WASHINGTON STATE HOUSING FINANCE COMMISSION'S 2016–2017 HOUSING FINANCE PLAN

WASHINGTON STATE HOUSING FINANCE COMMISSION
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Our Mission

We are a publicly accountable, self-supporting team dedicated to increasing housing access and affordability and to expanding the availability of quality community services for the people of Washington.

Our Operating Vision

We are a catalyst to join resources and partnerships creating greater access to housing and community services. Every Commission contact is positive and informative.

Our Shared Values

We value:

▪ Teamwork ▪

▪ Every employee's contribution ▪

▪ A trusting, respectful dialogue with one another ▪

▪ A safe environment to express opinions ▪

▪ Personal responsibility ▪

▪ Flexible and innovative leadership ▪

▪ Willingness to accept constructive feedback and change ▪

▪ Sharing information ▪

▪ A helpful attitude toward clients ▪

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INTRODUCTION TO THE WASHINGTON STATE HOUSING FINANCE COMMISSION'S 2016-2017 HOUSING FINANCE PLAN

The Commission uses its Housing Finance Plan as our strategic planning document rather than undertaking the development of a different five-year strategic plan. Annually, we adjust our long-term strategic directions at the commissioner planning sessions, but we believe that the two-year period of the Housing Finance Plan allows us to better reflect and respond to the rapid rate of change and the practicalities of operating in the current market and housing environments. The annual work program and budget for the Commission provide business objectives for each division and our allocation of resources to meet those objectives for each fiscal year.

The basic format of this plan remains consistent with the plans of previous years. Following these introductory remarks, you will find an overview of the Commission, our plan for financing affordable housing, nonprofit facilities, beginning farmers and ranchers and energy projects through 2017 and a detailed description of Commission policies for each of our current programs. In the back of the document, you will find a presentation of the results achieved by the Commission.

What the plan does not contain is a summary or forecast of the economic situation of the State. For those that are interested in such economic forecasting, we refer you to the Office of Financial Management (www.ofm.wa.gov) and the Economic and Revenue Forecast Council (www.erfc.wa.gov) for updated information regarding the State's financial situation.

LOOKING AHEAD

Although the Housing Finance Plan focuses mainly on the next two years, the long-term nature of housing requires us to think about contingencies that could arise over the next two decades. In previous plans, we talked about the challenges posed by the aging of the baby boom generation. Between 2008 and 2020, Washington's population of persons 65 and older will increase by more than 75 percent, going from 686,000 to more than 1,200,000 persons. This requires us to keep focusing on preparations to meet the future housing needs of our senior citizens.

CERTAIN THINGS WE NEED TO CONSIDER[1]

Our enabling legislation (RCW 43.180) specifies a number of issues related to the housing market and affordable housing needs that we should consider in the development of the Housing Finance Plan. As requested by legislators, we have added some additional items in our plan. These policy issues include:

(1) The use of funds for single-family and multifamily housing;

[1] The Commission adopts policies and program guidelines that address these issues. However, not every issue is addressed in every program. We have included an index at the end of the 2016-2017 Housing Finance Plan that cross-references these priorities and the Commission programs that addresses them.

(2) The use of funds for new construction, rehabilitation, including refinancing of existing debt, and home purchases;

(3) The housing needs of low-income and moderate-income persons and families, and of elderly or mentally or physically handicapped persons;

(4) The use of funds in coordination with federal, state, and local housing programs for low-income persons;

(5) The use of funds in urban, rural, suburban, and special areas of the state;

(6) The use of financing assistance to stabilize and upgrade declining urban neighborhoods;

(7) The use of financing assistance for economically depressed areas, areas of minority concentration, reservations, and in mortgage-deficient areas;

(8) The geographical distribution of bond proceeds so that the benefits of the housing programs provided under this chapter will be available to address demand on a fair basis throughout the state;

(9) The use of financing assistance for implementation of cost-effective energy efficiency measures in dwellings;

(10) The use of funds to increase the supply of affordable and decent housing throughout the state;

(11) The use of funds to promote the provision of affordable housing for the longest period of time possible;

(12) The use of funds to promote increased housing density; and

(13) To give priority for the allocation of multifamily bond cap to eligible applications submitted by non-profit organizations.

We take all of these issues into consideration during the development of this plan and the Commission's programs. Of course, we cannot always set specific objectives in each plan for every issue, we cannot always implement specific programs to focus on each issue at any given time; nor can we address each issue in every program that we operate. And while we do not provide a summary of our considerations regarding each item mentioned in this plan, we use our evaluation criteria and program policies to give weight and priority to activities within programs to address specific issues outlined above.

We direct available resources to different programs to address various issues to meet our annual objectives. The plan's explanation of the program policies and allocation criteria used to select projects and allocate resources, demonstrates how we give consideration to these policy issues in our programs and financings. The cumulative impact of achieving our annual objectives contributes to our record of success at addressing these important issues over the Commission's history.

Acknowledgements

We thank our partners, including state agencies, local housing authorities, nonprofit organizations and our business partners in the banking, finance, investment, and construction industries for helping us reach our financing goals and our program objectives. Without that

assistance and cooperation, we could not be successful. We also thank the Commission's hard-working staff, for maximizing our resources through their professional expertise, dedication and creativity.

Also, we would also like to acknowledge the citizens of Washington who participate in our programs. The need for decent, affordable housing is constant, yet at different points in their lives, people may need help. Our programs are designed to assist young families, people who need affordable rental homes and the elderly to maintain a secure living situation. Helping the people of Washington by *opening doors to a better life* is the reason we exist.

We also express our appreciation to the national and international investment community and out-of-state developers who provide funding and their development expertise to increase the quality of life in this State.

Finally, we specifically want to acknowledge that Governor Inslee and our State Legislature share our belief that housing matters, as evidenced by their strong support of affordable housing programs. We thank them for that support and urge them to continue their investment in housing that is affordable for all Washington residents.

Karen Miller, Chair, Washington State Housing Finance Commission

December 2015

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OVERVIEW OF THE HOUSING FINANCE COMMISSION

THE WASHINGTON STATE HOUSING FINANCE COMMISSION IS A SELF-SUPPORTING AGENCY THAT ACHIEVES ITS SOCIAL AND ECONOMIC OBJECTIVES AT NO COST TO THE TAXPAYERS OF OUR STATE.[2]

The Commission was created in 1983 to act as a financial conduit which, without lending the credit of the state, can issue non-recourse revenue bonds; participate in federal, state, or local housing programs; make additional funds available at affordable rates to help provide housing throughout the state; and encourage the use of Washington forest products in residential construction.

The Commission is authorized to provide construction and permanent financing for low- and moderate-income housing, nonprofit facilities, capital equipment, beginning farmers and ranchers, energy efficiency and energy production within the state.

The Commission has 11 voting members. Two commissioners, the State Treasurer and the Director of the Department of Commerce, serve ex officio and eight commissioners are appointed by the Governor to four year terms. The Chair of the Commission is appointed by and serves at the pleasure of the Governor. The Commissioners represent various geographic, business, and public interests.

In 1987, the Commission was designated as the state's allocating agency for the federal Low-Income Housing Tax Credit program. In 1990, the Commission's authority was expanded by the Legislature to finance nursing homes, as well as capital facilities and equipment owned by nonprofit 501(c)(3) organizations. In 2005, the Legislature gave the Commission the authority to issue bonds for beginning farmers and ranchers. Finally, in 2009, the Legislature empowered the Commission to create a Sustainable Energy Trust, if feasible, and to participate in energy efficiency and renewable energy projects for housing and non-housing facilities.

The Department of Commerce and the Department of Financial Institutions (DFI) have contracted with the Commission to administer programs such as the Land Acquisition Program, the Rapid Response Program, the Equity Fund, the Washington Works program, and housing counseling, which are financed in whole or in part with state funds. These programs may or may not continue to be administered by the Commission in the future.

The Commission's enabling legislation requires a State Housing Finance Plan to be updated from time to time and requires the Commission to report to the Legislature at least every two years on the implementation of the plan. The plan outlines the policies of the Commission and provides a brief overview of the housing finance and other programs the Commission intends to offer during the plan period. The Commission reports to the Legislature on the financing completed in compliance with the Plan through its annual report. The plan will remain in effect until it is replaced or revised by a subsequent plan that is adopted by the Commission.

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[2] The Commission receives no direct state appropriations. It does, however, administer contracts for other state agencies using state funds when the Commission's involvement can add value or is required by law.

More detailed information regarding individual programs that the Commission operates is available by request.

This is the Housing Finance Plan for calendar years 2016 through 2017. To receive information regarding the financing and other programs of the Commission, go to our Web site at www.wshfc.org; write the Washington State Housing Finance Commission, 1000 Second Avenue, Suite 2700, Seattle, Washington 98104; call (206) 464-7139 or 1-800-767-HOME (in-state only); or e-mail at askus@wshfc.org.

POTENTIAL RESOURCES AVAILABLE TO THE COMMISSION IN 2016 AND 2017

The following explains the resources, along with their uses and constraints, the Commission expects to have available for use in calendar years 2016 and 2017.

UNIFIED VOLUME CAP AUTHORITY FOR TAX EXEMPT BONDS

The Tax Reform Act of 1986 imposed a Unified Volume Cap (also known as "private activity bond cap" or "bond cap") on the issuance of private activity tax-exempt bonds in each state. The Washington State Department of Commerce (Commerce) is authorized to allocate the bond cap on a calendar year basis under federal and state law, as explained in more detail below.

The "Consolidated Appropriations Act of 2001" (the Act) raised the private activity bond/state volume cap and indexed annual increases to inflation thereafter. The Act also increased the federal Low-Income Housing Tax Credit authority of the state and indexed it to inflation thereafter. The Act also made significant changes in the requirements of the Tax Credit program that were incorporated into the Commission's 2001 Qualified Allocation Plan, Rules and Policies.

The actual amount of Private Activity Volume Cap (bond cap) and Low Income Housing Tax Credits has been adjusted several times since 2002 to reflect growth in population and inflation. According to the U.S. Census Bureau, Washington's population passed the seven million mark during 2014. Therefore, the total amount of tax-exempt private activity bond authority available to the state for 2015 was $706,153,000, which is calculated by multiplying the State's population by $100.

In accordance with RCW 39.86.120, thirty-two percent of the bond cap would have been dedicated to funding affordable housing, which would have resulted in an allocation of $225,968,960 in 2015. Of this amount, the Commission would have received $180,775,168, which is 80% of the housing allocation.

Because the Commission received 2014 Carryforward bond cap at December 31, 2014 in excess of this allocation, by agreement the Commission did not receive its initial allocation for 2015. The Commission does, however, expect to receive a substantial portion of the state's 2015 bond cap allocation as carryforward at December 31, 2015.

In the Housing and Economic Recovery Act (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA) legislation, the federal government created several new types of bond cap for specific purposes. These include Qualified Energy Conservation Bonds (QECBs), Recovery Zone Economic Development Bonds (RZ-EDBs) and Recovery Zone Facility Bonds (RZ-FBs). The Commission will not necessarily use each of these bond cap programs, but the ones that will be implemented by the Commission will be included in the following sections of the Plan.

The Impact of State Legislation

In 2001, the Governor signed into law Senate Bill 5197, which raised the initial allocation of bond cap for the Housing category from 25 to 30 percent. In 2008, as a further result of Senate Bill 5197, housing's share of bond cap was increased to 32%.

In 2009, the Legislature gave the Commission the authority to enter the area of energy financing in HB 1007 and SB 5649. The legislation directed us to create a sustainable energy program which would finance residential, commercial, agricultural, and governmental energy efficiency and renewable energy projects in the state. The Commission is able to issue any type of bond available to conduit bond issuers, to make direct loans for energy projects where feasible, and to participate with other agencies and organizations to create energy programs. The Commission adopted formal policies for the Sustainable Energy Program in August 2010. The Commission also obtained private funding for the Sustainable Energy Trust in 2012.

In 2010, the Legislature passed ESHB 2753, which made amendments to the Bond Cap allocation process, updated definitions and references, and changed the dates when unused bond cap in different categories can be recaptured for reallocation. The bill also recognized the creation of new categories of tax-exempt bonds created by Congress in HERA and ARRA and gave Commerce the authority to allocate and recapture those allocations under federal and state law.

Changing the recapture dates will make additional bond cap for tax-exempt housing bonds available to the Commission and housing authorities earlier in the year. The recapture dates were moved forward 60 days and the amount of additional bond cap available in any given year will vary depending on use by other eligible issuers.

ESHB 2753 also created the Washington Works (WA Works) housing program at the Commission, which is intended to promote the use of tax-exempt bonds by nonprofit and public organizations to build and preserve workforce housing. The bill specified that one billion dollars of the outstanding indebtedness of the Commission is for the primary purpose of implementing the WA Works housing program unless there are no subsidies to support the program or the debt limit amount is exhausted.

The Impact of Federal Legislation

In October of 2009, the Obama Administration announced a new initiative to help state and local housing finance agencies (HFA) achieve lower mortgage rates and expand resources for low and moderate income first-time borrowers to purchase homes that are affordable. The Department of the Treasury and HUD, together with the Federal Housing Finance Agency (FHFA), Fannie Mae, and Freddie Mac, developed this initiative, called the New Issue Bond Program (NIBP), to maintain the viability of HFA lending programs.

The NIBP provided temporary financing through the end of 2011 for HFA to issue new mortgage revenue bonds. Using authority under the Housing and Economic Recovery Act of 2008 (HERA), Treasury purchased securities of Fannie Mae and Freddie Mac backed by these new mortgage revenue bonds. The program was used by the Commission during 2011 to finance new mortgages for first-time homebuyers.

