WASHINGTON STATE
HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

June 27, 2019

The June 27, 2019 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Alishia Topper, Diane Klontz, Wendy Lawrence, Jason Richter, Ken Larsen, Lowel Krueger, Beth Baum and Steve Moss.

Val Pate, Director of the Asset Management and Compliance Division, gave a briefing on proposed changes in the Tax Credit policies regarding transfers of tax credit investor interests in a project.

Kim Herman gave a briefing on the proposed allocation of program earnings to the Program Related Investment (PRI) account for potential action at the July Commission meeting.

Diane Klontz gave her Informational Report on Department of Commerce activities.

Kim Herman gave his Executive Director's Report.

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

WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES

June 27, 2019

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

Approval of the Minutes

The minutes of the May 21, 2019 special meeting were approved as mailed.

Commission Hearing: Wesley at Tehaleh, OID # 19-59A

The Chair opened a Commission hearing on OID # 19-59A, Wesley at Tehaleh at 1:00 p.m.

Bob Peterson, Manager of Multifamily Housing and Community Facilities Division, said this is a proposed issuance of tax-exempt revenue bonds to finance a portion of the costs for the acquisition, new construction and equipping of a senior retirement community with 136 independent living apartment units, 42 brownstone independent living units, 42 assisted living units and 18 memory care units, located at 17802 Cascadia Boulevard East, Bonney Lake, WA 98391, to be owned by Wesley Homes Pierce County, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds may also be used to fund a debt service reserve; pay capitalized interest on the bonds and working capital expenses of the Project; and pay a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed $105,000,000. Mr. Peterson introduced Kevin Anderson, CEO of Wesley Homes.

Mr. Anderson stated that this is the fourth project Wesley Homes has done with the Commission. The last project was Bradley Park in Puyallup, which is now

95% occupied. He also mentioned Wesley Homes is trying to create a network of senior services with their projects by providing not just campus living but home health, home care and hospice.

In response to a question from Mr. Moss, Mr. Anderson mentioned that they define middle income as a single schoolteacher in Auburn who is a homeowner, with a modest savings and a pension.

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

Public Hearing: Olympic Tower at Skyline, OID # 19-69A

The Chair opened a public hearing on OID # 19-69A, Olympic Tower at Skyline at 1:06 p.m.

Mr. Peterson stated that this is a proposed issuance of one or more series of tax-exempt and taxable revenue bonds to finance a portion of the costs for the acquisition, construction and equipping of 77 senior independent living units, community and service spaces and administrative offices to be known as Olympic Tower (715 8th Avenue, Seattle, WA 98104); the construction, renovation and equipping of senior housing and related facilities of the Borrower at Park Shore (1630 43rd Avenue East, Seattle, WA 98112), Cascade Tower at Skyline (725 9th Avenue, Seattle, WA 98104) and Fred Lind Manor (1802 17th Avenue, Seattle, WA 98122). Proceeds of the bonds may also be used to fund a debt service reserve and to pay a portion of the costs of issuing the bonds. The facilities are each owned or will be owned and operated by Presbyterian Retirement Communities Northwest d/b/a/ Transforming Age ("PRCN") or Fred Lind Manor, each a 501(c)(3) Washington nonprofit organization, or by FH, LLC, a Washington limited liability company, the sole member of which is PRCN. The total estimated aggregate bond amount is not expected to exceed $150,000,000. Mr. Peterson introduced Torsten Hirche, President and CEO of Transforming Age and Michael Connell, CFO of Transforming Age.

Mr. Hirche stated that Transforming Age is currently serving over 7500 people in different capacities, 3500 in housing and 4000 in community-based services. He mentioned that Olympic Tower at Skyline is an expansion of an existing campus on First Hill. This 21-story building will include a wellness center, 76 parking stalls and a performance hall.

Mr. Connell stated that Skyline is a retirement community with a lifetime Continuing Care Retirement Communities (CCRC) contract so individuals can move through the system as needed.

