

# WASHINGTON STATE HOUSING FINANCE COMMISSION

## WORK SESSION MINUTES

February 26, 2015

The February 26, 2015 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Steve Moss, Gabe Spencer, Randy Robinson, Pam Tietz and Lloyd Weatherford.

Lisa DeBrock, Lisa Vatske, Karen Carlson-Bunce and Margret Graham from across Commission divisions and Emily Salzberg from Washington State University Energy Extension did a presentation on the Energy Saver Program that offers a lower interest rate to homebuyers financing residences that meet certain energy efficiency levels.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, and Paul Fitzgerald, Director of the Compliance Division, gave a briefing on the Critical Preservation Project Investment Fund and the request to allocate \$1.5 million of undesignated PIF to preserve 166 units in two communities in critical need of preservation and health and safety improvements.

Kim Herman gave his Executive Director's report.

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

**WASHINGTON STATE  
HOUSING FINANCE COMMISSION  
MINUTES**

**February 26, 2015**

The Commission meeting was called to order by Chair Karen Miller at 1:00 p.m. in the Board Room of the Washington State Housing Finance Commission at 1000 Second Avenue, Seattle, Washington. Those Commissioners present were Steve Moss, Gabe Spencer, Randy Robinson, Pam Tietz, M.A. Leonard, Beth Baum and Lloyd Weatherford.

**Approval of the  
Minutes**

The minutes of the January 22, 2015 Commission meeting were approved as mailed.

**Employee  
Recognition**

Executive Director Kim Herman stated that there are several types of Employee Recognition Awards: Length of Service and peer chosen Employee of the Quarter and Year were to be given this month.

Fifteen Year Service Award

Simona Alvarez

Margret Graham

Employee of the Fourth Quarter –Margret Graham

“This person is a pleasure to work with and offers up great ideas and suggestions. She also is able to do it in manner that is respectful of other’s work and with the understanding that the work is a team effort.

She has a genuine curiosity and goes out of her way to understand all the programs at the Commission and Affiliate Agencies. She is passionate about our mission and her work, and effortlessly composes responses to difficult questions.

She is able to juggle many balls at the same time. Being the Communications person for the many and diverse programs at the Commission, WHEFA and TSA is a huge job and she does it well. She handles the stress and pressure of multiple deadlines and with a smile on her face.

Her openness and positive attitude allows other employees, including new ones, to learn while participating in projects. She is quick to provide guidance while at the same time being able to take new perspectives and add them to ongoing efforts to achieve the best results.

She was instrumental in getting press releases up and running for WSHFC and WHEFA and continues to broaden WSHFC marketing efforts across all programs with professionally written news items. She is an excellent resource and knows just how to communicate our message with clarity and creativity. Since she has been refining WHEFA press releases they have been published in the Bond Buyer. Multifamily Housing and Non-profit facilities have been front page news in the Daily Journal of Commerce as well as the Puget Sound Business Journal. Commission marketing efforts in the Non-profit Facilities Bond program have been significantly positively impacted as a result.

She prepared the press release and FAQs for the TSA's 2013 bond refunding. This took doing research to understand bonds and especially tobacco bonds, which are a unique subset of bonds. The resulting publications were informative and on target.

She just completed the Commission's 2014 annual report and 1983 – 2014 Impact Report leading a new team of consultants, writers and graphic designers. The publications look professional, well thought out and communicated - conveying the message we want our stakeholders, clients and the general public to see. The team she put together brings a new vitality and energy to the Commission's publications.

If you are ever in the office late in the evening and need someone to talk to.....Margret is usually here. If she isn't – she's playing soccer or baking something fabulous.

Congratulation to Margret Graham – Employee of the Fourth Quarter.”

Employee of the Year– Simona Alvarez

“This person is truly committed to the mission, vision and values of the Commission. She is very hard-working and comes to work each day with a smile and willingness to help. She actively seeks out partners and offers to educate them on the benefits of our programs. She spends countless hours answering telephone calls from our clients as she patiently and professionally assists them. She carries a full file load and works with our partners to help them improve their files. When an incomplete file comes into our office for her review, she calls and offers them training. She gives a detailed training which she does with a co-worker on how to properly fill out the required documentation.