In December 2012, the Department of Housing and Urban Development (HUD) published an interpretive rule requiring the Commission to provide down payment assistance to homebuyers using Federal Housing Administration mortgage insurance directly at the closing table and not through a third-party or non-governmental entity. HUD provided further guidance that down payment assistance loans should be closed in the name of the Commission and not in the name of the first mortgage lender.

Prior to the passage of SB 5558, the Commission could only purchase a down payment assistance loan from a participating mortgage lender and could not make a direct down payment assistance loan to a borrower. The bill authorized the Commission to make loans for down payment assistance to homebuyers in conjunction with other Commission programs.

Current State Law for the Allocation of Bond Cap

State law for the allocation of private activity bond cap is contained in RCW 39.86, which was first enacted in 1987 and has been amended several times. In general, the section outlines how private activity bond cap will be allocated to the issuers in the state for purposes of financing housing, student loans, small industrial development projects, certain exempt facilities and several new categories of bond cap created by American Recovery and Reinvestment Act of 2009 (ARRA). Rules for the allocation of bond cap have been adopted and can be found under the Washington Administrative Code (WAC) 365-135.

The following paragraphs generally summarize the policies for the Housing category.

Eligible housing is considered to be single-family housing financed with mortgage revenue bonds and mortgage credit certificates and multifamily residential rental projects, as described in the IRS code (26 USC §143).

State law provides that each issuing category shall have an initial allocation representing a percentage of the available bond cap each year. In the Housing category, the current initial allocation amount is 32 percent of the state's volume cap. This initial allocation amount may only be modified to reflect an issuer's "carryforward"[3] amount.

At the time the bond cap allocation law was adopted, there existed three state issuers that used private activity bond cap: the Student Loan Finance Association, the Housing Finance Commission, and the Community Economic Revitalization Board (CERB). At a later date, CERB terminated its bond program and the Student Loan Finance Association ceased operations.[4]

In recognition of these statewide issuing authorities, the law recognized "Programs" for housing, student loans, and CERB in the original allocation of bond cap. In additional recognition of statewide issuing authority, the Housing and Student Loan categories were not subject to "recapture"[5] before December 15 each year. Other categories of bonds are subject to recapture between July 1 and September 1 of each year. Recaptured bond cap is added to

[3] "Carryforward" is an amount of bond cap from one calendar year which is carried forward for the next three calendar years to allow the financing of a specifically identified project. If the bond cap is not used during the three year period to finance the identified project, it expires.
[4] The Washington Higher Education Facilities Authority was authorized to issue student loan bonds in 2007.
[5] "Recapture" means that on a specified date, an issuer must return to Commerce, for use in the Remainder category, any unused bond cap that was allocated for a specific project at the beginning of the calendar year.

the remainder and redevelopment category for reallocation to new applications from any category after these dates. Further recognition of the Commission as a statewide issuing authority is contained in the Commission's enabling legislation. At a later date, additional recognition was given to the Washington Economic Development Finance Authority (WEDFA), which was created in 1990 as a statewide program.

The law provides general criteria that should be considered by Commerce for the allocation of bond cap that include the need for the bond cap, the amount of bond cap available, the public benefit to be achieved, the cost or availability of alternative financing methods, and certainty of use of the allocation. More detailed criteria are specified for some categories in the law and rules, including criteria for the Housing category that was promulgated in the enabling legislation of the Commission.

The Commission's enabling legislation (RCW 43.180.200) specifies that any state ceiling with respect to housing shall be allocated in accordance with a formula giving 80 percent to the Commission and 20 percent to the other housing issuers in the state, such as housing and public development authorities. RCW 43.180.200 then provides that Commerce may adopt rules for the allocation of bond cap to housing issuers other than the Commission that will consider the following five factors: (1) the amount of housing to be made available by such applicant, (2) the population within the jurisdiction of the applicant, (3) coordination with other applicable federal and state housing programs, (4) the likelihood of implementing the proposed financing during that year, and (5) consistency with the Plan of the Commission. Any unused portion of the 20 percent shall be added to the allocation of the Commission.

RCW 43.180.200 also provides a proactive process whereby the Commission may recapture, after notification, an allocation to another issuing authority in the housing category that is not likely to be used during the year. This process has never been used by the Commission, although some bond cap allocations have gone unused and were subject to such automatic recapture. The Commission reserves the right to implement this process in the future.

The Commission is also authorized to assign a portion of its allocation to another housing issuer. The Commission has exercised this assignment authority on numerous occasions to help other housing issuers meet emergency needs and development deadlines. The Commission normally coordinates such assignments with Commerce to be sure the request is recommended by Commerce and to be assured that the Commission will receive replacement bond cap in the process.

The rules promulgated under WAC 365-135 establish further guidelines for the allocation of bond cap by Commerce and the collection of fees to operate the bond cap allocation program.

Allocating Private Activity Bond Cap Between Programs

Housing Programs: The Commission determines how to allocate the volume cap made available to it between single-family and multifamily housing programs by considering a number of significant factors in the last quarter of the year in question. These factors include:

- the amount of unused carryforward from previous years still available to each program;

- the amount of short-term bond proceeds available to the single-family and multifamily programs for the coming year;
- the estimated rate of mortgage pre-payments that may be re-used under the "ten-year rule;"
- the amount of unused volume cap that may be available at the end of the current year that can be "carried forward" pursuant to the code;
- the current and anticipated demand for single-family and multifamily loans; and
- the anticipated demand for, and use of, volume cap during the coming year by other housing issuers and issuers in other user categories.

In addition, the Commission considers the current and anticipated economic climate, interest rates, house prices, income levels, and need for affordable housing throughout the state.

On September 24, 2007, the Commission adopted a strategy for using bond cap in the single-family and multifamily programs of the Commission based on the amount of bond cap available to the Commission in any given year. The adopted strategy provide guidelines and considerations for using bond cap and implementing program changes based on a high level of bond cap, a medium level of bond cap or a low level of bond cap being available for the programs of the Commission.

After taking these factors into account, the Commission designates the amount of volume cap carryforward it may receive from Commerce in December to the single-family and multifamily programs and the amount of bond cap to be received in the coming year that it wants to allocate to each program.

Although the Commission continues to use a small portion of its bond cap for small bond issues for special populations, in 2012 the Commission created the Home Advantage First Mortgage Program that allows the Commission to access the daily-priced To-Be-Announced (TBA) market. The Home Advantage program provides 4% in down payment and closing cost assistance or the borrower can select from one of the Commission's other specialty down payment assistance programs. Because there are no tax-exempt bonds involved, there are no IRS rules and there is more flexibility in who can access the program. This program has been widely accepted and is very successful.

Farmer/Rancher Program: The Commission obtained the authority to issue bonds to help borrowers to become farmers and ranchers in 2005. To implement this authority, the Commission requests an allocation of bond cap from Commerce each year from the Small Issue category. These bonds have a maximum limit per household indexed to inflation. The maximum limit is $520,000 beginning in 2016. In previous years, the Commission has requested two million dollars of bond cap authority to be dedicated to this program. Since the creation of the program, the Commission has issued bonds to finance 24 loans worth over $5 million. During 2016 and 2017 the Commission anticipates again requesting $2 million per year from the Small Issue category for this program.

Energy Bonds: There are several types of bonds that the Commission can issue for energy-related projects. These include the multifamily and nonprofit revenue bonds that are currently issued through the Multifamily Housing and Nonprofit Housing and Facilities Programs, as well as small issue manufacturing bonds for energy expenses only and Qualified Energy Conservation Bonds (QECBs).

The QECBs were created by the federal government as part of HERA using the model of taxable bonds with direct federal subsidy payments. These bonds can be used to finance renewable energy projects and to provide energy efficiency retrofits in public buildings. This bond authority was allocated to each state on a per capita basis with an initial reservation of authority for local jurisdictions with populations over 100,000.

Of the $68 million that Washington received in allocation authority for QECBs, $9,857,893 of this initial allocation remained at the state level. The Commission has worked with Commerce on the reallocation and centralization of the QECB bonds to the Commission's Sustainable Energy Program. This is the first such reallocation of QECBs in the country and has made it possible to match issuance authority to need. The Commission led the effort with the Department of Commerce for the reallocation of QECB authority from communities not planning to use their federal allocation. This resulted in the allocation of $38.425 million in QECB authority to the Commission of the total State allocation of $67.944 million. Of the $38.425 million, the Commission has issued $10.15 million and transferred $14.040 million to communities many of which had not received any initial allocation under the federal formula: e.g. small counties like Mason and Okanogan and communities like Blaine and Centralia.

Acting as the State's "Bond Bank"

The Washington State Housing Finance Commission has been informally acting as the state's unified volume cap "bond bank" since approximately 1988. Working in cooperation with the administrator of the Bond Cap program at Commerce, the Commission has cooperated to prevent any of the state's unified volume cap from expiring for lack of use by issuers in the State. Another benefit of this informal arrangement has been to provide Commerce with more flexibility in the use of bond cap to meet the State's current and future needs. These benefits have been accomplished in several ways.

- The Commission has acted as the "bond bank" by being allocated the majority of the unused bond cap that is available on December 15 of each year. The Commission is a good recipient for these funds because it generally has an unmet demand for the use of bond cap, previously in its home-ownership programs, and in its multifamily programs, which ensures that the carryforward authority will be used within the three-year carryforward period. While demand for bond cap slowed during the recession of 2008-2012, improving economic conditions in the past few years have restored the use of bond cap to prior-recession levels.
- The Commission has greater flexibility than non-housing issuers in the designation of carryforward to a program category since it must only designate the authority to the "single-family" or "multifamily" program rather than to specific projects.
- The Commission can transfer a portion of its carryforward authority to other housing issuers when necessary, thereby ensuring even more potential uses of the authority to meet state housing needs. The Commission has never turned down a transfer request

from another housing issuer to meet an urgent bond cap need after verifying with Commerce that the transfer is necessary and recommended by Commerce.

- The Commission has generally traded-in to Commerce an amount of future bond cap authority equal to the amount of carryforward that it receives each year. This trade-in provides Commerce additional flexibility by increasing the Remainder category it uses to meet yearly demand for bond cap that exceeds the initial allocation for purposes such as student loans, economic development, exempt facilities, and housing. However, this was not necessary during the recession years due to the lack of demand for bond cap by other agencies in the state.
- The Commission has followed a practice of using the oldest bond cap first to ensure that any bond cap that has been previously allocated to it as carryforward gets used before the expiration of the three-year carryforward period. During the recession years, Washington was one of the few states to use almost all of the available bond cap through using the carryforward process and careful coordination with Commerce and other housing issuers.

Preservation of Previously Issued Bond Cap Under the "Ten-Year Rule"

Federal tax law provides that the Commission may, in its Single-Family Programs, use funds received from the pre-payment of a single-family loan during the first ten years after the original loan was issued as part of a tax-exempt bond issue to finance additional loans. This is referred to as the "Ten-Year Rule." After a tax-exempt loan has been outstanding for ten years, the funds received from pre-payment of a loan may only be used to pay off/redeem outstanding bonds under the original bond issue.

During the financial turmoil of the recession years, the Commission has used resources under the Ten-Year Rule to make new loans that have been sold at the Fannie Mae Cash Window when the economics of such sales were favorable to the Commission. Money earned from such cash window sales has been invested in the Commission Fund to strengthen the Open Indenture and for possible use in down payment assistance programs or general operations.

While the Commission looks for opportunities such as those mentioned above, we do not have a specific program to recapture and reuse pre-payments at this time since there is an abundance of bond cap available for our programs. However, if market conditions change in the future, the Commission will investigate the reuse of the "Ten-Year Rule" to make more single-family loans.

Bond Cap Available During the Plan

Due to the annual allocation of the unified volume cap, the Commission tracks available authority by the year in which it is allocated. The Commission, however, has the authority to carry forward authority from the year of allocation for a period of three additional years. The Commission must identify a specific program for which the authority will be used in order to carry forward. In the past, the Commission has carried forward volume cap authority from previous years for both single-family and multifamily programs. Once a determination is made to carry forward authority for either single-family or multifamily purposes, the specific program designation may not be changed.

Based on the forecasted population for Washington State and bond cap at $100 per capita, the total estimated unified volume cap for the state in 2016 is $717,035,100.[6] The estimated amount for 2017 is $726,643,400.[7]

State law reserves 32 percent of the state's annual unified volume cap for housing bonds during the Plan period. Therefore, in 2016, $229,451,232 is estimated to be available for housing and in 2017, $232,525,888 is estimated to be available for housing.

Of this housing portion, the Housing Finance Commission receives 80 percent and public housing authorities and other local issuers receive the remaining 20 percent of the total housing bond cap. Therefore, the Commission will have an estimated initial allocation of $183,560,986 for 2016, and $186,020,710 for 2017.

The Commission begins the Plan period with approximately $697,738,000 in 2015 carryforward bond cap. Of the 2015 carryforward bond cap, the Commission intends to allocate $120,000,000 to Single-Family and $577,738,000 to Multifamily.

In the past, the Housing Finance Plan has projected carryforward amounts for future years. However, due to the high demand for financing over the past couple of years, it is anticipated that 2016 may be the last year that the Commission begins the year with a large amount of carryforward.

LOW INCOME HOUSING TAX CREDIT

The state's annual Tax Credit authority during the Plan period is estimated at $2.35 per state resident times 10 years of credit, based on the inflation adjusted value calculated by IRS[8]. Therefore, it is estimated that the Commission's tax credit authority will be[9]:

2016: $168,503,249

2017: $170,761,199

Any credits that are returned from previous credit reservations due to the inability of projects to meet reservation requirements or placed-in-service deadlines will be added to the annual tax credit authority and/or carried over to the next year, as appropriate, to award to other projects.