In response to a question from Mr. Richter, Mr. Hirche stated that the three campuses are connected as an obligated group. He also mentioned that if individuals run out of money several foundations keep them in the CCRC.

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

Public Hearing: Belmont 1, OID # 18-112A

The Chair opened a public hearing on OID # 18-112A, Belmont 1 at 1:11 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition of land and new construction and equipping of a 90-unit low income multifamily housing facility located at 1717 Belmont Avenue, Seattle, WA 98122, to be owned by Pioneer Belmont 1 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 $18,000,000. Mr. Peterson introduced Bob Thompson, Director of Planning and Development at Pioneer Human Services.

Mr. Thompson stated that Pioneer Human Services provides criminal justice-involved individuals with the services needed to successfully re-enter the community. They serve individuals released from prison or jail, and those in recovery, who are in need of treatment, housing, job skills training and employment. The development will serve a mix of low-income residents below 30%, 50% & 60% average Median Income (AMI). The building includes offices for classroom, community and support services space, and will provide much-needed affordable housing in the city.

In response to a question by Ms. Klontz, Mr. Thompson that the transition plan has already initiated and residents have already relocated.

There were no other comments from members of the public and the hearing was closed at 1:22 p.m.

Commission Hearing: College Glen Apartments, OID # 18-110A

The Chair opened a Commission hearing on OID # 18-110A, College Glen Apartments at 1:22 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt and taxable revenue bonds to finance a portion of the costs for the acquisition and rehabilitation of a 164-unit multifamily housing facility located at 4870 55th Lane SE, Lacey, WA 98503, to be owned by College Glen Affordable Housing Partners II, 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 $24,000,000 (a portion of which may be taxable). Mr. Peterson introduced Corey Baldwin, Director of Acquisition at Shelter Resources, Inc.

Mr. Baldwin stated that College Glen is an existing Low-Income Housing Tax Credit ("LIHTC") property located in Lacey, Washington. One hundred percent of the will be leased to households earning no more than 60% of AMI. Ten percent of the units will be set-aside for persons with disabilities and twenty percent will be set-aside for large households. The rehabilitation will include updated windows, roofing, a playground, common area and fitness center.

There were no other comments from members of the public and the hearing was closed at 1:27 p.m.

Public Hearing: Tukwila Village Phase 2 Senior Living, OID # 18-118A

The Chair opened a public hearing on OID # 18-118A, Tukwila Village Phase 2 Senior Living at 1:27 p.m.

Lisa Vatske, Director Multifamily Housing and Capital Facilities, said this is the proposed issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs for the new construction and equipping of a 204-unit low income multifamily housing facility located at 14200 Tukwila International Boulevard and 4110 South 144th Street, Tukwila, WA 98168, to be owned by Tukwila Village Phase 2 Opportunity Fund, 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 $48,000,000. Ms. Vatske stated that this project will use half of its originally allocated bond cap and the additional amount will be recycled bond cap. Additionally it will be in an opportunity zone. Ms. Vatske introduced Jay Woolford, Executive Director at Sustainable Housing for Ageless Generation (SHAG).

Mr. Woolford stated that this second phase of Tukwila Village consists of building A, a 79-unit mixed-income senior living building with approximately 8,213 square feet of commercial space, including four live/work loft units, and Building B, a 125-unit mixed-income senior living building with two live/work units. Both buildings will be elevator serviced, have structured parking, and semi-private outdoor landscaped terraces. The amenities include a fitness center, media room, and business center. Twenty percent of the units will be at 50% of AMI, 30% at 80% of AMI and 20% set-aside for seniors.

There were no other comments from members of the public and the hearing was closed at 1:34 p.m.

Public Hearing: 9% Low Income Housing Tax Credits from the 2019

The Chair opened a public hearing on the recommended allocation of Low Income Housing Tax Credits at 1:34 p.m.

