

# WASHINGTON STATE HOUSING FINANCE COMMISSION

## WORK SESSION MINUTES

April 26, 2018

The April 26, 2018 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Diane Klontz, Duane Davidson, Lowel Krueger and Alishia Topper.

Lisa Vatske gave an overview of Income Averaging option in the Low Income Housing Tax Credit Program.

Lisa Vatske gave a briefing on the first round Bond/4% Tax Credit deals for 2018.

Rich Zwicker gave a briefing on the Housing Finance Plan changes since the March 2018 meeting.

Kim Herman gave the Executive Director's report

Diane Klontz gave the Commerce Department report.

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

**WASHINGTON STATE  
HOUSING FINANCE COMMISSION  
MINUTES**

**April 26, 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 Diane Klontz, Duane Davidson, Randy Robinson, Lowel Krueger and Alishia Topper.

**Approval of the  
Minutes**

The minutes of the March 22, 2018 special meeting were approved as mailed.

**Employee  
Recognition**

Executive Director Kim Herman stated that there are several types of Employee Recognition Awards: Special Recognitions; Length of Service; and the peer chosen Employee of the Quarter.

**Two Years of Service**

Sarah Bruington

**Five Years of Service**

Sojung Choi

Robin Denning

**Twenty-Five Years**

David Clifton

Maureen Smith

**Employee of the First Quarter – Lucas Loranger**

“Our employee of the quarter received multiple nominations highlighting qualities such as:

- A Team Player
- A Problem Solver
- A Good Communicator, and
- One who Implements New Ideas

The nominations also say that the employee:

- Is a “go to” for brainstorming ideas to streamlining processes for greater efficiency.
  - Listens to my concerns and ideas, then helps formulate solutions
  - Provides guidance without hesitation
  - Demonstrates an “above and beyond” mojo, despite having a very full plate
  - Creates data platforms using Excel that are very user and viewer friendly
- Quiet, calm and patient—at least on the outside—this employee gladly shares their broad-ranging knowledge of the financial aspects of the Commission and its programs.

We first spotted this employee 10 years ago this month at a Western Washington University job fair. After a summer interning in the Finance Division, it was back to WWU for senior year. Then back to the Commission in June 2009 for a permanent position.

Based on spreadsheet skills alone, this is one Excel-lent employee! From Administrative Assistant to Bond Analyst to Program Investment & Grants Management Analyst—who knows what the future holds for our employee of the quarter, Lucas Loranger.”

**Public Hearing:  
2018-2019 Housing  
Finance Plan**

The Chair opened the continuation of the Commission public hearing on the 2018- 2019 Housing Finance Plan at 1:05 p.m.

Rich Zwicker, Senior Policy Advisor, stated that this is the continuation of the public hearing for the 2018- 2019 Housing Finance Plan from last month’s Commission meeting held on March 22, 2018. The changes consist of 14 items that include major and minor edits, and additions and removal of some items.

These changes were discussed at the April 26, 2018, Washington State Housing Finance Commission Work Session. Many changes reflect the impact of the Consolidated Appropriations Act of 2018. Other edits were made based upon updated available information and comments made prior to the March 22, 2018 Public Hearing.

There were no other comments from members of the public and the hearing was closed at 1:09 p.m.

**Public Hearing:  
Two Schools Joint  
Campus, OID # 18-  
44A**

The Chair opened a public hearing on OID # 18-44A, Two Schools Joint Campus at 1:09 p.m.

Bob Peterson, Manager of the Multifamily Housing and Community Facilities Division, said this a proposed issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the construction and equipping of a shared campus facility for two independent schools located at 2101 22nd Avenue South in Seattle, Washington 98144, to be owned by Two Schools LLC, a Washington limited liability company. 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 \$22,000,000. Mr. Peterson introduced Morva McDonald, Head of School of Giddens School and Patricia Hearn, the Head of School of Lake Washington Girls Middle School.

Ms. Hearn stated that Lake Washington Girls Middle School will have about 115 students next year from grades 6-8. 129 students have applied for opening 38 openings. 51% of the students are people of color and 22% of the students receive financial aid. [Didn't Morva talk first?]

Ms. McDonald stated that Giddens School has approximately 166 students from preschool to 1<sup>st</sup> grade, 32% of the students are on financial aid and 26% of the staff are people of color.

This issuance will include the construction and equipping of a shared campus facility for the Giddens School and Lake Washington Girls Middle School, two independent schools in Seattle, Washington.