There is also the possibility that additional credit may be available to Washington through access to the national pool of credit authority made available each year, from credits not used by other states. In order to use this authority, Washington must allocate 100 percent of the previous year's credit. While the Commission has been able to access credit from the national pool nearly every year, the amount available has decreased significantly in recent years.

[6] Based on US Census Bureau's 2015 estimated population for Washington of 7,170,351 (www.census.gov/popest/data/state/totals/2015/index.html).
[7] Based on an estimated 2017 population of 7,266,434 (using 2015's rate of population increase of 1.34% from Office of Financial Management's *2015 Population Trends,* September 2015).
[8] IRS Revenue Procedure 2015-53, released 10/21/2015 sets the rate at $2.35 per resident for 2016.
[9] LIHTC are allocated for 10 years. Credit amounts used in this Plan are the 10-year totals.

FARMER/RANCHER BONDS

The Commission requests an allocation of bond cap from Commerce at the beginning of each year for the Beginning Farmer/Rancher program. Bond cap for this program comes from the Small Issue Bond category rather than the Housing Category. As set forth above, the Commission intends to seek an allocation of $2,000,000 for this program in 2016 and 2017.

ENERGY BONDS

Washington received an initial allocation of $67.9 million dollars of QECB authority that was allocated by law to various levels of local government on a per-capita basis. The Commission led the aggregation effort and assisted Commerce in reallocating QECB authority from across the state to the Sustainable Energy Program. This central management allows broader access by private developers of qualifying energy efficiency and renewable energy projects to QECB financing.

The Commission worked with King County to implement a Green Community Program to further stimulate private investment in meeting the regional conservation goals. This program is a model for other counties.

To date, the Commission has issued $10.15 million in QECBs, which included a small wind farm in Kittitas County that is intended to power the local community and $1.15 million in bonds to the Town & Country Market in Bainbridge Island, Washington through Kitsap County's Green Community Initiative. We anticipate issuing up to $16.2 million in QECBs in 2016 on behalf of the Seattle Art Museum and the King County Housing Authority and over $1 million dollars in 501(c)(3) bonds for energy projects in 2016. The Commission also continues to work with energy projects that may qualify for financing through industrial revenue bonds.

PUBLIC PURPOSE BONDS

The Commission may issue public purpose bonds on behalf of public entities, such as public housing authorities or units of local government, to produce affordable housing. There is no limit on such authority, but the market for such issuance will be limited to public entities that do not wish to issue their own bonds.

PROGRAM INVESTMENT FUND[10]

In 1989, the Commission created its Program Investment Fund (PIF). The Commission earmarks a majority of the reserves earned from its ongoing operations for investment in higher risk programs that enhance our ability to serve low-income and special targeted households.

[10] When the Commission administers a state investment, we account for the funds under the PIF program but the program is administered by one of our program divisions and the detailed program descriptions are contained in the program appendices.

Program Investment Funds are strategically invested in low-income housing, special-needs housing, and facilities that provide community services primarily to low-income persons. Access to this source of capital has helped bring to fruition projects and programs that otherwise would not have been possible using traditional tax-exempt financing.

In addition, the Commission has been able to leverage its funds by creating partnerships with other public and private funders to participate in PIF programs. Such partners include banks, foundations, cities, counties and state agencies, among other sources. As of September 30, 2015, the Program Investment Fund had approximately $168.5 million of Commission reserve funds and $36.8 million of partner investments, for a total of $205.3 million.

SUMMARY OF PROGRAM INVESTMENT FUND INVESTMENTS[11]

Homeownership Programs Fund

The Homeownership program investments are used to expand homeownership and the use of the House Key Program and the Commission's first-time homebuyer and first-mortgage loan products. Numerous down payment assistance programs have been developed by the Commission that are funded through the Program Investment Fund and by partners who share the Commission's goal to increase homeownership.

Single-Family Indenture Commission Fund. This PIF investment provided the initial capital for starting the Homeownership Program's 1995 General Indenture. It continues to provide liquidity for a number of purposes to ensure the smooth operation of the Commission's first-mortgage programs.

Down Payment Assistance. The down payment assistance programs include House Key Plus, House Key Rural, House Key Plus-CLT (Community Land Trusts), Schools DPA, Veterans DPA, Seattle DPA, ARCH (East King County) DPA, Bremerton DPA, House Key King County, Tacoma DPA, House Key Foreclosure, House Key New Home for You, and the Open Door program. Some of these programs have been fully allocated and are not currently funded.

Additional Homeownership Programs. Additional programs include the purchase of Habitat for Humanity International notes and seasoned mortgages directly from Habitat affiliates in Washington, secured by Habitat mortgages to provide liquidity for Habitat chapters in Washington State so they can build additional homes; and the Single-Family Construction Financing program for farm workers in cooperation with Washington Agricultural Families Assistance, a nonprofit organization.

> ***Total investment: Approximately $110.6 million of Commission funds and $15.8 million of partner funds***

Capital Plus Program

The Capital Plus Program was created in partnership with the Washington Community Reinvestment Association (WCRA) to make loans for small nonprofit projects that cannot economically use the Commission's traditional bond financing programs. Currently, there is approximately $5 million outstanding for 19 performing loans.

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[11] Totals reported in this section are through September 30, 2015.

Total investment: $7.5 million of Commission funds

Affordable Housing Development and Preservation

The Affordable Housing Development and Preservation Program helps maintain the affordability of housing units when the low-income use obligations expire and to provide predevelopment loans for new projects. The Commission has invested $5.25 million in the form of a renewed loan for a twenty-year term with Impact Capital, a statewide nonprofit community development lender and technical assistance provider. In addition, $124.8 thousand remains invested in other multifamily housing projects that benefit higher-risk and special-needs populations through the Commission's Affordable Housing Initiative. Finally, 1.5 million has been invested in the Critical Project Preservation fund.

Total investment: $6.9 million of Commission funds

Construction Defect Insurance Program

The Construction Defect Insurance Program (CDIP) was created to encourage the development of single-family housing for low-to-moderate-income households by assisting nonprofit developers to finance a portion of their construction defect insurance premiums in a period of high insurance costs. After completion of construction, the program allows the purchaser to finance the pro-rata share of the premium for their unit at favorable terms through a Commission-sponsored second mortgage loan, in effect transferring the short-term obligation of the developer to a longer-term, but economically feasible, obligation of the purchaser.

Total investment: $500 thousand of Commission funds

Land Acquisition Program

In 2007, the Legislature passed House Bill 1401 establishing a Land Acquisition Program to allow public and private nonprofit organizations to borrow money to purchase sites for future housing development at very low interest rates. The sites purchased with the funds are not required to be developed for up to five years but development of the affordable housing must be completed within eight years. The amount of $1 million was appropriated to the state Department of Commerce (Commerce) for this program and Commerce contracted with the Commission to administer the fund.

Total investment: $16.9 million of Commission funds and $1 million of state investment

Washington Works and the Nonprofit Equity Fund

The Nonprofit Equity Fund was a $10 million investment from the Capital Budget in 2008 to the Department of Commerce for the purpose of encouraging nonprofit housing development organizations to use tax exempt bonds for the purpose of creating affordable rental housing. The Equity Funds were combined with $17,230,000 of tax exempt bonds issued by the Commission and a variety of other private and local funds to finance two projects; Walton Place Two in Bellingham and Rose Street Apartments in downtown Seattle.

Washington Works was a $25 million investment in 2010 from the Capital Budget to the Department of Commerce for the purpose of further encouraging nonprofit housing development organizations to use tax exempt bonds in combination with a variety of other private and local funding sources for the purpose of creating affordable housing.

In total, Washington Works financed ten projects in the state with a total of 460 units of affordable housing located in seven cities in 9 different counties around the state. The total investment from all financing sources was $87,610,000.

Total investment: $35 million of state investment; Program completed.

Manufactured Home Community Investment Fund

The Commission has allocated $6,500,000 to help manufactured home communities preserve their homes by purchasing and managing their communities. The Commission partners with ROC USA (Resident Owned Communities USA). To help ensure long term viability of the communities and to organize the residents into effective governing bodies.

Total investment: $6.5 million of Commission funds.

Sustainable Energy Trust (SET)

The Commission has invested $7 million into the SET to provide financing for energy efficiency projects for non-profits and other developers by credit enhancement and loan participations.

Total investment: $7 million of Commission funds.

Beginning Farmers Down Payment Assistance

A down payment assistance program has been developed by the Commission for use in conjunction with its beginning farmers loan program.

Total investment: $750 thousand of Commission funds.

Pacific Tower Investment

In August of 2015, the Commission invested $2 million in the Pacific Tower property renovation through the Seattle Central Community College Foundation, to assist the Washington State Department of Commerce in finishing its redevelopment of the property. Pacific Tower will serve as a new satellite campus for Seattle Central College to house its growing Allied Health programs. The new campus will also support the college's plans to offer two new four-year degree programs: a Bachelor of Science in Nursing and a Bachelor of Applied Science in Allied Health. These programs will serve some of the 1,800 students enrolled in health programs across the Seattle Colleges District who would like to continue their education. The Department of Commerce will also be leasing remaining space to nonprofit organizations, state agencies and local governments.

Total investment: $2 million of Commission funds.

For Future Designation in 2016/2017

The Commission has $4.7 million to apply to future projects or to address emergent issues in furtherance of the Commissions goals.

RAPID RESPONSE PROGRAM

In 2008, the legislature approved $10 million to initiate the Rapid Response Program. The intent of the program is to position eligible non-profit organizations to quickly respond to those market conditions that threaten affordable rental housing and communities. Loans are not intended to pay construction or rehabilitation costs but rather to acquire the property. The Commission, in partnership with the state Department of Commerce, developed guidelines to administer the program and created performance measures to evaluate the program.

The Rapid Response Program is a "rolling" loan program with no application deadline. Applications are accepted and projects are considered for funding based upon the availability of funds and the urgency of the submitted proposals. All housing developed under the program is intended to target populations at or below 80% of the area median income (AMI) with particular emphasis on rental housing under 50% AMI and is subject to a minimum of 30-years of affordability. Loans may be outstanding for up to 50 years.

HOUSING COUNSELING GRANTS

The Foreclosure Fairness Act (RCW 61.24.163) took effect in 2011, making Washington the third non-judicial foreclosure state to offer mediation to help homeowners behind on their mortgage payments possibly avoid foreclosure proceedings with their lender or servicer. Included in the Act was a provision for funding for default housing counseling services. The Commission negotiated with the Department of Commerce to administer these funds on behalf of the statewide network of housing counseling agencies.

In addition to the Foreclosure Fairness Act, the Commission has been fortunate to receive a significant amount of money for pre-purchase and post-purchase counseling over the last few years. The Commission oversees one of the state's largest housing counseling programs, including help for thousands of homeowners facing foreclosure. In addition to 20 nonprofit partners and 64 housing counselors statewide, these funds also support the state's foreclosure counseling hotline, providing personal assistance over the phone to hundreds of callers each year.

The chart and information below summarizes the pre-purchase and post-purchase counseling funds that have been available through 2015.

Amount	Grant Source	Nonprofit Organizations Providing Counseling
$807,788*	Washington State Office of the Attorney General (McGraw Hill/Standard & Poor's Settlement) (2015-present)	11
$3.12 million*	Washington State Office of the Attorney General (National Settlement) (2012-2015)	9
$16 million*	State of Washington 2011 Foreclosure Fairness Act (2011-2015)	18

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Amount	Grant Source	Nonprofit Organizations Providing Counseling
$385,250	Housing and Urban Development Emergency Homeowners Loan Program (2011-2015)	8
$2.5 million	National Foreclosure Mitigation (2008-2014)	11 (administered by NeighborWorks)
$4.35 million*	Housing and Urban Development (1998-2015)	50
$550,000	Washington State Office of the Attorney General (Wells Fargo Settlement) (2011-2012)	16
$595,000	Washington State Office of the Attorney General (Countrywide Settlement) (2010-2011)	11
$500,000	State of Washington 2010 legislative appropriation (2010-2011)	15
$250,000	Housing and Urban Development Neighborhood Initiative (2009-2011)	22
$990,000	State of Washington 2008 legislative appropriation (2008-2009)	25
$571,355	Rural Housing and Economic Development (2000-2001, 2003-2004)	16

* Denotes an ongoing program

Because federal sources of pre-purchase and post-purchase (foreclosure) counseling appear to be declining, we cannot accurately predict the amount of additional money that will become available to the Commission in future years. We also cannot predict what additional opportunities we may have during the Plan period to apply for counseling funds from other sources.

PROPOSED USES OF RESOURCES AVAILABLE TO THE COMMISSION IN 2016 AND 2017

USE OF SINGLE-FAMILY AUTHORITY

The Commission has the ability to use the Mortgage Credit Certificate Program (MCC) during the Plan period. Due to the market turmoil and the large amount of bond cap available, the Commission has chosen to use bond cap authority for an MCC program during the Plan period. The Commission will continue to process transfers of previously issued MCCs upon request.

During the 2011-2012 Plan period, the Commission changed the way the single family first mortgage loan program is operated and funded. The Commission moved significantly away from issuing bonds for the House Key State Bond program to the daily-priced taxable Home Advantage program. Production has steadily increased in the Home Advantage program and so that it most likely will be the primary program in the foreseeable future. This has dramatically reduced the amount of private activity bond cap used for single family loans. The Commission has been using excess bond cap to offer the MCC program which grew significantly in the last Plan period. If the amount of available bond cap is significantly reduced, the Commission will likely reduce or discontinue the MCC program during the Plan period.

