 262-01-130), Policies, and Regulatory Agreements, a transfer of an interest in a project requires prior Commission approval. A stated goal of the Commission's Tax Credit Program is to prefer

projects that are affordable to the lowest income tenants for the longest period of time. Toward that end, the Commission will decide whether to approve a proposed transfer based on whether the proposed transfer will (1) promote satisfaction of all applicable regulatory and contractual obligations, and (2) further the Commission's priorities for LIHTC projects as set forth in WAC 262-01-130, including by increasing the likelihood the project will **continue to** serve the lowest income tenants for the longest period of time. This will be determined based on the totality of circumstances, including but not limited to the characteristics of the project, existing partners, and transferee.

Transferees are required to submit a short paragraph explaining how the proposed transfer satisfies the Commission's approval criteria and to complete a **Financial Solvency and LIHTC History (FSLH)** form as part of the transfer process. This form is designed to help the Commission determine whether or not the transferee is positioned and likely to support the Commission's stated goals. The Commission may pause, require additional certifications or information from a transferee, or disallow the transfer depending on what the FSLH or other documents reveal. Potential grounds for disallowing the transfer include but are not limited to:

- Transferee has been part of a LIHTC ownership/project that subsequently was found by a court or administrative body to be in violation of a LIHTC statutory or regulatory requirement or covenant;
- Transferee has been part of a LIHTC ownership/project that subsequently reduced the project's associated financial resources such that the project was not able to meet its planned capital needs;
- Judicial or administrative finding against the Transferee of causing actionable harm to a LIHTC project or partner; committing fraud; or violating a LIHTC requirement or covenant.

Project Transfers Requiring Commission Consent

A project transfer means any direct or indirect sale, contribution, assignment, lease, exchange, or other similar transfer of, or change in:

- an interest in the land, the Project, or any building;
- an ownership interest in the entity that is the Applicant or project owner (for example, a transfer of a partnership interest or, with respect to a limited liability company, a membership or managers' interest);
- the rights, title, or interest of the Applicant or project owner in any agreement in which the Commission and the Applicant or project owner are parties;
- the sale or transfer of, or change in, the interest of a limited partner (including the addition, removal, or withdrawal of a limited partner); or
- in the case of a limited liability company, the sale or transfer of, or change in, the interest of the investor member (unless the investor member actively participates in management of the company, **such as in the case of a transfer of an investor member interest to a fund in which the investor member serves as the fund manager**).

Only a few types of project transfers do not require the prior written consent of the Commission. They include:

- the grant of a security interest or lien junior to the interest of the Commission;
- the issuance, redemption, or transfer of stock or shares of a corporation that is not a closely held corporation;
- a sale or transfer of the interests in a fund or funds constituting the investor limited partner or member, so long as such sale or transfer does not result in a change of control of the fund or funds constituting the investor limited partner or member;
- a sale or transfer of the interests of the investor limited partner or member to implement the ownership arrangement initially agreed upon by the parties **at the time of closing**, including as a result of the involvement of a syndicator, **such as a contemplated transfer of the investor interest to a syndicated fund identified at the closing of the transaction**.

There were no other comments from members of the public and the hearing was closed at 1:30 p.m.

**Action Item:
Resolution No. 21-46, a Resolution for the 2021 Allocation of Credit for the Housing Tax Credit Program**

Ms. Vatske said this was a resolution authorizing the Executive Director to make reservations and/or allocations of 2021 Housing Tax Credits to the following project:

- DESC Bitter Lake - \$2,141,474

Mr. Kreuger moved to approve the resolution. Mr. Larsen seconded the motion. The resolution was unanimously approved.

**Action Item:
Resolution No. 21-47, Spokane International Academy, OID # 21-30**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt and taxable revenue bonds to: (1) finance and refinance the acquisition, construction, improvement, furnishing, equipping and rehabilitation of certain land and facilities; (2) fund any required reserves; (3) fund capitalized interest and/or related working capital with respect to the Bonds, if necessary; and (4) pay certain expenses incurred in connection with the issuance of the Bonds. The project is located at 777 E. Magnesium Road, Spokane, WA 99208, to be owned by Spokane International Academy-Magnesium, LLC, a Washington limited liability company, a wholly owned subsidiary of Spokane International Academy, a Washington nonprofit 501(c)(3) corporation (“SIA”). The total estimated bond amount is not expected to exceed \$20,000,000. The public hearing was held January 28, 2021.

Mr. Tripp moved to approve the resolution. Mr. Kreuger seconded the motion. The resolution was unanimously approved.

**Action Item:
Resolution No. 21-29, Uncle Bob’s Place, OID # 19-77**

This item was pulled from the agenda.

**Action Item:
Approve changes to Chapter 7 & 9 of the Bond/4% Tax Credit Policies**

Ms. Vatske requested the approval of the proposed changes to Chapter 7 of the Bond/4% Tax Credit Policies and Chapter 9 of the 9% Tax Credit Policies addressing transfers.

**Information
Report on
Department of
Commerce
Activities**

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

Ms. Klontz from the Department of Commerce (“Commerce”) gave a report as follows:

Housing Finance Unit

2021/22 Pre-Application Solicitation Round (FKA Stage 1)

The Housing Trust Fund (HTF) started accepting pre-applications for the 2021/22 biennium on February 18. Applications are due by noon on March 22.