There were no other comments from members of the public and the hearing was closed at 1:17 p.m.

**Public Hearing:  
Judkins Junction,  
OID # 17-195A**

The Chair opened a public hearing on OID # 17-195A, Judkins Junction at 1:17 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition of land and the construction and equipping of a 74-unit low income multifamily housing facility located at the NW corner of 23rd Avenue S. and S. Jackson Street, approximately 2212 -2218 S. Jackson Street to 323 23rd Avenue S., Seattle, WA 98144, to be owned by Judkins Junction LLC, a Washington limited liability company. 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 \$15,000,000, a portion of which may be taxable. Mr. Peterson introduced Chris Szala, Executive Director of Community House.

Mr. Szala stated that this will be a new 74-unit multifamily facility in Seattle, WA. One hundred percent of the units are affordable and will be leased to households earning no more than 60% average median income (AMI). The project will provide amenities including onsite community garden, and covered secured bicycle storage. Mr. Szala also mentioned that some of the residents will come from referrals by Western State Hospital, through its Jail Diversion Programs and homelessness. Services at this facility will also include a food bank, medication services, and meal programs.

There were no other comments from members of the public and the hearing was closed at 1:24 p.m.

**Public Hearing:  
Allocation of Low  
Income Housing  
Tax Credits from  
the 2018 Funding  
Round.**

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

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

**Patricia K Apartments**

Mr. Peterson said that this is a continued public hearing with Judkins Junction.

Mr. Szala stated that Patricia K Apartments is a new development alongside that will include 52 units of housing for people with chronic mental-health issues, many of whom will be coming from homelessness. Supportive services such as medication management, vocational training, and substance abuse treatment will be available to all residents.

**Isabella 2 Vancouver**

Mr. Peterson stated that this project is the Isabella 2 Vancouver and introduced Jessica Woodruff, Director of Housing Development from REACH. She mentioned this facility is joining a first phase building built for seniors, this building will provide supportive housing for 49 households with children who are experiencing homelessness and high housing-cost burden. REACH will also be working with the Parent-Child Assistance Program (PCAP). PCAP is an evidence-based home visitation case-management model for mothers who abuse alcohol or drugs during pregnancy. Its goals are to help mothers build healthy families and prevent future births of children exposed prenatally to alcohol and drugs.

In response from a question from Commissioner Davidson, Ms. Woodruff stated that the facility has many one bedroom units which they have found to be sufficient for mothers with small children and small families since a one bedroom unit has a maximum capacity of three people.

**1800 Hillside Apartments**

Mr. Peterson stated that the third project is 1800 Hillside Terrace which is the third and final phase of Tacoma Housing Authority's Bay Terrace project. Upon its completion, there will be up to 214 multifamily rental housing units on the

previous Hillside Terrace sites and over \$65 million will have been invested in this formerly blighted neighborhood. Mr. Peterson introduced Steve Clair, Senior Project Manager at the Tacoma Housing Authority.

Mr. Clair stated that this project will ensure that there are additional affordable apartments in the Hilltop now and into the future for very low and low income families and individuals, as well as those experiencing homelessness or disabilities. The project offers a mix of one and two bedroom units arranged in stacked flats in a single mid-rise elevator building. The project will provide 70 affordable units for households earning between 30% and 60% AMI. A 20% special set-a-side is programmed for persons with disabilities and those experiencing homelessness.

#### **River View Apartments**

Mr. Peterson introduced Dale Miller, Community Action Center. Mr. Miller stated that River View Apartments will include 55 units of newly constructed housing for homeless families with children, people with disabilities, veterans, and large families. He also mentioned that that 65% of residents in Whitman County are paying more than 50% of their income on housing which shows a strong need for affordable housing. He also mentioned that homelessness isn't as visible as in Western Washington but they have received 175 homeless walk-ins, 51 of whom were from local shelters and alternative-to-violence facilities.

#### **Grand Boulevard**

Mr. Peterson stated that Grand Boulevard is the next project and he introduced Zac Baker, from Cascade Affordable Housing Consultants. Mr. Baker mentioned this is a 26-unit (including one common area unit), new construction project. Twenty percent of the units will be set aside for large families and 20% of the units will be set aside for persons with disabilities. This project is located north of Vancouver by Clark College, by a transit station, grocery store and schools from kindergarten to 12<sup>th</sup> grade less than a mile away.