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

Samish Way Redevelopment
$1,661,382

Mr. Peterson introduced Brien Thomas, Executive Director and CEO of Bellingham and Whatcom County Housing Authority. Mr. Thomas stated that this is the first phase of a 150 unit affordable housing complex to be located on the site of the former Aloha Motel. This phase is 69 units. The site is located along the I-5 freeway on a frequently travelled corridor in the City of Bellingham. In addition to providing new affordable housing, this project will serve as the anchor for the Samish Way corridor redevelopment, an important step in transforming this “drive by district” into a more connected urban village. Twenty five percent of units will be at 60% of AMI, 25% of units at 40% of AMI and 50% of units at 30% of AMI with 20% set-aside for homeless and another 20% for peoples with disabilities.

In response to public comment from Paras Rana from Pioneer Human Services, Mr. Thomas stated that they tried modular construction for phase 1 of this project but it did not work for them. He believes modular construction would have had to be the plan from the beginning for it to work for this project.

CSC Housing
$1,966,203

Mr. Peterson introduced Colleen Echohawk, Executive Director of the Chief Seattle Club. Ms. Echohawk stated that CSC Housing will be located adjacent to Chief Seattle Club’s current location in Pioneer Square. Case management will be provided on-site and residents will have access to services provided by the Chief Seattle Club. The building will also include a primary care clinic to be run by Seattle Indian Health Board and a street front art gallery/café to be operated by Chief Seattle Club. The art gallery will showcase the work of Native artists and the building will be designed to honor Seattle’s rich Native heritage that reaches back to the founding of Seattle. There will be 80 units and 50% set-aside for individuals at 50% of AMI and 50% of units at 30% of AMI.

Yancy Street PSH
$1,056,940

Mr. Peterson introduced Darcell Slovek-Walker, CEO at Transitional Resources ("TR"). Mr. Slovek-Walker stated that TR believes that all people, including those living with serious mental illness, deserve a safe and meaningful life. They provide a continuum of behavioral health services; permanent, affordable housing; and a community of support to help people achieve better health and dignity.

Yancy Street PSH will be located half a block from the TR assisted living facility, the Avalon Way administrative offices, licensed outpatient behavioral health program, and two other TR-owned permanent supportive housing developments in West Seattle. Yancy Street PSH will provide 44 new homes for people, the target population for this development will include adults with serious and persistent mental illness who are transitioning from other institutional settings or are otherwise experiencing homelessness.

TR is developing this project on property it previously leased for many years as shared housing. For this project, each resident with a private apartment with access to a shared community room and outdoor amenity space. Supportive housing staff will be available on-site 24 hours per day. Residents can engage in comprehensive behavioral health services provided at the nearby behavioral health offices and be part of a great neighborhood with excellent transit and a supportive community.

Transitional Resources will provide an array of behavioral health and onsite housing services tailored to the needs of each tenant.

There were no other comments from members of the public and the hearing was closed at 1:57 p.m.

Public Hearing: Proposed 9% Housing Tax Credit Program Policy Changes for the 2020 allocation round

The Chair opened a public hearing on the proposed 9% Housing Tax Credit Program Policy Changes for the 2020 allocation round at 1:57 p.m.

In April Ms. Vatske said the Commission held several stakeholder meetings proposing and discussing potential policy changes for the 2020 9% allocation round. The Commissioners were briefed at the May Budget planning session and the policies were posted for comment. Comments have been received, were briefly summarized and are included as part of the packet. Continued consideration is being given to the written comments and additional modifications to the policies may be proposed. Blacklined and clean copies of the policies were provided to Commissioners. All of the other policies previously discussed are recommended to move forward.

