

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

January 25, 2018

The January 23, 2018 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Wendy Lawrence, Alishia Topper, Randy Robinson, Diane Klontz, Lowel Krueger and Duane Davidson.

Lisa Vatske gave a briefing on the proposed changes to the Bond/Tax Credit program policies for the 2018 allocation rounds.

Lisa DeBrock gave an update on the Homeownership programs and loan servicing.

Kim Herman gave the Executive Director's report.

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

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

January 25, 2018

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 Wendy Lawrence, Alishia Topper, Randy Robinson, Diane Klontz, Lowel Krueger and Duane Davidson.

**Approval of the
Minutes**

The minutes of the December 14, 2017 special meeting were approved as mailed.

**Employee
Recognition**

Executive Director Kim Herman stated that this is a Special Recognition.

Special Recognition – Homeownership Division

“Today we are taking a moment to honor a very important and dedicated Commission division: Homeownership.

In 2017, this division reached a big milestone: The fifth birthday of the Home Advantage program!

In only five years, Home Advantage helped more than 21,000 families to buy a home.

That’s almost half of all the loans we made in the first 30 years of the Commission.

It is also 4.3 billion dollars in home loans.

We started this program because Washington State needed a bigger and better resource for low- and moderate-income families who were qualified and ready to buy a home, but needed some help to bridge the gap.

Home Advantage has indeed taken our Homeownership program through the roof.

And that is due to the hard work and dedication and attitude of our Homeownership staff.

They have taken all the many changes in stride, put in countless extra hours, patiently answered questions from lenders, and done it all with a smile.

We have a gift for each of you today in honor of the 5th anniversary of Home Advantage—with gratitude and appreciation.”

**Public Hearing:
Rainier Court
Phase IV, OID #
17-109A**

The Chair opened a Commission public hearing on OID 17-109A, Rainier Court Phase IV, at 1:05 p.m.

Bob Peterson, Manager of the Multifamily Housing and Community Facilities Division, said that this was a proposed issuance of one or more series of tax-exempt revenue bonds to finance the new construction of an 81-unit low income multifamily housing facility for seniors located at 3616 34th Avenue South, Seattle, WA 98144, to be owned by Rainier Court Associates IV, LLLP, a Washington limited liability limited partnership. Proceeds of the bonds may also be used to pay a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$16,000,000 a portion of which may be taxable. Mr. Peterson introduced Jeanne LeDuc, Director of Real Estate Development at SouthEast Effective Development (SEED).

Ms. LeDuc stated that Rainier Court Phase IV is a four-story mixed-use building. The project will serve seniors with a set-aside of 20% of units for persons with disabilities. Fifty percent of the units will be set-aside for households 50% area

median income (AMI) and 50% at 60% AMI. Amenities include onsite community garden, onsite business learning center, and onsite media center.

There were no comments from members of the public and the hearing was closed at 1:07 p.m.

**Public Hearing:
Proposed changes
to the Bond/Tax
Credit program
policies for the 2018
allocation round**

A public hearing was opened at 1:07 p.m. for proposed changes to the Multifamily Housing Bond/Tax Credit program policies for the 2018 allocation round.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, gave a summary of the proposed changes presentation that she gave in the morning work session. She highlighted the following changes:

- Aligning the TDC per unit limits between bonds and 9% tax credit policies. Increases the TDC limit by 3% across the state.
- New policy regarding Existing Manufactured Housing Communities to address displacement and provide some guidance on relocation, if there is displacement.
- Modified language to existing policies for clarification:
 - Requirement of Commission issuance of taxable bonds
 - Cost Efficient Development accommodation for acquisition/rehab
- New point criteria for energy efficient building including language regarding total development costs. Incentivizes “zero energy and zero energy ready” within our current TDC limit.
- New point criteria for “combo” projects. For projects competing and receiving a competitive 9% allocation and are combining financing with a bond/4% these points will help ensure that they are competitive for bond cap as well.
- Change in deposit requirement. During the past year as we moved to a good faith deposit, we have determined that \$75,000 is a more equitable and fair amount. It still covers our expenses and addresses stakeholder concerns that were expressed in the past year.