The Commission does continue to use bond cap to issue a small amount of tax exempt, single family bonds to offer mortgages to target populations that need extra help to purchase a first home. The Commission plans to continue this during the Plan period and has allocated $120,000,000 of the 2015 carryforward bond cap for this purpose.

USE OF MULTIFAMILY AUTHORITY

Because other non-housing issuers have not yet fully recovered from the great recession, the Commission, in partnership with housing authorities, has been using nearly all of the State's Bond Cap Authority. The 2015 bond cap carryforward is approximately $697 million and will be split between single and multifamily purposes. The Commission will begin 2016 with approximately $577 million in multifamily authority from the 2015 bond cap carryforward.

It is certain that the need for affordable multifamily and senior rental housing will remain high during the term of the Plan. We are optimistic that there should be available bond cap for eligible projects that can proceed during the Plan period, but we anticipate that the amounts available for carryforward will be greatly reduced or eliminated.

USE OF TAX CREDIT AUTHORITY

The Commission anticipates allocating approximately $339 million during the Plan period.

2016: $168,503,249

2017: $170,761,199

For the past several years we have seen a significant and robust return of investors competing to purchase credits; especially with Community Reinvestment Act (CRA) motivated bank investors. However, increased demand for credits drives pricing higher which may result in lower yields that can possibly cause the strictly economic investors to exit the market. For the near future, we anticipate that the tax credit market will remain strong and balanced.

USE OF FARMER/RANCHER BONDS

In 2005, the Legislature found that Washington citizens from both rural and urban areas had expertise and an interest in a livelihood in farming but lacked the financial resources to get started. The resulting legislation empowered the Commission to participate on behalf of Washington's beginning farmers and ranchers in federal Aggie Bonds. Aggie Bonds were initially limited to just $250,000 but have since been linked to inflation and beginning in 2016 have a limit of $520,000. Since receiving the authority the Commission has financed 24 farms (1,399 acres) for $5.2 million in Bonds. The recession greatly affected the ability of Washington citizens to participate in the program and loans that had previously been available from another federal lender have dried up due to administrative decisions. Consequently, the Commission intends to revive loan activity and stay true to the legislation by partnering with the bond buying bank to offer loan assistance. The experimental program will encourage bond issuance and begin late 2015 and will hopefully maintain funding through 2016 and 2017 if proven successful.

The program requests bond cap authority from the small issue category, industrial development bonds, as needed.

USE OF ENERGY BONDS

The Commission has continued to develop markets for its various financing tools, Qualified Energy Conservation Bonds (QECBs), 501(c)(3) nonprofit bonds, taxable participation loans, and Industrial Development Bonds (IDBs). To date, two 501(c)(3) financings have closed. Two direct issuances of QECBs have taken place and the Commission plans to close on 3 more QECB issuances by the end of 2016. In addition, the work that has been done to garner QECBs as well as partnerships developed through the Washington Clean Technology Alliance has broadened opportunities.

As a result of this activity, the Commission will pursue all feasible energy financings that are eligible for available resources during the Plan period. The Commission has also communicated with its Washington DC delegation the advantage of a category in the tax code allowing tax exemption for Energy Efficiency and Renewable Energy (EERE) projects, thus replacing the diminishing QECB, and providing energy projects with financing without the limitations inherent in 501(c)(3) and IDBs.

POTENTIAL REFUNDING AUTHORITY

The Commission has available from previous bond issues tax-exempt bond proceeds, which may, under limited circumstances, be refunded for future use. At the present time, only scheduled maturities of outstanding bonds may be predicted for potential refunding. However, additional refunding authority may become available due to the prepayment of mortgages or other circumstances. The use of such authority depends on the ability of the Commission to schedule new bond issues to coincide with maturing bonds and other refunding opportunities. Therefore, it is not possible to anticipate the total refunding potential at this time.

Because of the Housing and Economic Recovery Act, the Commission is now able to reuse bond authority from prepayments of tax-exempt bonds used for multifamily projects under limited circumstances.

Taxable Bond Authority

The Commission has the authority to issue taxable bonds and does not have a specific annual limit on such authority. The Commission will continue to issue taxable bonds in conjunction with its tax-exempt bonds whenever it is financially feasible to do so and maintain the goals of the Commission's programs or when the structure of the project requires that non-tax-exempt bonds be used. By integrating the issuance of taxable bonds with the tax-exempt bonds issued by the Commission, we are able to expand the number of housing units financed during the Plan period or to help a nonprofit organizations complete all aspects of its project.

However, the use of taxable bonds is limited by current market conditions and changes in interest rates and negative arbitrage. The most likely scenario during this Plan period will be using taxable "tails" on Multifamily Housing bond issuances.

501(c)(3) Bond Authority

The Commission has the authority to issue bonds for nonprofit organizations that meet certain criteria under federal tax law. These bonds are not subject to the unified volume cap under federal tax law at the present time. Therefore, the Commission is restricted in the amount of 501(c)(3) bonds it can issue only by its capacity under its existing debt limit.

A wide variety of housing owned by nonprofits can be financed with such bonds including: multifamily rental housing, group homes, single-room occupancy apartments, continuing care retirement units, congregate housing, nursing homes, and assisted-living units.

Facilities and equipment owned by nonprofit organization can also be financed by the Commission with these bonds. A wide range of projects, including K-12 schools, performance halls, museums, YMCA and YWCA facilities, work training facilities, administrative offices for nonprofit organizations, and other types of capital investments are eligible for financing.

A 2003 decision by the Commission to accept applications from non-pervasively sectarian kindergarten through twelfth grade religious schools and provide tax-exempt financing for these institutions has increased demand for the issuance of 501(c)(3) bonds. Applications from religiously and non-religiously affiliated nonprofit schools represent a substantial number of bond issues in this program. However, demand is expected to be restricted by market conditions during the Plan period.

The Commission will continue to use 501(c)(3) financing authority outside of the unified volume cap to finance housing, facilities and equipment owned by nonprofit organizations during the Plan period as market conditions permit. The Commission may not issue bonds for healthcare or higher education purposes unless the financing is for energy efficiencies or renewable energy.

General Reserves and the Program Investment Fund

The Commission currently maintains $18 million in reserves in its General Operating Fund. However, for the fiscal year ending June 30, 2015, the general reserves were allowed to drop below $18 million by the net impact to reserves of the implementation of GASB No. 68 (Accounting and Financial Reporting for Pensions). For the fiscal year ending June 30, 2015, the impact was $4.1 million, reducing the general reserves to $13.9 million.

The Commission's primary production programs are subject the Federal authority which could be changed or discontinued, while the Commission has a commitment to continue compliance monitoring of its existing projects for up to 40 years. General reserves help ensure that adequate compliance services and related accounting and administration support can be provided over that time. Income from investment of the general reserves helps provide revenue to fund ongoing expenses. With the compliance obligation growing over time and with an increase in outstanding indebtedness, the Commission may consider increasing its general reserves.

The Commission has added to the Program Investment Fund through the generation of positive cash flow since 1989. It is difficult to predict the amount that the Commission will be able to add during the Plan period.

We continue to adapt and change the investment strategy for PIF funds to meet the needs of a quickly changing market. This is likely to continue during the plan period.

APPENDIX A

General Policies of the Housing Finance Commission

All programs and operations of the Commission will ensure that borrowers and beneficiaries of its programs receive equal treatment in accordance with state and federal law.

The Commission is dedicated to encouraging opportunities for minority- and women-owned businesses to contract with the Commission and will conduct its procurement activities to encourage such opportunities. Currently, the Commission encourages participation by minority- or female-owned bond underwriting firms for each publicly sold bond sale and is committed to achieving and surpassing diversity goals. The Commission's bond counsel is encouraged to subcontract with minority- or women-owned firms. The Commission pursues diversity in hiring and contracting and currently follows state laws regarding these practices.

The Commission is committed to encouraging minorities, women and other under-represented groups to participate fully in Commission programs and to provide equal employment opportunities and achieve cultural diversity within the Commission.

The Commission will finance housing for people who, by virtue of age, income, or infirmity, have difficulty obtaining adequate housing. The Commission will give priority to the development of programs and projects that provide housing for the largest number of low- and moderate-income families and persons possible. The Commission will, whenever feasible, give special attention to programs and projects that provide housing for special-needs populations, but the Commission recognizes that housing for low and moderate-income families is also a prime Commission goal.

In the development of financing programs, the Commission will encourage local governments to identify areas or neighborhoods of special need within the state that should receive priority attention under individual programs. Such priority attention may be given to declining urban neighborhoods, areas that are economically depressed, areas of minority concentration, Indian reservations, mortgage-deficient areas, rural areas and communities that are not receiving a fair share of housing assistance under federal, state and local programs.

An additional part of the development process is the use of the Affordable Housing Advisory Board's 2015 Housing Needs Assessment. The Commission has directed staff to consult the 2015 Housing Needs Assessment to identify how a proposed program (or substantial changes proposed to an existing program) addresses issues raised in the assessment. All of these additional considerations may be in addition to the target areas established by federal regulations. The general guidelines for receiving priority assistance have been established by the Commission and are available on request.

The Commission will make every effort to work in cooperation with other federal, state and local agencies and organizations to identify special housing and nonprofit capital facility needs within the state and to develop cooperative programs that will provide opportunities to address these special financing needs. The Commission has cooperatively worked with Fannie Mae, HUD, Rural Housing Service, the FDIC, Department of Commerce, the Federal Home Loan Bank, the Department of Social and Health Services (DSHS), members of the Legislature, the Department of Financial Institutions, Freddie Mac, local housing authorities and a significant number of city and county governments to implement and coordinate financing programs.

To facilitate such cooperation between the Commission and other agencies, the Commission has consistently used a list of agencies and interested parties that receive notices of Commission actions and proposed actions through regular mailings. In the future, however, the Commission will provide more information via its website and email list serves and reduce the reliance on mailed notices to interested parties. To effect this change, the Commission is currently revising its rules to transfer notice procedures from notice through the mail to notice being provided on its website. Once the rules have changed, agencies and interested parties will be notified of the change and assured of consistent notification of Commission activities through access to our website, www.wshfc.org, and regular electronic mailings.

In order to maintain a cooperative working relationship with the private sector, the Commission will continue to establish such programs, guidelines, regulations, and procedures as necessary to meet the objectives of the Commission with due consideration of the programs and procedures of the private sector. The Commission will continue to provide workshops, training sessions, conferences and individual meetings with private developers and offer appropriate opportunities to learn about new financing tools and structures.

The Commission will develop guidelines and qualifications for participation of private lenders in the programs of the Commission. These will encourage participation by all qualified lending institutions throughout the state. It may be necessary, however, for the Commission to restrict participation in programs due to limited resources or lack of performance on the part of some lenders in previous programs. The Commission will make a special effort to involve those lending institutions in the state that provide service to rural areas to overcome the centralization of private lending resources in urban areas.

The Commission recognizes that the cooperation of both the public and private sectors of the housing and finance industry will be necessary to make the Commission's programs work properly and will strive to coordinate with both sectors of the housing and finance industry in a cooperative manner. The Commission will make specific efforts to coordinate with Commerce, particularly its Housing and Local Government divisions, and with the state Department of Social and Health Services (DSHS), and the Department of Financial Institutions (DFI) where housing and service programs overlap.

APPENDIX B

The Homeownership Division

Through its Homeownership Division, the Commission currently operates three mortgage loan programs: Home Advantage, House Key and the Mortgage Credit Certificate Program and nine down payment assistance programs: Home Advantage 0% DPA, Home Advantage 1% Option DPA, HomeChoice DPA, Schools DPA, Veterans DPA, Seattle DPA, ARCH (East King County) DPA, Tacoma DPA, Pierce County DPA and Homebuyer Education. The Commission works through a network of participating lenders who originate and close the loans. The Commission also provides training to lenders, real estate professionals and non-profit partners on how to originate our loans and how to teach a Commission sponsored homebuyer education seminar.

Home Advantage First Mortgage Program

The Commission contracts with First Southwest Company to provide access to funding for first mortgages through a taxable, daily-priced To-Be-Announced (TBA) program. The Home Advantage TBA program provides the Commission access to the TBA market without assuming pipeline interest rate risk.

The Home Advantage program also provides the borrower 4% in down payment and closing cost assistance or access to any of the other specialty down payment assistance programs. Unlike the IRS programs including the House Key and Mortgage Credit Certificate (MCC) Programs, there are no first-time homebuyer restrictions, purchase price limits or acquisition cost limits adjusted for family size. There is a statewide income limit of $97,000.

As an enhancement to the Home Advantage program, the Commission started offering the EnergySpark program as a pilot program in June 2015 which offers an even lower interest rate to borrowers who purchase a home meeting certain energy efficiencies.

House Key First-Time Homebuyer Program

From time to time, the Commission offers a tax-exempt House Key first mortgage bond program at or below-market rate for targeted first-time homebuyers in the state. By issuing tax-exempt mortgage revenue bonds, the Commission reduces mortgage costs for low- and moderate-income borrowers who might not otherwise be able to buy a home. The participating lenders originate the mortgage loans for first-time homebuyers who qualify under certain income and purchase price restrictions.

As House Key funds are often limited, the Commission uses a First Serve Reservation System to give the Commission control over House Key mortgage funds during the origination period and this has allowed the Commission to issue bonds in smaller, more frequent series, lessening non-origination risk to the Commission due to interest rate fluctuation. The First Serve Reservation System speeds up the origination process by allowing participating single-family lenders to reserve available House Key mortgage funds for an eligible borrower on a first-come, first-served basis online.