The proposed changes for the 9% policy include:

- **Total Development Costs**

Proposed Modifications: Based upon third party data from Engineering News Record (ENR), propose a nine percent (9%) increase in TDC Limits in the Seattle/King and Pierce/Snohomish/Clark TDC Limit Areas. Propose a three percent (3%) for Metro and Balance of State TDC Limit Areas as set forth below:

	Studio	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm
2019 Sea/King	$259,533	$300,380	$319,196	$357,978	$394,343
9% Increase	$23,358	$27,034	$28,728	$32,218	$35,491
2020 TDC Limit	$282,891	$327,414	$347,924	$390,196	$429,834
2019 Pierce/Sno/Clark*	$249,769	$291,367	$308,560	$347,238	$382,514
9% Increase	$22,479	$26,223	$27,770	$31,251	$34,426
2020 TDC Limit	$272,248	$317,590	$336,330	$378,489	$416,940
2019 Metro	$241,635	$272,613	$298,315	$344,210	$379,176
3% Increase	$7,249	$8,178	$8,949	$10,326	$11,375
2020 TDC Limit	$248,884	$280,791	$307,264	$354,536	$390,551
2019 BoS	$175,251	$197,320	$223,661	$290,517	$319,689
3% Increase	$5,258	$5,920	$6,710	$8,716	$9,591
2020 TDC Limit	$180,509	$203,240	$230,371	$299,233	$329,280

* Inclusion of Clark County in this Group is Contingent on Acceptance of Suggested Policy Change adding Clark County

- **TDC Geographic Pools**

Proposed Modification: Propose moving Clark County into the TDC limit category with Pierce and Snohomish, creating the Pierce/Snohomish/Clark limit category.

- **Housing for the Homeless**

Proposed Modification: A change in the points awarded for Homeless Permanent Supportive Housing in the Metro Pool only. The number of points awarded will be twenty-five (25) points.

- **Farmworker Housing**

Proposed Modification: Change the definition of Farmworker to remove language regarding AMI requirements as follows:
Farmworker means a household whose income is derived from farmwork in an amount not less than $3,000 per year.

- **Cost Containment Incentive**

Proposed Modification: Modification of TDC Limit Point.
Currently, one (1) point is awarded to a project that is below its appropriate TDC Limit at the time of application. The points available under this policy will be increased to a possible six (6) points as follows:

- One (1) point for being under the appropriate TDC limit; or
- Three (3) points for being more than five (5) percent under the appropriate TDC limit; or
- Six (6) points for being more than ten (10) percent under the appropriate TDC limit.

Modification of Median Square Footage Point.
Currently, one (1) point is awarded to a project based on how they compare to the median cost per square foot in its TDC Limit Area.
It is proposed that the single point be increased to two (2) points

There was a public comment from Ginger Segel from Community Frameworks. She thanked the staff for thinking long term around the State and short term when it came to items like wage rates. For example in Kitsap County the wage rates are closer to the Peirce and King County rates.

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

Public Hearing: Issuance of single-family bonds

The Chair opened a public hearing on the issuance of single-family bonds at 2:13 p.m.

Lisa DeBrock, Director of the Homeownership Division, noted that the hearing is an annual item. Ms. DeBrock stated that this public hearing concerns the proposed issuance by the Commission of single-family program bonds and homeownership program bonds in one or more series, in a total amount not to exceed $250 million. The bonds will be finance the acquisition of eligible single-family residences throughout the state.

Mortgage loans will be originated by lending institutions under standard FHA, VA, USDA, Freddie Mac and Fannie Mae guidelines, and sold to a master servicer. The master servicer will pool the mortgage loans into Ginnie Mae, Fannie Mae or Freddie Mac mortgage-backed securities and sell them to the Commission's bond trustee who will acquire the securities with the proceeds of the bonds.

A portion of the bonds may be a short-term note, which will be issued pending the establishment of mortgage rates through the issuance of long-term bonds. The issuance of bonds and any remarketing or refunding of bonds is done pursuant to a plan of finance of the Commission.

The mortgage loans must meet the requirements of the originating lenders as well as Section 143 of the Internal Revenue Code of 1986, as amended, if the interest on the bonds is to be exempt from federal income taxes.

Borrowers must be first-time homebuyers (unless the property is located in targeted areas as defined by the Code or the loan is made to a veteran as defined in 38 U.S.C. §101 and are subject to maximum income limits). Properties are subject to maximum purchase prices and must be owner-occupied. No other public hearing needs to be held for bonds issued within a one-year period. No comments were received from the general public. The results of the hearing will be sent to the Governor for approval prior to the issuance of bonds.