Evergreen Sustainable Development Standards (ESDS)

The public comment period for the ESDS v4.0 draft ended on February 12. Commerce anticipates releasing the final ESDS Version 4.0 in March.

HTF Handbook

HTF made some necessary edits to the HTF Handbook, which was then sent to Policy Advisory Team members for their review and comments. We hope to release a new version in March. The edits include:

- Updated statutory language to match current RCWs, and updated some definitions in the Glossary
- Updated award limits for multifamily/rental and homeownership projects, including the special waiver for rural projects to match current policy as discussed at PAT in December 2020
- An appendix covering income-certification guidelines
- Other technical corrections to match current practice and terminology

HFU Managing Director

Interviews were held on Feb. 9, and a new Managing Director will be announced shortly.

Growth Management Services

- On Monday, Feb. 22, the Peninsula Planner's Forum was held on housing topics. Speakers covered homelessness (Emily Grossman), the University of Washington's Housing Market Toolkit (HMT) data (James Young) and how to use Census and HMT data for housing analysis (Laura Hodgson, Growth Management Services).

The schedule is available here:

<https://deptofcommerce.app.box.com/s/sqf75sy0uuwbcxnsmnqe6fscvklxew2>

- The Department of Commerce will be releasing Guidance for Updating Your Housing Element in early March. Please stay tuned to the GMS Housing webpage for this publication. MRSC and the Department of Commerce will be holding a free webinar on the guidance on Thursday, March 25th, from 1-2:30 pm.

Please see more details and information on how to register at

<http://mrsc.org/Home/Training/Upcoming-Webinars/Developing-an-Effective-Housing-Element.aspx>

**Executive
Director's Report**

Mr. Walker stated he wanted to highlight some bright spots in the Executive Director's Report that was included the Commissioners board meeting packets this month.

Homeownership:

- In January, we had \$190 million in new reservations assisting 600 families. These numbers are on par with our overall dollar volume from last January. However, we are assisting fewer households. Redfin reported the number of homes for sale in Washington fell 51.4% year over in year in January. We anticipate a downward trend for the next few months in our reservations because of the challenges to find an affordable home. Anecdotally, we are hearing from our lenders of bidding wars statewide.

Finance:

- With the promotion of Lucas Loranger to the Senior Controller position, we are currently recruiting for our Program Investment & Grants Management Analyst position.

Multifamily Housing and Community Facilities:

- Staff have been very busy handling allocation activities for both the 4% and 9% tax credit programs. Big shout out and kudos to the full staff of the division for all their hard work and effort sorting through the applications and getting to this point.
- There has been ongoing outreach and information sharing with both Senator Cantwell's and Rep DelBene's office, specifically addressing adding the lowering of the 50% test to the reintroduction of the Affordable Housing Improvement Act. We have also provided data to Novogradac to help with framing the issue and showing the impact this change could have.
- The Land Acquisition Program (LAP) was presented with a "rare opportunity" on Capitol Hill and will participate in the financing of a just-finished apartment building originally planned for upscale market-rate rentals into affordable housing for people who are currently homeless to be owned by LIHI. The 76- unit Clay apartments will include financing from the Seattle City Office of Housing and the National Equity Fund in addition to the LAP commitment of \$3 M toward the financing. This unoccupied building is scheduled to close in early March 2021. A Seattle Times article about the Clay transaction is included in the packet.

Steve Walker:

- The Boards and Commissions office in Olympia has informed us they will be moving forward with the labor representative appointment process any day now. Also, the executive management team has been in discussions and are preparing to submit names for the two open board

seats (Housing Consumer Representative & Public Member) to the Boards and Commissions Office for the Governor's consideration.

- The internal Racial Justice and Equity Team will be bringing forward their first draft of the charter statement in a week or two and soon thereafter they will begin work on our initial work plan. They have been working the last several weeks with a consultant.

Consent Agenda

The Consent Agenda was approved as mailed.

Public Comment

The Chair opened the public comment period. A large number of community members were in attendance. The Chair stated that each speaker would be given a minute and a half to make their statement and asked that they use the AskUs@wshfc.org email address or the anonymous form on the Commission's website to add their name to the list of those wishing to speak. (All those who expressed an interest in speaking, whether on the list or not, were invited to speak.) Fourteen people shared comments over about 50 minutes.

Several housing developers asked that the Commission review and change the point and criteria system that drives funding decisions. A majority of speakers specifically called out a lack of Black developers among the funded projects on the bond/credit allocation list and asked why projects in historically Black communities are not prioritized. Others shared their own experiences with affordable housing. Commissioners and staff were asked to listen and engage with Black communities, to educate themselves about systemic and historical racism perpetuated by the housing industry, and to commit to taking action to undo racial inequities.

Speakers also expressed frustration with the handling of the public comment period, citing the time limit and the confusing process of putting their names on a list. Many requested that the Zoom meeting's chat feature be opened, which was denied.

Steve Walker closed the public comment period by thanking those who spoke and committing to further dialogue.

Adjournment

The meeting was adjourned at 2:48 p.m.

Signature