- Minimum ongoing fee policy clarification- this modification seeks to streamline and simplify our ongoing fee structure, specifically for projects that fully pay down the bonds at conversion. Our current system sets a rate during construction and then a separate rate at conversion, and then a payoff amount if the bonds are fully redeemed. This new modification calculates a minimum fee upfront based on our standard rate which needs to be paid by redemption. This is more predictable and transparent and it has minimal impact financially especially on transactions that don't fully redeem early.
- Tax Credit Investor clarification. This is a procedure we have utilized for many years now, and want to include it in our policies.

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

**Action Item:
Approval of the
proposed changes
to the Bond/Tax
Credit program
policies for the 2018
allocation rounds**

Ms. Vatske requested the approval of the proposed changes to the Multifamily Housing Bond Tax Credit program policies for the 2018 allocation round.

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

**Action Item:
Approval of
recommended
contractor for
Seller Servicer
Consultant**

Lisa DeBrock, Director of the Homeownership Division, stated the Request for Proposal (RFP) for a Seller Servicer Consultant was posted to the state website and the Commission's website on December 4th. The Commission's goal was to secure a seller servicer consultant to evaluate the feasibility of purchasing a mortgage company with Ginnie Mae, Fannie Mae, and Freddie Mac Certifications as a seller servicer and/or prepare an application for certification of the Commission as a Ginnie Mae, Fannie Mae, and Freddie Mac seller servicer, whichever was most feasible and advantageous which was added to the Commission's 2017-2018 work plan.

Ms. DeBrock sent the RFP out to all of our participating lenders, our various finance team members, and a small list of consultants. Proposals were due on or before January 8th, 2018. The Commission received one proposal from Peak

Performance Resources, Inc. The Commission did also receive a letter from Acorn Mortgage Consulting thanking us for the opportunity, but they decided not to formally respond. A telephone interview was held with Peak Performance on January 19th. Kim Herman, Bob Cook, Debra Stephenson, Corinna Obar, Faith Pettis, and Mike Awadis were in attendance.

The Commission was impressed with Betsy Cavanna, Managing Partner of Peak Performance. Ms. Cavanna has over 20 years of experience in mortgage banking and has been part of two senior management mortgage banking teams which were successfully started and sold. Ms. Cavanna has been consulting since 2006 and has worked with mortgage banking companies and non-profit mortgage banking clients in obtaining their agency approvals. She has a thorough knowledge of the application process and understands the documentation, staffing, and reporting that is needed to obtain approvals.

Ms. Cavanna also has worked extensively with Housing Finance agencies in Pennsylvania, Rhode Island, Virginia, Colorado Connecticut, DC, Illinois, Iowa, Massachusetts, Minnesota, New Jersey, New Mexico, South Carolina, Utah, and Vermont in various capacities.

Ms. DeBrock checked her references and the interview panel was very pleased with her work. They all had glowing things to say. Of the four references, three of them have since rehired Ms. Cavanna for additional projects and the other intends to hire her again after completion of their current contract. I think the Commission will be in excellent hands with Ms. Cavanna.

Ms. DeBrock requested the recommendation for the Commission to enter into negotiations with Peak Performance.

Mr. Krueger moved to approve the request. Ms. Lawrence seconded the motion. The request was unanimously approved.

**Information Report
on Department of
Commerce
Activities**

Ms. Klontz stated that the Housing Trust Fund (HTF) team has been in the process of reviewing and evaluating its Stage 2 applications received in October 2017. We received 76 applications requesting \$135 million, 30 of these applications are tax credit projects.

She also recall from previous Commission meetings, that in our Stage 2 Solicitation, last summer, she stated that Commerce would not be able to make final decisions until it receives an HTF appropriation, and thus the authority to do so. Once the budget is passed, HTF promised to give our applicants an opportunity to submit additional information and project updates.

The Legislature passed the Capital Budget on January 18. The Governor enacted it on the 19th. The HTF was appropriated a total of \$106.8 million, of which \$67.8 million is available for competitive awards during the 2017-2019 biennium. These funds are appropriated for specific population categories, with a large focus on supportive housing for people with chronic mental illness.

On January 25 Commerce will release an addendum to our solicitation for Stage 2 to allow all applicants the opportunity—just as promised—to update their applications and submit all third party studies, which had been temporarily waived due to the lack of a capital budget.

Once Commerce receive all the additional information in about 3 weeks, the HTF team will move as quickly as possible to finish its application review, finalize scores, and make final awarding decision. We can't commit to an actual date—because we don't know the nature and volume of updates we will receive—but our hope is to announce awards around mid-March.