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Mortgage Credit Certificate Program

The Mortgage Credit Certificate (MCC) is a federal income tax credit for qualified first-time homebuyers. The MCC provides a special tax credit equal to a portion of the annual interest paid on their mortgage against the homebuyer's federal tax liability. Between the re-introduction of the program in June 2007 and June 30, 2015, 6,111 MCCs were issued. The IRS requirements for first-time homebuyers are required in the MCC program.

In-House Program Administration

Since 1999, the Commission has been reviewing House Key loans for tax compliance in-house and performs all House Key, Home Advantage, and MCC program administration functions. The use of an online reservation and tracking system saves time and related costs to lenders; improves communications between the Commission and lenders; creates new business opportunities; and most importantly, enhances customer service.

ServiSolutions

Since the end of 2011, the Commission has contracted with ServiSolutions (a division of the Alabama Housing Finance Authority) to act as the Commission's master loan servicer for the single family loans. The was the first time a state housing finance agency contracted with another state housing finance agency to service their loans.

Down Payment Assistance Programs

For many Washington families, the biggest obstacle to homeownership continues to be saving for the required down payment. The Commission continues to offer several models of down payment assistance to help bridge the gap to homeownership. All of the Commission's down payment assistance program can be used for both down payment and closing costs. The Commission funds some of our down payment assistance programs through the Commission's Program Investment Fund (PIF). The first down payment assistance program offered at the Commission was called House Key Plus. We also partner with local jurisdictions to combine resources and administer down payment assistance on behalf of the jurisdiction using HOME, CDBG, Levy, and other federal funds. The Commission has also offered several other pilot DPA programs over the years that are no longer offered due to limited funding or replacement over time.

Most down payment assistance is now provided in conjunction with the Home Advantage program, funded directly by the program. The Commission currently offers the following DPA programs:

Home Advantage DPA

The Home Advantage second mortgage allows qualified borrowers to access up to 4% of the first mortgage loan amount at 0% interest. As of June 30, 2015, the program has assisted 6,690 families.

Home Advantage 1% Option DPA

This second option under Home Advantage allows qualified borrowers to access up to $10,000 at 1% interest. This option especially helps lower income families where 4% of the loan amount is not enough to bridge the gap to allow the borrower to purchase a home. As of June 30, 2015, the program has assisted 165 families.

Homechoice DPA

Homechoice is a second mortgage program allowing qualified borrowers who have a disability or who have a family member with a disability living with them to access funds up to $15,000. One-on-one counseling is required. As of June 30, 2015, the program has assisted 1,250 families.

Schools DPA

Schools DPA is a second mortgage down payment assistance program for teachers and employees of community or technical colleges and K-12 public or private schools. As of June 30, 2015, the Program has assisted 194 families.

Veterans DPA

Veterans DPA is a second mortgage down payment assistance program for Veterans who have served our country. As of June 30, 2015, the Program has assisted 53 families.

Seattle DPA

Seattle DPA has assisted 393 families with incomes of 80 percent or less of area median income within the city of Seattle to purchase their first home as of June 30, 2015. This program, in partnership with the city of Seattle, was announced in March 2004.

ARCH (East King County) DPA

ARCH (East King County) DPA has assisted 61 families with incomes of 80 percent or less of area median income within East King County to purchase a home as of June 30, 2015. This program, in partnership with ARCH, a Regional Coalition for Housing, was announced in October 2005.

Tacoma DPA

Tacoma DPA has assisted 16 families with incomes of 80 percent or less of area median income within the city of Tacoma to purchase their first home as of June 30, 2015. This program, in partnership with the city of Tacoma Redevelopment Authority, was announced in June 2014.

Pierce County DPA

Pierce County DPA was approved by the Commission on June 25, 2015 for borrowers with incomes of 80 percent or less of area median income within Pierce County (outside of Tacoma) to purchase their first home. This program is in partnership with the Pierce County Community Development Corporation.

Homebuyer Education Program

In cooperation with participating lenders, realtors and nonprofit organizations throughout the state, the Commission offers free seminars to potential homebuyers. The seminars encompass pre- and post-purchase information, emphasizing the importance of budgeting and a good credit history. Homebuyer Education seminars are based on a model developed by Fannie Mae and GE Mortgage Insurance Company. As of June 30, 2015, 187,420 potential buyers had attended 16,024 free seminars throughout the state since 1991. Seminar participants learn not only about the Commission's homeownership programs, but also about a variety of other affordable housing loan programs and how to avoid predatory lending practices. The seminars are taught in-person or may be taken on-line when necessary.

Homebuyer Education Instructor Training

Through the Commission's Homebuyer Education Instructor Training program, lenders, staff members of nonprofit organizations, and real estate professionals learn how to market effectively and teach industry-recognized, Commission-sponsored homebuyer education seminars.

In the first half of the training, topics such as organization, structure, ethics, registration procedures, teaching styles, and subject requirements are covered. In the second half of the training, participants get the opportunity to review the curriculum, discuss marketing strategies, publicity, and upcoming program changes; and work through several group activities to be used in the seminars.

The seminars led by these Commission-trained instructors educate potential homebuyers about the purchase and subsequent maintenance of a home. In addition, real estate professionals receive six clock hour credits through the Department of Licensing for required continuing real estate education.

Each instructor who participates in the training agrees to standards ensuring that all seminars:

- are at least five hours in length, to cover specified major aspects of the home buying process,
- are presented using an open, unbiased format,
- use approved training materials and handouts,
- are offered by trained and professionals, and
- are not used to make sales presentations or direct marketing pitches by either the instructor(s) or any guest speakers.

Single-Family Housing Policies

Who is Eligible for a Single-Family Loan?

It is also important that the Commission make every effort to serve the public purposes established by the legislature to maintain public confidence that the Commission's programs are a benefit to those families and persons needing such assistance in Washington. The Commission establishes other eligibility criteria as required by market conditions for each single-family program and those criteria are available through participating lenders and the Commission on request.

House Key and MCC programs

In compliance with Internal Revenue Service (IRS) guidelines, eligible borrowers in the House Key and MCC programs are persons who have not had a "present ownership interest" in their principal residence during the three years preceding their Commission loan. These borrowers are defined as first-time homebuyers. This requirement does not apply to persons obtaining a loan for a residence located in a federally defined targeted area.

The Commission establishes income limits for each single-family program with consideration to federally prescribed maximum limits and different housing costs and levels of income in various parts of the state. Income limits are established for each program with the objective of serving first-time homebuyers given the cost constraints of the Commission at the time of the program and the cost of housing within the state. It is important that the programs of the Commission serve primarily borrowers who need assistance to purchase a home.

Home Advantage program

There are no first-time homebuyer restrictions, purchase price limits or acquisition cost limits adjusted for family size. There is a statewide income limit of $97,000.

New Construction versus Existing Housing

Given the legislative purpose of increasing the use of Washington forest products, the Commission has determined that its single-family programs should provide funds for new construction. Approximately 4% of current funds are used to finance new construction of affordable homes for low- and moderate-income families. The Commission currently encourages new construction purchasing in its homeownership programs. The Commission also encourages energy efficient new construction under the EnergySpark program.

The Commission recognizes that emphasizing the purchase of existing and rehabilitated houses provides an opportunity for as many low and moderate-income families as possible to purchase affordable housing. Existing houses are generally less expensive than new houses, and in areas of the state experiencing rapidly escalating house prices, existing homes offer the only source of affordable housing for low and moderate-income borrowers. The Commission encourages energy efficient rehabilitation through the EnergySpark program. The Commission also encourages the construction of new houses for low and moderate-income families where this is feasible or subsidies are available to achieve this goal.

The Commission reviews the distribution of funds between new construction and existing housing on a regular basis and adjusts the program outlines as necessary to promote the achievement of the goals of the Commission.

The Elderly and Physically/Mentally Disabled

The Commission is dedicated to providing the elderly and the physically/mentally disabled with equal access to Commission loans and requires that lenders apply the same underwriting standards to elderly and physically/mentally disabled applicants as they apply to all other applicants for single-family loans. In addition, the Commission allows improvements to be made in existing houses to make them accessible to the physically/mentally challenged and meet American Disabilities Act (ADA) requirements. These may be included as part of the purchase price of existing homes under the single-family programs, as long as the costs are reasonable and the work is completed prior to loan closing.

Through its HomeChoice program, the Commission provides down payment and closing cost assistance to people with disabilities or who have family members with disabilities living with them. Funds from the HomeChoice program may be used to make minor accessibility modifications.

Geographic Distribution of Funds

In order to promote the greatest possible geographic distribution of Commission funds throughout the state and to benefit the largest number of persons in all geographic areas of the state, the Commission has established the following goals for the distribution of funds for the single-family programs during the current Plan period.

Target Areas: Target areas are established by federal regulations and local request. The Commission continuously makes available single-family authority for the purchase of homes in targeted areas, the use of which are impacted by market conditions.

Non-Metropolitan Areas: The Commission is committed to providing an equal opportunity for all qualified residents of the state to benefit from the single-family programs. The Commission recognizes that the non-metropolitan areas of the state are less likely than metropolitan areas to have mortgage funds available through conventional sources. Therefore, the Commission promotes the use of approximately 10 percent of the single-family authority in non-metropolitan areas of the state. The Commission also provides continuous funding through our Home Advantage program to all parts of the state. The Commission continues to take the following actions to encourage the use of this authority in non-metropolitan areas:

- Promote the use of the Rural Housing Service’s Single-Family Housing Guaranteed Loan program with the House Key program. The program allows qualified borrowers in rural areas to finance up to 100 percent of the value of the property with Commission rates and fees.
- The Commission strives to provide full coverage of the state through our network of thousands of trained lenders in our programs. Special efforts are made to inform the general public of participating lenders that serve rural areas. Due to technology, lenders cover a wider territory and can better assist in remote areas.
- Special attention is paid to nonprofit programs such as experienced self-help organizations and other nonprofit sponsors that can assist in the packaging of loans or the construction of houses in rural areas that are not well served by conventional resources.

Metropolitan Areas: Metropolitan areas of the state (those counties designated as Standard Metropolitan Statistical Areas (SMSA)) use the remaining available single-family authority and any unobligated authority from target and non-metropolitan areas. The Commission may find it necessary, from time to time, to limit the amount of money in any one geographic area when area conditions such as rapid economic growth create unreasonable demands on Commission funds. Because the Commission offers a continuous supply of funds, area set-asides of funds are not anticipated during the next Plan period.

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APPENDIX C

THE MULTIFAMILY HOUSING AND COMMUNITY FACILITIES DIVISION

The Multifamily Housing and Community Facilities Division finances affordable apartments and other multifamily housing through bond issues and through the federal Housing Tax Credit program. In addition, the division finances facilities and equipment owned by nonprofit organizations; ranches, farms, and equipment for first-time farmers and ranchers; and energy-related projects for qualifying businesses and public and nonprofit organizations.

Specifically, the Multifamily Housing and Community Facilities Division operates several financing programs that include:

- The 9% Competitive Housing Tax Credit Program;
- The Multifamily Housing Bond Program and the Multifamily Housing Bond with 4% Tax Credit Program;
- The Nonprofit Housing Program;
- The Nonprofit Facilities Program;
- The Beginning Farmer/Rancher Loan Program;
- The Sustainable Energy Program; and
- The Land Acquisition Program.

Each of these programs offer distinct financing options that address specific owners, housing needs, community facilities or financing problems identified by the Commission.

The Commission will continue to offer technical assistance to nonprofit organizations and developers of low-income housing. The Commission will provide this assistance in cooperation with lenders, local governments, and other state agencies to increase the general capacity of these developers in all areas of the state and especially in areas where resources are scarce.

THE 9% COMPETITIVE HOUSING TAX CREDIT PROGRAM

The Housing Tax Credit Program is a federal incentive program created to encourage the construction or rehabilitation of apartments for low-income residents. Housing tax credits are sold to investors who provide equity investment into a housing project. They, in turn, receive a dollar-for-dollar reduction in their tax liability. The credit is available for a ten-year period and the amount of credit awarded to a project is based on the costs of developing the project and the number of qualified low-income units in the project.

The Commission is the designated authority for allocating Housing Tax Credits in the state of Washington. The laws governing the program impose requirements on owners that the Commission is charged with administering and monitoring. As the allocating agency, the Commission also has the ability to develop additional requirements beyond the federal code for administering the program. State guidelines may be more restrictive than federal guidelines.

The 9% Competitive Housing Credit is allocated under a Qualified Allocation Plan *(*QAP*)*, a requirement of the tax code. The QAP provides general guidance on how the Commission will administer the tax credit program, what priorities and preferences exist, and what specific criteria are considered for awarding credit to projects. Any modification to the QAP is subject to public hearing prior to adoption by the Commission and approval by the governor. In addition to the QAP, the Program's Policies provide specific guidance about applying for and receiving credit and the responsibilities that an allocation of credit carries with it.

By federal law, ten percent of the credit amount is set aside for projects developed by qualified nonprofit corporations. The Commission has also established geographic credit pools—the King County Pool, the Metro Pool and the Non-Metro (Rural) Pool—to disperse the resource across the State.

Washington's tax credit allocation process is objective and competitive. The Commission conducts one competitive application round per year. Applications are initially self-scored based on criteria set forth in the program's policies and then the scoring is verified by Commission staff. Applications are typically due in January and allocation decisions are made between February and June. Projects must be completed within two years of their carry over allocation.