There were no other comments from members of the public and the hearing was closed at 2:16 p.m.

Action Item: Resolution No. 19-81, Wesley at Tehaleh, OID # 19-59A

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition, new construction and equipping of a senior retirement community with 136 independent living apartment units, 42 brownstone independent living units, 42 assisted living units and 18 memory care units, located at 17802 Cascadia Boulevard East, Bonney Lake, WA 98391, to be owned by Wesley Homes Pierce County, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds may also be used to fund a debt service reserve; pay capitalized interest on the bonds and working capital expenses of the Project; and pay a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed $105,000,000. The public hearing was held May 23, 2019.

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

Action Item: Resolution No. 19-84, a Resolution for the 2019 Allocation of Credit for the Housing Tax Credit Program

Ms. Vatske said this is a resolution authorizing the Executive Director to make reservations and/or allocations of 2019 Housing Tax Credits to the following projects in the following amounts:

- Samish Way Redevelopment - $1,661,382
- Yancy Street PSH - $1,056,940
- CSC Housing - $1,966,203

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

Action Item: Proposed changes to the 9% Housing Tax Credit Program Policies for the 2020 allocation round

Mr. Moss moved approval of the proposed changes to the 9% Tax Credit Policies for the 2020 allocations. Mr. Larsen seconded the motion. The changes were unanimously approved.

Action Item: Mixed Income Workforce Housing

Ms. Vatske stated that the Commission has the authority and over the years has utilized its 80/20-bond program as well as its Non-profit Housing program for a broad continuum of housing. Under federal tax law, at least 20% of the units must serve households at 50% of area median income or below, or 40% of the units must serve households at 60% of area median income or below, thereby ensuring the creation of additional low-income affordable units, but also allowing for a broader continuum of income levels to be served in the balance of the units.

Demand has reached an all-time high for our private activity bond cap and the pipeline of ready projects is triple the available resource. At the same time our recycled cap, which we began to capture in 2016, has also increased. This is likely to become an underutilized resource as projections are far beyond what we can use in the way we have been. Here is an estimated projection of our recycled cap resources:

WSHFC	
Current	$ 16,149,600.00
3/1 - 6/30/19	77,824,574.01
7/1 - 12/31/19	68,119,128.75
1/1 - 6/30/20	67,188,757.53
7/1 - 12/31/20	50,662,378.22
1/1 - 6/30/21	73,036,086.49
7/1 - 12/31/21	34,219,768.92
After 1/1/22	24,640,000.00
Totals	***$411,840,293.92***

Our exploration and proposal for a mixed income workforce housing program is guided by the following:

- New, tax credit-eligible bond volume cap is severely limited and oversubscribed
- Commission has a substantial pool of recycled bond volume cap coming in over the next 3+ years
- Commission also has no limit on the amount of 501(c)(3) bonds it can issue

- Commission is unwilling to cannibalize its existing, successful 4% program which produces needed 60% and lower AMI units, ie., it will not set-aside new volume cap for a new sub debt "program"
- If a project uses new, tax credit-eligible bond volume cap, it must compete in the Commission process and score highly enough to be awarded cap
- An 80-20 program using recycled cap or 501(c)(3) bonds could address a broader income mix and potentially address the gap of financing for units in the 60-120% AMI range and allow for the financial viability without tax credit equity.
- Specific market dynamics, location, age and economics affect the financial feasibility of a project. As we pursue modeling and due diligence around these scenarios a lack of familiarity with the specific drivers for these projects constrain staff's ability to recommend firm additional income targeting (for instance, the number of units ranging from 60-120%)
- Acquisition of existing projects will produce a faster product compared to new construction

In order to meet the federal requirements to recycle bond cap, the Commission needs to set-up a financial instrument to fully execute a "refunding." We are working with Microsoft to develop a line of credit instrument, which we will draw upon to repay the recycled cap-eligible bonds. The borrower will make their repayment on the same day and in the same amount and proceeds will be invested as security for the line of credit draw.