She has worked relentlessly to help multi-cultural families bridge the gaps to achieve homeownership. She started a database of lenders, real estate professionals, and non-profit partners who speak other languages so that homeownership staff can refer borrowers to professionals who can help them. She is responsible for the growing number of lenders especially in the Tri-cities, Walla Walla and Yakima who have attended training and originate Home Advantage loans. She has translated our materials into Spanish. She presents our programs regularly on Hispanic radio stations, homebuyer fairs, and at the Mexican Consulate. She sticks to her checklist and is a true asset to the homeownership division.

Please join me in congratulating our Employee of the Year..... Simona Alvarez!”

**Public Hearing:  
Pacific Science  
Center, OID #14-  
94A**

A public hearing was opened on OID No. 14-94A, Pacific Science Center, at 1:10 p.m.

David Clifton, Assistant Director of the Multifamily Housing and Community Facilities Division, stated that this is a hearing for the proposed issuance of a nonprofit revenue bond to refinance existing debt that paid the cost of the rehabilitation of a portion of the borrower's existing facilities, to finance the acquisition and installation of a customer relationship management (CRM) and ticketing system and to pay costs of issuing the bond. The project is located at 200 Second Avenue North, Seattle, WA and is owned by Pacific Science Center Foundation, a Washington 501(c)(3) non-profit organization. The estimated bond amount is not expected to exceed \$2,500,000. Mr. Clifton introduced Corey Sbarbaro representing the Pacific Science Center.

Mr. Sbarbaro stated that over 26,000 people have seen the current Pompeii exhibit, about 1.2 million people visit the science center a year. The Pacific Science Center has nine Science on Wheels vans which educate students and adults around the Pacific Northwest.

Washington State Leadership and Assistance for Science Education Reform (LASER) is a statewide science education program co-led by Pacific Science Center and Pacific Northwest National Laboratory in partnership with the Office of Superintendent of Public Instruction. This public/private partnership has worked with more than 100,000 educators in more than 200 school districts to share and inspire powerful practices in science education. Other programs include the Discover Core Program, Teen Science Café and Camps for Curious Minds.

Mr. Sbarbaro also stated that this refinancing will help to upgrade the current CRM and ticketing system which is on borrowed time.

There were no additional comments from members of the public, and the hearing was closed at 1:21 p.m.

**Public Hearing:  
The Winthrop, OID  
#15-53A**

A public hearing was opened on OID No. 15-53A, The Winthrop, at 1:22 p.m.

Bob Peterson, Multifamily Housing and Community Facilities Division Manager, said that this is a hearing for the proposed issuance of multifamily revenue notes to provide a portion of the financing for the acquisition and rehabilitation of a 194-unit multifamily housing facility at 776 Commerce Street, Tacoma, WA, and to pay costs of issuing the notes. The project will be owned by The Winthrop, LP, a Washington limited partnership. The estimated note amount is not expected to exceed \$30,000,000. Mr. Peterson introduced Ryan Fuson, with Redwood Housing Partners.

Mr. Fuson stated this is an acquisition and rehabilitation of an historic 194-unit multifamily housing facility in downtown Tacoma. The rehab will include Historic Tax Credits, which will help preserve the historic character of the building. 175 of the units are covered by a HUD rental assistance contract, which will be extended. The remaining 19 units will be unsubsidized. Planned additions include a computer lab, library, community space, and a fitness room.

There were no additional comments from members of the public, and the hearing was closed at 1:25 p.m.

**Public Hearing:  
Projects  
Recommended for  
Allocation of  
LIHTC**

The Chair opened a public hearing on the recommended allocation of Low Income Housing Tax Credits at 1:26 p.m.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, gave a briefing on the 2015 9% Low Income Housing Tax Credit Applications Round. She stated that five projects are in the King County pool, eight projects are in the metro pool, and five projects are in the non-metro pool with 14 projects on the total waiting list.