As part of the application process, the Commission performs an underwriting analysis that involves a review of sponsor capacity, the project's sources and uses, marketability, need, overall financial feasibility and long-term viability.

Tax credit projects are rent and income restricted for up to 40 years. Owners are required to annually certify tenant incomes, calculate the correct rent amounts, report to the IRS through their tax filings and report to the Commission. The IRS may assign substantial recapture penalties to the owner if these requirements are not met during the initial 15-year compliance period. In addition, the Commission may sue for specific performance under the project's Regulatory Agreement (Extended Use Agreement) for the duration of the 30 to 40-year extended use compliance period.

SPECIFIC POLICY CONSIDERATIONS

Under the 9% Low Income Housing Tax Credit program, the Commission has additional requirements it must enforce when allocating tax credits. Some of these requirements are set forth below.

Evergreen Sustainable Development Standard

Beginning in 2009, all projects must comply with the Evergreen Sustainable Development criteria as developed under legislative mandate by the state of Washington Department of Commerce. Although initially developed for applicants to the Housing Trust Fund, all applicants to the 9% Housing Credit Program, regardless of their funding sources, will be held to the current Evergreen standard. This applies to projects combining tax-exempt bonds and tax credits as well as to those projects financed with competitive tax credits.

Eligible Borrowers and Projects

The Commission must, by law, give preference to projects that serve the lowest income tenants for the longest period of time. Beyond the federal requirements imposed on the tax credit program by Section 42 of the tax code, the Commission has developed additional requirements that must be met by project owners to ensure the goals of the program are met. These requirements are included in the QAP and the Commission's policies.

The QAP and the policies include specific selection guidelines called the Allocation Criteria. Most of these criteria are given a point value and used to rank projects against other applications. After all projects are scored, credits are awarded to eligible projects in descending point order until all credits are allocated. Under these criteria, the Commission requires that all applications must have a minimum point score to be considered for an allocation of tax credits.

Allocation Criteria in the policies include:

- Fully-Funded Projects. Top priority is given to fully-funded applications. To be considered fully-funded, applicants must demonstrate that at the time of application, all necessary funding commitments have been made.
- Rehabilitation versus New Construction. Priority can be given to projects that rehabilitate existing housing and points can be awarded for rehabilitation projects in the 4% program.
- Special Needs Populations. Points are awarded to projects that set-aside a certain percentage of the total units for populations with special needs, including the homeless, farmworkers, the elderly, the physically or mentally disabled and large households and farmworker households. Of these categories, highest priority is given to projects serving the homeless.
- Set Asides. Points may be awarded on a sliding scale for increasing the percentage of units set aside for lower-income populations.
- At-Risk Housing. Points may be awarded to projects that are "at-risk" of being converted to market rate housing.
- Extended Periods. Points are awarded for every year beyond the initial 15 years of restricted rents for all applicable low-income units (projects typically are restricted for 40 years).
- Revitalization Areas. Points may be also be awarded to projects located in community revitalization areas and areas designated by local jurisdictions and approved by the Commission. This encourages developers to locate projects in these areas prioritized by local governments.

Multifamily Housing Bond Program and the Multifamily Housing Bond with 4% Tax Credit Program

These two bond programs are primarily intended to finance multifamily projects developed by for-profit developers and nonprofit organizations. Motivation for the borrower is often attributable to their ability to gain access to 4% housing tax credits with issuance of the tax-exempt bonds.

The 4% Housing Credit is accessed through the use of private activity bonds and are thus allocated under the program Policy for the Multifamily Bonds with 4% Housing Credit. For these projects the tax-exempt bond amount must represent at least 50 percent of the project's total cost. The tax credits allocated to tax-exempt bond transactions are allocated outside of the per capita authority amount and are limited by the private activity tax-exempt volume cap authority of the state. The amount of the credits allocated depends on the cost of the project and the number of low-income units in the project.

Through these programs, developers can obtain tax-exempt mortgages for the acquisition, new construction, or rehabilitation of housing projects. Projects developed under the program must either set aside 20 percent of the units for occupancy by persons earning less than 50 percent of area median income, or 40 percent of the units for occupancy by persons earning less than 60 percent of area median income, to meet minimum federal requirements. In addition, these projects must also meet the Evergreen Sustainable Development Standards as explained above.

Bonds issued through these programs are subject to the per capita private activity bond volume Cap (Bond Cap), which places a limitation on the amount of bonds that can be issued in a year. Whether a bond only transaction or one that accesses the 4% Housing Tax Credit, projects are required to meet a minimum threshold under the applicable program policies and if necessary, to compete for financing by scoring the highest number of points under the specific Program Policy and meet Readiness Criteria that require a project to issue bonds within the year that bond cap authority is allocated. Program Policy is reviewed each year and adjusted as necessary.

The Commission may also use current refunding authority to refund a portion of the multifamily bonds previously issued to finance multifamily projects. This would be done to extend the period of the Regulatory Agreement and potentially to take advantage of lower interest rates.

501(c)(3) Nonprofit Housing Program

Nonprofit housing bonds can be used to finance housing facilities wholly owned by a 501(c)(3) organization, as long as the facility furthers the charitable purpose of the organization. Nonprofit bonds, or 501(c)(3) bonds cannot be combined with housing tax credits; however, nonprofit 501(c)(3) bonds are less restrictive regarding the types of units that can be financed as well as facility amenities. For example, nursing beds can be financed as well as amenities like commercial kitchens and laundry facilities, as long as they are serving the needs of the building residents or within the mission of the nonprofit organization. Bonds issued through this program are not restricted under the Bond Cap. Therefore, there is no competition among the users of this program.

NONPROFIT FACILITIES FINANCING PROGRAM

The 1990 Legislature gave the Commission the authority to issue tax-exempt bonds to finance any capital expenditures related to their approved non-profit purpose for nonprofit organizations that have been designated by the Internal Revenue Service as a 501(c)(3) organization under the Internal Revenue Code.

The Nonprofit Facilities program provides tax-exempt financing exclusively for capital projects that are developed and owned by nonprofit organizations and that may not include a housing, healthcare or higher education component. Federal law allows nonprofit organizations to use tax-exempt bonds to finance any capital expenditures, including land acquisitions, construction, and capital equipment, provided they are used in the furtherance of the nonprofit mission approved by the IRS. These bonds are not subject to the Bond Cap. Capital assets financed through this program must be wholly owned or operated by a 501(c)(3) nonprofit organization.

Under this general authority, the Commission has issued bonds for a variety of purposes including educational institutions, recreational facilities, administrative offices, performing arts facilities, animal shelters, and training and work facilities for the disabled. The Commission continues to refine its policies dealing with bonds issued through this program to allow borrowers as much flexibility as possible in choosing financing structures that fit their financial strategies.

BEGINNING FARMER/RANCHER LOAN PROGRAM

In 2005, the legislature gave the Commission the authority to issue bonds on behalf of beginning farmers and ranchers across the state. Borrowers may not have owned and operated a farm or ranch before, except in limited circumstances, and they (or their children) must directly manage and perform the labor of the farming operation. The agricultural land and improvements and depreciable farm property acquired with proceeds of the bond must be used for farming purposes during the term of the bond.

A maximum lifetime loan amount per family is established annually by the IRS. As of January 1, 2016, it is $520,000 and it is indexed to increase annually by an inflation factor. Loan proceeds can be used for land acquisition, agricultural buildings and improvements, farm equipment and animals. The Commission has entered into a partnership with Northwest Farm Credit Services to make and service these loans. The Commission has formed additional partnerships with agriculturally related agencies and organizations to help ensure the success of this program and is planning to sponsor several farm finance workshops in the Plan period with these partners.

Sustainable Energy Program

In 2009, the Legislature gave the Commission the authority to enter the area of energy financing in HB 1007 and SB 5649. The legislation directed us to create a sustainable energy program which would finance residential, commercial, agricultural, and governmental energy efficiency and renewable energy projects in the state. The Commission is able to issue any type of bond available to conduit bond issuers, to make direct loans for energy projects where feasible, and to participate with other agencies and organizations to create energy programs. The Commission adopted formal policies for the Sustainable Energy Program in August 2010.

There are several types of bonds that the Commission can issue for energy-related projects. These include the multifamily and nonprofit revenue bonds that are currently issued through the Multifamily Housing and Nonprofit Housing and Facilities Programs, as well as small issue manufacturing bonds for energy expenses only and Qualified Energy Conservation Bonds (QECBs). Housing and nonprofit projects that use bond funds to finance energy-related expenses in addition to other expenses will continue to be considered under the Multifamily Housing and Nonprofit Housing and Facilities Program policies. Projects that use bond funds exclusively for energy-related expenditures will be considered under the Sustainable Energy Program policies.

As part of its sustainable energy program, the Commission also has the Sustainable Energy Trust (SET). The SET's purpose is to increase access to below-market-rate financing for energy-related projects and to leverage other financing options for the state's energy sector. SET participates in direct energy loans of up to $1 million per project that may be combined with other funders or lenders. To date, SET loans have been used to help fund the construction financing for energy efficient single-family homes and energy retrofits for nonprofit facilities and multifamily housing.

Land Acquisition Program

The Land Acquisition Program (LAP) is a revolving loan program to assist eligible nonprofit organizations in Washington with the purchase of land suited for either multi- or single-family affordable housing development. This is not a short term acquisition bridge financing program, but instead a program intended to assist with site acquisition for eventual use (within 8 years) as affordable housing. In addition to affordable housing, LAP funds may be used to acquire land on which facilities providing supportive services to affordable housing residents and low-income households in the nearby community may be developed.

LAP is a rolling loan program with no application deadline. Applications are accepted and projects considered for funding based upon the availability of funds. The intent of the program is to respond quickly to the potential needs of applicants to secure sites as they become available in markets where there is an urgent need for affordable housing and where there is competition for limited developable land.

All housing developed under the LAP is intended to target populations at or below 80 percent of the area median income and, for rental projects, will include a 30-year affordability use restriction.

While LAP loans may be outstanding for up to 8 years, it is anticipated that most loans will be repaid within 4-6 years. Interest payments are deferred for the term of the LAP loan, which is intended to be paid off with the proceeds of construction financing in order to recycle the funds for use in future transactions. Specific terms and conditions of the loans are set forth in a loan agreement and deed of trust.

The WSHFC, in partnership with the Department of Commerce, adopted guidelines and requirements that are necessary to administer the LAP. Eligible applicants must include in their application evidence of site control, a proposed affordable housing development plan indicating the number of affordable units planned, a description of any other facilities being considered for the property and an estimated timeline for completion of the development.

Several evaluation criteria are used to review project applications and applications are considered by an advisory committee with final approval made by the Executive Director of the Commission. Staff reports periodically to the Board of the Commission on the status and progress of the LAP.

OTHER FINANCING PROGRAMS

The Streamlined Tax-Exempt Placement (STEP)

The STEP program was developed to lower the financing cost so that smaller projects can cost effectively be financed with tax exempt bonds. The program uses standardized documents for projects that use a predetermined tax-exempt financing structure to privately place bonds with a financial institution. The program can be used in any bond program. The Commission continues to refine the program in response to the needs of both the borrowers and the participating lenders.

Taxable Bonds

The Commission issues taxable bonds to finance the cost of issuing or refunding tax-exempt bonds and will do so in the future. Blending taxable and tax-exempt bonds also stretches the amount of bond financing available for multifamily and assisted living projects when bond authority under the Unified Volume Cap is limited.

POLICIES FOR BOND-FINANCED MULTIFAMILY HOUSING AND COMMUNITY FACILITIES

The Commission publishes Program Policies that describe the process and criteria that will be used by the Commission to evaluate projects for allocation of the Commission's financing authority, including bond-financed multifamily housing and community facilities projects. The projects financed by the Commission must meet requirements set by the Commission and applied by the Multifamily Housing and Community Facilities Division through these policies. These policies are regularly reviewed and updated to address market conditions and the goals of the Commission. This is done in furtherance of this plan.

The Commission's policies are intended to be an interpretive or policy statement to provide guidance to applicants and to the Commission staff, but is not binding upon the Commission. Neither is it binding upon the Executive Director of the Commission, to whom such decisions may be appealed.

Program policy is subject to change by the Commission based on, among other things, developments under federal law. The Commission staff may modify policies as well as the forms, legal documents, and other materials used by the Commission staff, as necessary and appropriate unless otherwise prohibited by law.

Some of the Commission's significant policy areas are set forth below.

Location

The project must be located in Washington State, or, in the case of nonprofit capital equipment, used to benefit Washington State residents.

Coordination with Units of Local Government

The Commission recognizes the need for inter-governmental coordination in the consideration and selection of bond-financed projects. One way to ensure that interested parties are aware of proposed projects is for the Commission to hold public hearings prior to committing Commission resources for any housing or nonprofit capital project.

For hearings regarding all bond transactions, a notice of the hearing is published at least 14 days prior to the hearing, in one or more newspapers of general circulation including the area in which the project will be located. In addition, the hearing notice is mailed to the chief executive officer of the local jurisdiction where the proposed project is located.

At the hearing, the Commission invites members of both the local government and the general public to testify with respect to all the project proposals. Local governments may comment at the hearing on the consistency of the proposed project with local plans, policies, and ordinances. The Commission hears the testimony and considers it as part of the financing process. However, the Commission does not overrule local determinations with regard to land use, zoning, and permitting processes.

Commission-financed projects must also be in compliance with Consolidated Plans and local Growth Management Act (GMA) housing elements (if adopted). This coordination process helps to direct Commission authority to projects whose zoning, land use, and designs meet local codes and avoid delays in project completion caused by non-compliance with local codes. The review process also maintains a cooperative working relationship between local governments and the Commission.