The Commission will invest proceeds in a short-term investment, likely a segregated Local Government Investment Pool (LGIP) or money market account opened by the Commission specifically for this purpose. With Microsoft's help, we hope that the short-term cost of borrowing these funds will be offset by the LGIP or money market investment, yielding a net zero-cost.

The Commission's authorization is required to establish an additional, segregated LGIP, money market or other account for this purpose.

Ms. Topper moved approval for staff to purse transactions that utilize the Commission’s existing financing tools and recycle volume cap to create or preserve mixed income workforce housing that fit the criteria outlined in staff’s memo and meet the federal requirements for income targeting. The motion authorizes staff to determine the appropriate income targets, if any, in addition to federal requirements, on a case-by-case basis until such time staff is able to recommend firm guidelines.

Ms. Topper further moved approval (1) of staff’s recommendation for development and execution of a line of credit agreement with Microsoft, (2) for the opening of an LGIP account, money market fund or another agreed upon investment account, which will be dedicated to the recycling program, and (3) for the execution of any other documents necessary to implement the conservation and recycling of bond volume cap as outlined in staff’s memo. Mr. Richter seconded the motion. The recommendations was unanimously approved.

Action Item: Resolution No. 19-85, Single Family Resolution

Ms. DeBrock said this is a resolution authorizing the issuance and remarketing of Single Family Mortgage Revenue Bonds, Homeownership Program Bonds, and Single Family Special Program Bonds in one or more series, in a total amount not to exceed $250,000,000; authorizing the Home Advantage Program, payment agreements and the sale of certificates without the issuance of bonds, all to facilitate the financing of single-family housing.

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

Action Item: Operating Budget for the fiscal year July 1, 2019 – June 30, 2020

Mr. Herman requested approval of the General Operating Budget for the Commission’s July 1, 2019 – June 30, 2020 fiscal year. Mr. Herman stated that the draft budget was reviewed at the Commission planning session in May. Mr. Herman stated that Home Advantage, the taxable single-family mortgage program, continues to be successful and is projected to remain so in the upcoming year. For fiscal 2020, we have budgeted loan production at 6,800 loans. This represents a slightly higher (4%) volume than actual projected FY19 results. Revenue is budgeted to reflect current rates received as well as the impact of the new servicing revenue model on a growing portfolio of loans serviced by Idaho. In FY19, we lowered the Commission’s margin generated through the sale of mortgage-backed securities and did not fully fund the downpayment assistance (DPA) through premiums received. Again in FY20 we proposed generating 3% of the DPA through MBS sales with the remaining amount funded by the Commission from repayment of prior loans.

The program is budgeted to provide $15.7 million of the budgeted revenue for FY20, net of the 25% allocated to the General Indenture’s Commission Fund to support future programs.

For the next year, the Commission expects twenty-three financings by the Multifamily Housing and Community Facilities Division (“MHCF”) totaling $477.0 million. Estimated fees directly related to the Multifamily Housing and Community Facilities Division represents $7.8 million of the budgeted revenue for FY20. This includes issuance fees of 25 basis points (bps) of the bond amount earned at closing, the annual fees currently ranging from 10 to 25 bps of the outstanding bond amount, and tax credit application and reservation fees.

Asset Management and Compliance fees are projected to continue to rise in conjunction with the number of projects and units in their portfolio. The Finance Division has raised the projected rate of return on investments. In addition, we have increased the projected amount available for investment to be more aligned with the historical anticipated amount of temporarily undeployed Program-Related Investment commitments.

Continued ~~Strong~~ strong earnings provide an opportunity to revisit the Commission’s current Operating Reserve benchmark of $20 million. Implementation of Governmental Accounting Standards Board statements has required the Commission to accrue certain Pension and other Post Employment Benefit plan liabilities ($8 million at FYE June 30, 2018). We do not expect to make direct payment of those liabilities, rather they will continue to be collected as part of our ongoing benefit charges. However, the liability does significantly affect our stated General Operating Reserve, bringing it to $12.4 million.