Mr. Peterson stated that University Commons is our first new construction project in this round, located at 5019 Roosevelt Way NE in Seattle's University District. Mr. Peterson introduced Sharon Lee, Executive Director at Low Income Housing Institute (LIHI).

Ms. Lee stated that University Commons is in partnership with YouthCare. Units will be targeted to homeless young adults, other homeless individuals and to workforce housing. There will be 47 studio units and 1 one-bedroom unit with 50% of units at 30% average median income (AMI), 25% of units at 40% AMI and 25% of units at 60% AMI. She also stated rents will start at \$50 for formerly homeless residents and \$400/\$500 for the workforce group.

The new University District Food Bank facility will occupy the first floor. The Food Bank space will contain a barista training café that will provide job readiness training for young adults living in the building and the Food Bank will also involve young adults in their main business of running a grocery store.

There were no additional comments from members of the public, and the hearing was closed at 1:36 p.m.

**Action Item:  
Resolution No. 15-  
59 for the  
Allocation of Credit  
for the 2015  
Housing Tax Credit  
Program**

Ms. Vatske said this was a resolution authorizing the Executive Director to make reservations and/or allocations of 2015 Housing Tax Credits to the following project:

- University Commons

Ms. Leonard moved to approve the request. Mr. Moss seconded the motion. The request was unanimously approved.

**Action Item:  
Resolution No. 15-  
54, Eastside  
Catholic School**

Ms. Vatske said that this is a resolution approving the issuance of bonds by the Commission in the principal amount not to exceed \$46,765,000 to refund outstanding debt originally used to finance and refinance the acquisition of land and the construction and equipping of a new campus for the high school and middle school programs in Sammamish, WA. The project is owned by Eastside Catholic School, a Washington 501(c)(3) non-profit organization. The public hearing for this project was held on February 19, 2015.

Mr. Moss moved to approve the request. Ms. Teitz seconded the motion. The request was unanimously approved.

**Action Item:  
Resolution No. 15-  
55, Scriber Creek**

Ms. Vatske said that this is a resolution approving the issuance of bonds by the Commission in the principal amount not to exceed \$46,000,000 to provide a portion of the financing for the acquisition and new construction and equipping of a 276–unit multifamily housing facility in unincorporated Snohomish County, WA and to pay a portion of the costs of issuing the bonds. The project will be owned by Scriber Creek, LLC, a Washington limited liability company. The public hearing for this project was held on December 18, 2014.

Mr. Spencer moved to approve the request. Mr. Robinson seconded the motion. The request was approved with one abstention by M.A. Leonard due to potential investment by her employer in the tax credits.

**Action Item:  
Resolution No. 15-  
56, The Reserve at  
SeaTac**

Ms. Vatske said that this is a resolution approving the issuance of bonds by the Commission in the principal amount not to exceed \$33,000,000 to provide a portion of the financing for the acquisition of land and new construction of a 289–unit senior housing facility in SeaTac, WA, and to pay a portion of the costs of issuing the bonds. The project will be owned by Reserve at SeaTac Partners LLLP, a Washington limited liability limited partnership. The public hearing for this project was held on January 22, 2015.

Mr. Moss moved to approve the request. Ms. Baum seconded the motion. The request was unanimously approved.

**Action Item:  
Approval of the  
Energy Saver  
Program**

Lisa DeBrock, Director of the Homeownership Division, stated that the average homeowner spends over \$2000 a year in energy costs. This is often referred to as the “hidden costs” because this is not included in mortgage qualifications.

The Commission staff wanted to help promote a way to lower the cost burden – especially for lower income folks or those on a limited income.

The Commission staff believes this program is potentially revolutionary and is not currently being offered in the same manner as we propose in the market place today.

After conducting research including interviewing lenders, and other housing and energy professionals, we are recommending that the Commission offer a reduction on the homebuyer's first mortgage rate of a quarter point (.250) based on daily posted rates for the Home Advantage program.