The budget was passed one day after the LIHTC deadline, which means projects dependent on HTF could not qualify for the tax credits. Good news is that Commerce was able to award \$8.1 million in federal funds from HOME and National HTF to four tax credit projects and they are all on your 2018 list.

Understandingly, stakeholders and the affordable housing community are very concerned about the situation and need both our agencies' direction on how to move forward during these unprecedented times.

Commerce has been reassuring everyone who's asking that we are walking step in step with the Commission staff, and that both agencies are looking at all possible options on how to address this situation and help projects move forward.

HTF managing director Corina Grigoras and Lisa Vatske have been in continuous contact since the budget was passed last week. We think we arrived at a good preliminary plan pending the Commission's approval. Lisa will explain this plan today.

Moving forward, HTF will be planning a new 2018 Stage 2 round to be released after the current 2017 round is finalized. As can be expected, the 2017 round is our top priority at the moment. Once it is finalized, Commerce will then refocus and provide more information about the 2018 round, as it becomes available.

For the first time ever, HTF received a \$10 million appropriation to create a competitive program for our portfolio preservation. The HTF has a 31-year history and many of our properties are old and falling into disrepair. Commerce is very excited to offer this new opportunity to our affordable housing providers. Stay tuned for more information. Our goal is to have a solicitation for preservation applications released in the next 2-3 months.

Affordable Housing Advisory Board (AHAB) executive committee has selected a candidate to replace the outgoing Chair, M.A. Leonard and that candidate's information is being forwarded to the governor's office. An announcement should be made soon.

The AHAB 2018 meeting schedule is posted on the Commerce website:

<http://www.commerce.wa.gov/about-us/boards-and-commissions/affordable-housing-advisory-board/>

Commerce has announced Youth Care as the apparent successful applicant for the \$1 million in the just-passed capital budget for acquisition and development of Seattle Central College properties in Seattle for the purpose of homeless youth housing and services.

Our agency request bill from last year, House Bill 1630- to allow minors to consent to share their personally identifying info in HMIS, passed off the House floor.

There are several other bills introduced in the legislature that address youth homelessness that Office of Homeless Youth (OHY) is tracking.

The Office of Adult and Family Homelessness has new goals they are working towards which include:

- Finishing incorporation of the new House and Urban Development (HUD) Coordinated Entry requirements into the homeless housing grants. The new requirements take effect this month which include that all homeless people have fair and equal access and that service providers operate low barrier programs.
- Provide guidance on a new low barrier project requirement. By July 2018, each county must have at least one low barrier project (for example, an emergency shelter, transitional housing, rapid rehousing project) serving adults and households with children. Low barrier projects have flexible intake schedules and require minimal documentation. Additionally, people are not screened out based on having too little or no income, poor credit or financial history or lack of rental history or other behaviors that are perceived as indicating a lack of “housing readiness.” The project also has realistic and clear expectations. Rules and policies are narrowly focused on maintaining a safe environment and avoiding exits to homelessness. People are not terminated from the project for the following reasons:
 - Failure to participate in supportive services or treatment programs.
 - Failure to make progress on a service plan.

- Alcohol and/or substance use in and of itself is not considered a reason for termination.

The Homeless System Performance County Report Cards will be made available on the Commerce website by the end of the month. The new report provides a data quality and annual report score along with intervention costs per day, per average project stay and exits to permanent housing.

There are a couple of bills this session addressing the expansion of the Housing and Essential Needs program. These bills would include serving the Age Blind and Disabled eligible participants and extends eligibility to people who are unemployable due to primarily alcohol and drug addiction. No increase or new funds were identified though.

HUD awarded \$2 billion to projects that serve people experiencing homelessness across the country through the Continuum of Care Program. \$59.5 million will go to projects in Washington State. The Annual Point in Time Count of people experiencing homelessness across the state will occur this Thursday, January 25th. Last year service providers and volunteers counted 8,591 people outside and 12,521 in temporary housing and shelters.

Commerce will be applying for the Youth Homelessness Demonstration Program which will provide a total of \$43 million to up to 11 communities across the county for innovative projects to end youth homelessness. We will be applying on behalf of the 33 small and medium sized counties in the state.

Commissioners' Reports

Commissioner Lawrence stated that attended the Northwest Indian Housing Association Meeting on January 23, 2018.

Consent Agenda

The Consent Agenda was approved as mailed.

Adjournment

The meeting was adjourned at 1:31 p.m.

Signature