After the Planning Session, budgeted expenses were adjusted to reflect hiring an executive recruitment firm, legislature implemented adjustments to certain general service pay scales, and the depreciation expense associated with the capital expenditure for software development of an MHFC online application process, increasing budgeted expense by $109 thousand. Expenses (excluding pass through grants) for FY20, including these changes, are budgeted 6.7% greater than the prior year's budget. The increase is primarily due to the impact of the legislature implementing a 5% increase for staff working in King County as well as a 3% cost of living increase, both effective July 1, 2019.

The increase in expense coupled with a 54% increase in revenue (excluding pass through grants) results in a budgeted $18.9 million net income, a decrease of 14.7% from 2019 projected net income at April 30, 2019.

Mr. Krueger moved to approve the 2019-2020 budget. Ms. Lawrence seconded the motion. The annual budget was approved.

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

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

Mr. Herman requested the Commissioners consider and act on a request to transfer reserves in excess of $30 million in the General Operating Fund before the effect of deferred pension and OPEB liabilities as of June 30, 2019 to the Program-Related Investments (PRI). This will restore the net reserves show on the financial statements to at least $20 million.

Ms. Topper moved to approve the transfer of excess revenue into the Program-Related Investments. Mr. Richter seconded the motion. Mr. Krueger abstained from the vote due to a conflict of interest. The request was unanimously approved with one abstention.

Action Item: Recommendation for Bond /General/ Tax Credit Counsel

Paul Edwards, Deputy Director, stated that Commission staff conducted a Request for Proposal (RFP) process in order to select General Counsel, Bond Counsel, Tax Credit Counsel and Special Counsel for the Commission's Energy Efficiency Loan Program.

On April 11, 2019 RFPs were e-mailed to a variety of legal firms; a legal notice appeared in the Bond Buyer, Seattle Times, and Daily Journal of Commerce newspapers; and posted on the Commission website.

The RFP responses were due on April 25, 2019 and staff received responses from 7 law firms requesting to be considered for various legal services positions:

- Chapman & Cutler (Chicago)
- Foster Pepper (Seattle)
- Gilmore & Bell (Salt Lake City)
- Hunton Andrews Kurth (Houston)
- Kutak Rock (Omaha)
- Pacifica (Seattle)
- Stradling (Seattle)

On May 7, 2019, the Executive Management Team (EMT) met to review the RFP responses to determine which candidates to interview. Our discussion focused on past experience, the experience of key staff, track record, customer service, and fees. Following this discussion, the EMT decided to recommend that we continue to use the current legal services provided as follows:

- Pacifica: Bond, General and Tax Credit Counsel
- Kutak Rock: Single Family Tax Counsel
- Foster Pepper: Single Family Disclosure Counsel & alternate counsel
- Stradling: Energy Efficiency Counsel

Mr. Edwards also mentioned that it was recently announced that effective this September, Foster Pepper would combine with Garvey Schubert Barer. Foster Pepper has confirmed that they do not believe the pending merger will have any adverse impact on their representation of the Commission.

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

Commissioners' Reports

Ms. Miller stated the Executive Director Search Committee is looking for an executive search firm for the Executive Directors position and the Committee has a meeting next week to discuss submissions.

Consent Agenda

The consent agenda was approved as mailed.

Executive Session

At 2:50 p.m., Mr. Herman called an Executive Session to discuss personnel issues and the public was excused.

The Commission reconvened at 3:07 p.m. Cindy Felker, Human Resource Manager, requested the approval of the 3% Cost of Living (COL) increase and 5% Seattle premium pay increase to the Executive Directors salary. Mr. Krueger moved to approve request. Mr. Moss seconded the motion. The request was unanimously approved.

Adjournment

The meeting was adjourned at 3:11 p.m.

Signature ____________________________________

Posted to the Commission's website 8/13/2019