Also in response to lender feedback, we will allow an extra 15 days for our lenders to deliver the loan to our servicer for homebuyers making energy improvements through the Energy Spark program.

While we will be foregoing earnings on this initial pilot program and possibly subsidizing the program using earnings from Home Advantage, it is felt that this rate reduction is what is needed in the initial roll out to gain attention to energy efficient mortgages and improvements. After evaluating and analyzing rates, we observed a large range between pricing depending on the day and the type of first mortgage. In the worst case scenario we could be subsidizing up 130 basis points or 1.30 points. It will be interesting to see what type of underlying loans are used for this program. If the program is successful, this information will help us design a permanent program and how to price it, especially because pricing varies greatly depending on the underlying mortgage type.

The Commission will be carefully monitoring the portfolio and homebuyers using Energy Spark. We anticipate most energy improvements will be made through the FHA 203k Streamline loan but even so, we will be looking at pricing and ways to determine future "promotions" – perhaps to realtors, builders and so on. Our hope is that more lenders will start offering these first mortgage loan products like the 203k, EEM, and the Fannie Energy Improvement Feature because they have gained confidence due of the additional 15 days to deliver to our servicer– which appears to be the biggest concern or barrier based on lender responses to this program.

The pricing observations are based on folks using our Home Advantage program with our Home Advantage Down Payment Assistance. This may not always be the case, as they may use one of our other DPA programs, or none, in which case there are still substantial earnings for the Commission even with the rate reduction and additional lock time on the first mortgage program.

Some common energy efficiencies to be financed were ceiling and wall insulation, window, heating system, cooling system and water heater upgrades.

Ms. Vatske stated that existing homes must improve their efficiency by at least 10% to be eligible for financing. This is determined through a pre-closing energy audit. The homebuyer has improvements made by closing per the audit recommendation, and the post-closing audit will document energy efficiency improvement of at least 10%.

Mr. Weatherford moved to approve the request. Mr. Moss seconded the motion. The request was unanimously approved.

**Action Item:  
Approval of the list  
of Financial  
Advisors for the  
MHCF**

Mr. Clifton stated that over the past six years the Commission has broadened the list of financial advisors with whom it contracts in order to ensure that the Commission and its clients have the expertise available for a particular financing.

Every two years the Commission submits a Request for Quotations / Qualifications (“RFQQ”) with intent of awarding Personal Service Contracts.

Firms that have submitted responses to the RFQQ and that have been determined by a staff committee to meet the requirements of the RFQQ and therefore are eligible to be under contract with the Commission are as follows:

CSG Advisors  
First Southwest  
The PFM Group  
Springsted Incorporated

Mr. Clifton requested approval of these recommendations for Financial Advisors to the Multifamily Housing and Community Facilities Division.

Ms. Tietz moved to approve the request. Mr. Moss seconded the motion. The request was unanimously approved.

**Action Item:  
Critical Project  
Preservation  
Investment PIF  
Request**

Ms. Vatske requested an allocation of \$1,500,000 from the Program Investment Fund to preserve critical housing according to the established program criteria and to waive the 10-year PIF investment limitation to 15 years for the Ruby Portfolio project.

Ms. Baum moved to approve the resolution. Ms. Tietz seconded the motion. The request was approved by a vote of six to one (Moss), with one abstention by M.A. Leonard due to a potential conflict of interest.

**Action Item:  
Sustainable Energy  
Trust (SET) PIF  
Request**

The Sustainable Energy Trust (SET) PIF Request was pulled from the agenda.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Public Comment**

Luke Pagel, a local Olympia business owner, wanted to express his concerns regarding the Olympia Commons project location. He stated that it is in the heart of Olympia where tourism and parks are located and feels that it is not a suitable location for more subsidized housing. He stated that in the surrounding 27 blocks of that the project's proposed location, 88% of housing is subsidized. He would like LIHI to work a little harder to get a more suitable location for this project.

**Adjournment**

There was no public comment and the meeting was adjourned at 2:09 p.m.

**Signature**

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