The Commission is particularly interested in working with cities and other areas of local government on multifamily housing projects and nonprofit capital facilities that are included in housing assistance plans, downtown revitalization programs, the local or state Consolidated Plan, a local or regional Growth Management Plan, and economic development efforts of such governments. These, as well as other projects of special interest to local governments should be brought to the attention of the Commission at the earliest opportunity so that potential methods of cooperative financing may be explored.

The Commission recognizes that communications between a project developer and local governments, residents in the project area, and the general public can foster a better understanding and positive community relationships for all of the parties. Accordingly, the Commission encourages developers and members of the community to develop appropriate avenues of communication for the discussion of project proposals.

Bond Financing and Rating Requirements

Because the Commission does not pledge the full faith or credit of the state of Washington, bonds issued through its programs must be able to be repaid from project earnings or other sources. The Commission has adopted several policies concerning its housing and nonprofit capital facilities programs to determine if bond financing is appropriate for the project. These policies require or give guidance on such concerns as credit enhancement, the sale of unrated bonds, and the structuring of variable rate bonds.

Displacement and Relocation

The Commission recognizes that displacement of low- and moderate-income persons from existing neighborhoods and buildings is often a consideration in the development and financing of multifamily housing projects. The Commission intends to prevent displacement of families to the greatest degree possible. To this end, projects involving residential rental buildings that are subject to the Landlord-Tenant Act must submit and receive approval of a relocation plan for the existing tenants from the local government. A copy of the letter from the local jurisdiction, either approving the plan, or stating that it is not necessary, is required for any such financing. Projects not covered by a local relocation policy must provide a relocation plan acceptable to the Commission as a condition of financing.

Accessibility for Persons with Disabilities

Newly constructed projects must meet federal, state, and local ADA accessibility requirements. The Commission encourages multifamily developers through its program Policy to provide special services and amenities for their residents with disabilities.

Regulatory Requirements for Housing Projects

For projects financed with tax-exempt authority subject to the Unified Volume Cap or projects participating in the Housing Tax Credit program, developers elect, at a minimum, to provide (a) 40 percent or more of the units in the project must be occupied by persons having incomes of less than 60 percent of the area median income (adjusted for family size); or (b) 20 percent or more of the units must be occupied by persons earning less than 50 percent of the area median income (adjusted for family size); or (c) a very low-income option provided by federal regulations for some programs.

For projects financed with tax-exempt authority not subject to the Unified Volume Cap, the Commission has established low-income set-aside options. By providing options the Commission recognizes that nonprofit organizations are different and fulfill their missions in a variety of ways.

Borrowers using the Nonprofit Housing program have four options:

A. <u>No formal Low-Income Set-Aside commitments</u>. This option allows the individual nonprofit to serve its target clients in the most flexible manner. All nonprofit organizations make commitments to provide public benefits as determined in their designation as a nonprofit organization under section 501(c)(3) of the Tax Code.

B. <u>Federally Required Low-Income Set-Asides</u>. Federal law requires, depending on the use of bond proceeds and the physical configuration of the project, the set-aside of 20% of the units for residents at 50% of median income or 40% of the units for residents at 60% of median income. All projects that fall into this category must make the required set-asides.

C. Optional Formal Low-Income Set-Aside Commitments. State law provides that nonprofit-owned projects that provide housing for the elderly and use tax-exempt bonds to finance their facility may qualify for a property tax exemption if they agree to the following:

- The owner is required to set aside 10% of the total units eligible for financing by the Commission for tenants or families with incomes at or below 80% of the state or local median income, whichever is higher, and 10% of the total for tenants or families with incomes at or below 50% of the state or local median income, whichever is higher. The set-aside units must be available so long as the bonds are outstanding, but not less than 20 years from the later of bond closing or the date on which one-half of all units are first occupied; or,
- The owner is required to set aside 20% of the total units eligible for financing by the Commission for tenants or families with incomes at or below 50% of the state or local median income, whichever is higher, and 10% of the total for tenants or families with incomes at or below 80% of the state or local median income, whichever is higher.

D. Low-Income Set-Asides under the Fee Waiver. The Commission is concerned that nonprofit organizations providing housing to very low-income people, particularly the elderly, are finding it increasingly difficult to meet rising operating expenses in an environment of shrinking resources. In order to assist nonprofits that have as a mission the provision of housing to low-income people, the Commission offers a reduction in the annual fees if the nonprofit agrees to commit to one of the following set-aside options. The savings generated through this fee reduction are intended to help increase the stability and soundness of the project and the organization.

- At least 75% of the units are occupied by residents at or below 80% of the area's median income, adjusted for family size; or
- At least 20% of the units are occupied by residents with "very low-income" (50% of the area's median income, adjusted for family size); or
- At least 40% of the units are occupied by residents with income that does not exceed 60% of the area's median income, adjusted for family size; or
- If the provider is an assisted living facility or nursing home, at least 20% of all units/beds must be reserved and rented to residents/patients who are eligible for Medicaid; or
- If the provider is a Continuing Care Retirement Community (CCRC), at least 20% of the assisted living and nursing home beds must be reserved for residents/patients who are eligible for Medicaid.

A housing project owner enters into an agreement with the Commission to ensure compliance with the low- and moderate-income requirements of the Commission. In addition, each owner that makes a formal set-aside commitment is required to accept and record deed restrictions requiring that the entire project be maintained and operated as a residential rental project for the period as required by federal regulations and Commission policy.

Allocation of Bond Cap Authority

The Commission has developed a process for allocating Private Activity Bond Cap among multifamily developers that apply for bond financing based on readiness and public benefit. The Commission has adopted Rules under WAC 262-01-140 for the allocation of private activity bonds. The Rules set forth the principles by which the Commission allocates multifamily bond cap to carry out this Plan and which apply to all applicants.

A reservation of bond cap may only be made for applicant projects that make complete submissions, respond completely to the stated program policy, meet the minimum threshold score, and pay the appropriate fees. The bond cap allocation made to the project may be revoked if the timing requirements for the issuance of bonds are not met during the year.

In general, the program policy gives priority to projects supported by federal, state, and local governments; to those located in targeted and distressed areas; and to projects creating or preserving project-based rental subsidies. It also gives priority to projects with set-asides and referral agreements for the disabled, large families or other special-needs populations; to the rehabilitation or preservation of existing housing; to the use of sustainable building practices. The point criteria recognize the public benefit and value provided especially by projects that are sponsored and operated by nonprofit organizations.

Housing Populations with Special Needs

The Commission continues to place special emphasis on projects that serve the elderly. The Commission has created specific policies for these housing providers, including the circumstances for financing Continuing Care Retirement Communities (CCRC) and set-aside requirements for nonprofit providers of housing for the elderly. The Commission plans to continue to work with developers of housing for the elderly as well as those who provide services for the elderly to ensure that the program continues to meet the needs of Washington State's older citizens.

The Commission encourages the development and financing of additional rental housing opportunities for the physically/mentally disabled. To achieve this purpose, the Commission gives preference to projects that actively work with nonprofit organizations serving the disabled and make special efforts to provide housing units for these populations. The Commission will continue to look for ways to facilitate partnerships between housing and service providers.

The Commission recognizes that affordable rental housing for families is greatly needed throughout Washington State. Often, the development of projects for family occupancy receives less attention than other housing needs. Housing for low and moderate-income families may not be recognized as the highest priority in many local communities. However, the Commission will continue to encourage the development of housing that will serve low and moderate-income families in its programs.

WASHINGTON STATE HOUSING FINANCE COMMISSION

Opening doors to a better life

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APPENDIX D

THE FINANCE DIVISION

The Finance Division performs the fiscal transaction and reporting functions for the Commission and summarizes its financial activities in three funds, the General Operating Fund, the Program Investment Fund (PIF), and the Bond Fund.

1. **General Operating Fund**. The General Operating Fund accounts for the fiscal activities related to the administration of the Commission's ongoing program responsibilities. Revenues of this fund are derived primarily from fees earned on bond issues, premiums on sale of mortgage-backed securities, tax credit allocations and compliance monitoring, as well as interest income on General Operating and Program Investment Fund investments. Except for certain pass-through grants and loans, all general operating funds received by the Commission are generated by its activities and are not direct appropriations from the State. Expenditures excluding pass-through grants received were $10.9 million for the fiscal year ended June 30, 2015.

   The Commission adopted a General Operating Fund Reserve Policy in 1989. The current policy requires the maintenance of general reserves of $18 million based upon capital adequacy analyses. General reserves provide income to fund current operations, help to ensure a sufficient revenue stream for the Commission to remain independent of State funds, and safeguard the Commission's ability to meet its future legal and program obligations.

2. **Program Investment Fund**. The Commission's Program Investment Fund (PIF), established in 1989, represents Commission reserves above those required by the General Operating Fund Reserve Policy. These are strategically invested in programs to support the financing and production of low-income housing, special needs housing, and facilities that provide community services. This fund is leveraged by including investments of other funders for use in established down payment assistance and other PIF programs.

3. **Bond Fund**. All activities of Commission-issued bond transactions are established under separate Indentures of Trust and financial activities of these Indentures are recorded in this fund. As of June 30, 2015, the Commission had 331 active bond transactions with $3.42 billion of outstanding debt.

   The Commission further summarizes its bond activities by program type as follows:

   a. Single-family Homeownership Program. The proceeds from the sale of Single-family Homeownership Program mortgage revenue bonds and the debt service requirements of these bonds are summarized in this program. Activities of the program are, in general, limited to the purchase of mortgage-backed securities (MBS) containing pools of mortgage loans originated under the Commission's First-time Homebuyer program which are secured by mortgages on single-family, owner-occupied, new or existing residential housing located in Washington State. The bonds, which are established under three trust indentures and multiple series indentures, constitute a special obligation of the Commission, are payable solely from the bond funds established pursuant to the indenture, and are repaid by payments received from the MBS pool and from any other money held by the bond trustee pursuant to the indenture. As such, the assets of the bond indenture are pledged as collateral for the debt. Loans in the programs are made to first-time homebuyers (except for those in targeted areas) whose income does not exceed the limits established by the Commission in accordance with Federal law.

In this program, the Commission has issued a small amount of variable-rate bonds. In conjunction with some of those bonds, the Commission has entered into an interest rate swap agreement in accordance with its Commission-adopted policy that conforms to Chapter 39.96 RCW (the "Swap Act").

b. Conduit Financing Programs. All bonds issued by the Commission, except for the Single-family Homeownership Program discussed above, are conduit debt. Conduit debt is defined as limited-obligation bonds issued by the Commission for the express purpose of providing financing for a specific third party that is not a part of the Commission's financial reporting entity. Financing proceeds for the Conduit Financing Programs are used to purchase qualified mortgages or mortgage-backed securities from mortgage lenders. The issuer of the mortgage-backed securities, the mortgagor, the letter of credit provider or the lender will pay the bond trustee principal and interest in amounts calculated to meet periodic debt service payments on the bonds.

At the time of a Conduit Financing Program bond issuance, the Commission assigns its rights, title, and interest in the loan agreement (with certain exceptions and reservations), and in any collateral securing the loan, to a bond trustee, paying agent or the lender pursuant to a trust indenture or financing agreement. That party administers the bond issue.

The bonds, which constitute a special obligation of the Commission, are payable solely from the bond fund established pursuant to the indenture or financing agreement. Although the conduit debt securities bear the name of the Commission, it has no obligation for such debt beyond the resources provided by the loan with the third party on whose behalf they are issued The principal and interest payments are funded primarily from payments made by the borrower to satisfy the loan agreement and from any other money held by the bond trustee pursuant to the indenture.

The obligation of the borrower to repay the loan is absolute and unconditional. The bonds do not constitute a general, moral, or special obligation of the state of Washington, a pledge of the faith and credit of the State, or a general obligation of the Commission. The owners of the bonds have no right to require the state of Washington or the Commission, nor has the state of Washington or the Commission any obligation or legal authorization to levy any taxes or appropriate or expend any of its funds for the payment of principal thereof, premium, if any, or interest thereon.

Bonds may be sold in the capital markets by underwriters, or, in the case of private placement bonds, privately placed directly by the Commission with a financial institution or other sophisticated investor. Proceeds of the conduit bonds may be used in any of the following programs:

i. Multifamily Housing Program. This program accounts for financing issued on behalf of developers of multifamily housing. The proceeds are used to purchase, construct, refinance, and/or remodel projects containing affordable housing and housing for the elderly. Activities of this program also include the purchase, construction, refinancing, and/or remodeling of continuing care retirement communities and nursing homes.

ii. Nonprofit Housing Program. This program accounts for bonds and notes issued on behalf of nonprofit housing organizations. The proceeds are used to purchase, construct, refinance, and/or remodel projects containing housing consistent with the organization's IRS approved purpose.

iii. Nonprofit Facilities, Beginning Farmers/Ranchers Program and Energy Program. The Nonprofit Facilities program accounts for the bonds and notes sold to purchase loans of 501(c)(3) organizations whose proceeds are used for capital acquisitions and/or improvements. The Nonprofit Facilities loans may be secured by real and/or personal property used by organizations.

The Beginning Farmers/Ranchers loans, which must be secured by real and/or personal property, are used for the acquisition of land, purchase, construction or improvement of related buildings, machinery, equipment or certain animals for use in farm or ranching. These borrowers must directly manage and work on the farm or ranch.

The Sustainable Energy Program offers a wide array of financing tools to energy efficiency and renewable energy projects: Conduit bond issuance is available for energy efficiency and renewable energy projects with Qualified Energy Conservation Bonds; to non-profit organizations making resource efficiency improvements to their facilities; and, to manufacturers looking to build or expand their facilities to produce renewable energy or energy efficiency components. Direct construction lending is also available through the Sustainable Energy Trust for the development of energy efficient homes. The Sustainable Energy Trust will also participate in loans to support energy efficiency and renewable energy projects in order to increase access to capital and subsidize the cost of capital.

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APPENDIX E

The Asset Management & Compliance Division

The Asset Management and Compliance Division ensures that owners and managers of Commission-financed projects provide affordable and/or income-restricted units to the general public in accordance with their regulatory agreement. As of June 30, 2015, the Commission monitors nearly 80,000 multifamily units statewide in over 950 properties located across the state. The total is composed of 65,165 housing-credit and joint housing-credit/bond units, 13,646 bond-financed units, and 437 Resolution Trust Corporation units. These properties include set-aside for large families, disabled persons, the elderly, farm workers, and transitional and permanent housing for formerly homeless persons.

In exchange for participation in the Commission's favorable financing and tax credit equity programs, owners sign long-term regulatory agreements that incorporate requirements of the federal tax code and state rules and regulations.

The division annually conducts about 15 compliance training workshops across the state for tax-exempt bond and tax credit-financed projects. These workshops and others sponsored by industry partners attract more than a thousand property management and property ownership personnel annually. Additionally, the division creates and maintains updated online manuals, forms, Frequently Asked Questions (FAQs); an online searchable list of all properties by city, county or zip code; and numerous resource links for use by owners, managers and residents. The division also electronically distributes a monthly E-News update on compliance and preservation issues to over 1400 subscribers.

The financing of affordable housing is very complex and often requires multiple sources of private and public funding. Each of these funding sources may have statutory or policy related reporting and/or compliance requirements. This can be cumbersome for projects as these requirements may necessitate both desk level and on-site reviews. The Commission took the leadership in bringing together a group of the largest public funding organizations (public funders) that worked diligently to standardize reporting documents and share the on-site inspection responsibilities, dramatically reducing the administrative burden for project owners and residents.

To date, the Commission has formal written agreements with the City of Seattle, the State Department of Commerce, the State USDA Rural Development office, the Seattle Housing Authority and the City of Tacoma. The Commission also works closely with and has informal working agreements with the Northwest Regional HUD office, the Bremerton Housing Authority Contract Administration Services team, King County, Snohomish County, the City of Bellingham, the City of Spokane and the IRS. The participating public funders meet bi-monthly.

These agreements provide for one annual report format and one inspection report to be shared by all participating organizations. Each participating entity agrees to accept the review and inspection work of other participants. This has established a level of specialization among the partners and has ensured maximum adherence to public policy in the operation of low-income apartment developments statewide. Owners and managers have expressed appreciation for the significant reduction of duplicative inspection and reporting requirements.

Over the past ten years, the Commission has explored several programs designed to preserve affordable housing stock. This includes our participation on several local and statewide coalitions concerned with preserving affordable housing; our appointment by HUD as a Participating Administrative Entity in the Mark-to-Market program; conducting several studies on the preservation of “at risk” Section 8 projects; and, we are exploring innovative ways to modify Commission programs to utilize Commission funds in the preservation of expiring bond and tax credit projects. The division continues to work in conjunction with other divisions within the Commission, as well as other public funders, to develop streamlined processes to reposition and refinance aging properties and preserve affordable housing.

In 2005, the division published streamlined compliance procedures for tax credit-financed properties which have reached Year 15 in their restricted use period. During the first fifteen years of project operations, staff reports noncompliance issues to the IRS, which provides national oversight for the tax credit program. After Year 15, the IRS has no mechanism to recapture tax credits from owners and has subsequently left it up to states to outline and enforce long-term monitoring requirements. The division worked closely with owners, managers and other state housing agencies to establish streamlined procedures that will reduce costs, meet regulatory requirements and result in quality living units for residents, yet omit unnecessary regulatory burdens.

In 2006, the division amended guidelines to allow the IRS income recertification waiver process. This waiver allows qualified tax credit property owners to refrain from completing annual income re-certifications on qualified households. Owners must request the waiver and pass a strenuous third-party audit before being approved. Several owners elected to go through this process and were approved for the waiver.

In 2008, Congress passed the Housing and Economic Recovery Act (HERA), which included an allowance for states to implement recertification waivers for all tax credit properties. The division adopted a policy of one recertification for each new household, followed by self-certifications. This policy reduces the administrative burden of unnecessary third-party certifications on long-term residents but still provides an important first year audit check on the eligibility of new residents at the first annual recertification.

In 2010, the division implemented a custom-designed Web Based Annual Reporting System (WBARS). This system is jointly funded by the Commission and Commerce. Commission and Commerce staff worked closely with our technology contractor to design a system that could be used by multiple public funders to monitor programs with both overlapping and unique contractual requirements. The division led this design, development, and testing and implementation effort and coordinated closely with owners, managers, IT staff and funder staff from multiple agencies. Currently, ten different public funder groups have access to the system and accept WBARS reports for the purpose of satisfying regular reporting requirements.

Nearly half of the 1,750 projects in the system have Tax Credit financing from the Commission and are actively monitored by the Commission. The system allows data to be entered by hand or via upload from property management software. The division and its partners provided annual in-person and remote training sessions for users in addition to regular one-on-one assistance.

The WBARS system includes comprehensive information that allows owners and managers to see their "real-time" compliance status with each funder's contractual requirements on a project at any time. It allows funders and users to see and review extensive data on units including maximum and actual rents, resident payments, household incomes, rental subsidies and set-aside commitments and also project level income and expense data.

As properties age, the Asset Management & Compliance division works closely with owners and managers to preserve commitments in properties that may be experiencing significant financial hardship or severe repair and maintenance problems. The Commission has an in-house cross-divisional team that tracks and reviews "troubled properties", working closely with owners and managers and in coordination with other public and private funding sources to resolve issues. The division is also working proactively with emerging property issues and addressing items before they become larger problems.

As a result of the division's recent decision to outsource property inspections during their plan period, division staff will be able to focus on training and technical assistance, including meeting with owners and managers to address specific asset management concerns that are more prevalent as our overall portfolio continues to age.

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APPENDIX F

Recent Accomplishments of the Commission

The Commission continues to be a leader in new and innovative programs to assist Washington's low and moderate income residents to obtain affordable housing. Recently developed programs and projects include:

- Since the Home Advantage program was implemented in FY2013, the Commission's home loans have greatly increased. Almost 4,000 families used this program to purchase a home during Program Year 2015, most of them also using our down payment-assistance program (a second, zero-interest loan). Home Advantage is funded by the proceeds from loans bought and sold on the open market—an unlimited funding source—rather than the proceeds of bonds.
- In 2014, we celebrated the 50,000th homebuyers to use our programs since the Commission was created in 1983. Melissa and Jeremy Olsen, recent University of Washington graduates, bought a home in Federal Way using the Home Advantage program and down payment assistance.
- In addition to sponsoring more than 1,000 in-person homebuyer education seminars each year through local lenders and nonprofit organizations across the state, the Commission now offers the seminar as an online option. More than 4,403 homebuyers have completed an online class since 2014. A homebuyer education class is required for all Commission borrowers.
- In an encouraging sign of economic recovery, the Commission's multifamily program financed the creation or rehabilitation of 7,577 affordable apartments in Program Year 2014 and Program Year 2015. These 68 projects resulted in construction jobs and local revenue for a wide range of communities across the state.
- Between 2012 and 2015, the Commission helped seven manufactured-home communities to form cooperatives and buy their own communities. By purchasing the land together, they build equity, eliminate the risk of being displaced, and look after their own maintenance and rules. The Commission partners with ROC USA and ROC Northwest to provide the financing. In 2014, this ongoing program was honored with a Special Achievement Award from the National Council of State Housing Agencies.
- In August 2015, the Commission helped cut the housing costs of at least 3,500 low-income households in Seattle by sharing data about Commission-financed housing units with the City of Seattle's Utility Discount Program. Because the residents of these units are already income-qualified, they can now be automatically enrolled in the discount program.

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APPENDIX G

MAJOR ACCOMPLISHMENTS OF THE COMMISSION SINCE 1983

Between 1983 and June 30, 2015, the Commission has:

- Financed 53,195 home loans totaling $5.68 billion, in every county of the state.
- Provided 16,938 homebuyers with down payment assistance loans totaling more than $132 million through 17 different programs, including partnerships with local cities and counties.
- Financed the creation, preservation or rehabilitation of 105,863 affordable multifamily housing units by issuing $3 billion in tax-exempt bonds and allocating $4.1 billion in housing tax credits. These include 33,649 units using our 9% Housing Credit program; 43,489 units using our 4% Housing Credit/Tax-exempt bond program; and 15,860 units using bonds only.
- Since 1998, used $30.6 million in housing counseling funds from federal and state agencies to help nonprofit organizations provide housing counseling statewide. These services have assisted more than 104,000 potential homebuyers and homeowners facing foreclosure.
- Issued $2.4 billion in 501(c)(3) bonds for 12,865 nonprofit housing units and 162 nonprofit facilities, including community centers, cultural facilities, schools and social-services offices.
- Through the Beginning Farmer/Rancher program, supported Washington’s agricultural economy by enabling 24 households to purchase farms, ranches and equipment through the issuance of more than $5.2 million in bonds in cooperation with Northwest Farm Credit.
- Established a Sustainable Energy Program at the behest of the state legislature, which since 2009 has financed eight projects by both private companies and nonprofit organizations using $15.5 million in bonds and loans. These include energy-efficiency upgrades at YMCAs, wind turbines that power local homes near Ellensburg, and the construction of affordable and energy-efficient single-family homes in Seattle.
- Trained 7,482 active instructors, including loan officers, real estate professionals, and nonprofit partners, to teach free homebuyer education seminars.
- Coordinated 16,024 homebuyer education seminars statewide during which 187,420 potential homebuyers were educated about first-time home buying, real estate and finance terminology, and home maintenance and repair.
- Successfully sponsored Housing Washington, a statewide annual housing conference, for the past 22 years. The most recent conference, Housing Washington 2015, was attended by more than 650 people and attracted speakers and attendees from across the nation.
- Successfully monitored over 78,000 units in 961 properties across the state, constructed or rehabilitated with financial assistance from the Commission’s multifamily programs.

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PROGRAM INDEX

Our enabling legislation (RCW 43.180) specifies a number of issues related to the housing market and affordable housing needs that we should consider in the development of the Housing Finance Plan. The following index itemizes the various programs that address the thirteen policy issues contained in statute and as requested by the legislature.

THE USE OF FUNDS FOR SINGLE-FAMILY AND MULTIFAMILY HOUSING:

THE USE OF FUNDS FOR NEW CONSTRUCTION, REHABILITATION, INCLUDING REFINANCING OF EXISTING DEBT, AND HOME PURCHASES:

WASHINGTON STATE HOUSING FINANCE COMMISSION

Opening doors to a better life

THE HOUSING NEEDS OF LOW-INCOME AND MODERATE-INCOME PERSONS AND FAMILIES, AND OF ELDERLY OR MENTALLY OR PHYSICALLY HANDICAPPED PERSONS:

THE USE OF FUNDS IN COORDINATION WITH FEDERAL, STATE, AND LOCAL HOUSING PROGRAMS FOR LOW-INCOME PERSONS:

THE USE OF FUNDS IN URBAN, RURAL, SUBURBAN, AND SPECIAL AREAS OF THE STATE:

THE USE OF FINANCING ASSISTANCE TO STABILIZE AND UPGRADE DECLINING URBAN NEIGHBORHOODS:

WASHINGTON STATE HOUSING FINANCE COMMISSION

Opening doors to a better life

THE USE OF FINANCING ASSISTANCE FOR ECONOMICALLY DEPRESSED AREAS, AREAS OF MINORITY CONCENTRATION, RESERVATIONS, AND IN MORTGAGE-DEFICIENT AREAS:

THE GEOGRAPHICAL DISTRIBUTION OF BOND PROCEEDS SO THAT THE BENEFITS OF THE HOUSING PROGRAMS PROVIDED UNDER THIS CHAPTER WILL BE AVAILABLE TO ADDRESS DEMAND ON A FAIR BASIS THROUGHOUT THE STATE:

THE USE OF FINANCING ASSISTANCE FOR IMPLEMENTATION OF COST-EFFECTIVE ENERGY EFFICIENCY MEASURES IN DWELLINGS:

THE USE OF FUNDS TO INCREASE THE SUPPLY OF AFFORDABLE AND DECENT HOUSING THROUGHOUT THE STATE:

THE USE OF FUNDS TO PROMOTE THE PROVISION OF AFFORDABLE HOUSING FOR THE LONGEST PERIOD OF TIME POSSIBLE:

THE USE OF FUNDS TO PROMOTE INCREASED HOUSING DENSITY:

TO GIVE PRIORITY FOR THE ALLOCATION OF MULTIFAMILY BOND CAP TO ELIGIBLE APPLICATIONS SUBMITTED BY NON-PROFIT ORGANIZATIONS:

The Commission may change the policies and guidelines for the programs it operates during the Plan period. The Commission, as a rule-making body, will consider proposed changes at public meetings since policies and guidelines are generally subject to public hearing prior to consideration by the Commission. All Commission meetings are open to the public and persons wishing to see agendas for future meetings and minutes of previous meetings may find these documents on the Commission's web site at www.wshfc.org. Persons without access to a computer may call the Commission at 206-464-7139 and request that copies be mailed to them.