#### **Father Bach Haven 4**

Mr. Peterson introduced Rob McCann, CEO of Catholic Housing Services of Eastern Washington. Mr. McCann stated that Catholic Housing Services of Eastern Washington has about 340 staff members and countless volunteers that provide food, shelter, clothing, counseling, housing and basic human services for those in need.

Father Bach Haven 4, which will be their seventh homeless project, and will be located near downtown Spokane, near other Catholic Housing Services of Eastern Washington properties that serve similar residents. Residents will have easy access to public transportation, parks, banks and the library and Catholic Charities Spokane will provide in-house supportive services. Forty percent of units will be set aside for households at or below 50% AMI, 50% of units at 40% AMI and 10% of units at 30% AMI with 75% of units set aside for the homeless.

#### **Father Bach Haven 5**

Mr. Peterson introduced Rob McCann from Catholic Housing Services of Eastern Washington representing this project. This will be the eighth chronically homeless project by Catholic Housing Services of Eastern Washington. He mentioned the units will be small but there will be plenty of common space to socialize. There will also be a bed bug “cooking” room in the facility to keep bed bugs at bay.

He also mentioned that residents will have easy access to public transportation, parks, banks and the library and Catholic Charities Spokane will provide in-house support services. Forty percent of units will be set aside for households at or below 50% AMI, 50% of units at 40% AMI and 10% of units at 30% AMI with 75% of units set aside for the homeless.

In response to a question from Kim Herman, Mr. McCann stated that Father Bach was a priest from Spokane who created the Catholic Charities Housing Bureau in 1972 and began to work on low-income housing projects. The work continued after his retirement, and, in 2013, Catholic Charities opened Father Bach Haven, an apartment building located near the House of Charity designed to offer housing options to the homeless.



There were no other comments from members of the public and the hearing was closed at 1:59 p.m.

**Public Hearing:  
Legislated income  
averaging  
option/LIHTC  
Program**

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, said the Consolidated Appropriations Act of 2018 permanently establishes income averaging as a third minimum set-aside election for new Housing Credit developments which owners could choose in lieu of the two previously existing minimum set-aside elections (the 40 at 60 and 20 at 50 standards). Income averaging allows Credit-qualified units to serve households earning as much as 80 percent of Area Median Income (AMI), so long as the average income in the property is 60 percent or less of AMI. Owners electing income averaging must commit to having at least 40 percent of the units in the property affordable to eligible households at 60 percent or less of AMI.

The 80 percent of AMI standard is consistent with long-standing federal affordable housing policies, which define “low-income” as households earning no more than 80 percent of AMI. Under the income averaging option, the rents above 60% median income would offset rents for extremely low- and very low-income households. This allows developments to maintain financial feasibility while providing a deeper level of affordability than may be possible with all rents capped at 60% or below. Income averaging preserves more rigorous targeting to low-income households, while providing more flexibility to the program by this potential to mix incomes more broadly.

Income averaging applies to the designated income levels of the units, not the incomes of individual tenant households. Under income averaging, designated income levels may only be set at 10 percent increments beginning at 20 percent of AMI; thus the allowable income/rent designation levels are 20 percent of AMI, 30 percent of AMI, 40 percent of AMI, 50 percent of AMI, 60 percent of AMI, 70 percent of AMI, and 80 percent of AMI.

Income Averaging is permitted for projects making their minimum set-aside elections after the date of enactment of the Act, on March 23, 2018. Since this

election takes place at placed in service upon submission of the 8609 (which is the document provided to the IRS to claim the credit), we already have requests from projects sponsors to allow this election.

Novogradac and the National Council of State Housing Agencies (NCSHA) have provided some preliminary guidance and interpretation of the new provision and will be holding follow-up webinars and assistance. Although there seems to be many positive implications, especially for acquisition/rehab projects when there are over income tenants, there are additional compliance complexities that still need to be addressed. In addition, this tool doesn't seem to be applicable to re-syndications, although future guidance from IRS may help to address that.

At this time, Commission staff are requesting that the Commission allow income averaging as an election. Staff will continue to research and develop plans for implementation. In the meantime, we have developed preliminary criteria to allow eligible projects to take advantage of this election. We will utilize our regular policy process to provide guidance for new projects seeking this structure.

This criteria will be used for projects that have already applied or received an allocation but have not closed their financing and therefore don't have a regulatory agreement in place, and have not placed in service. Our expectation is that there is a narrow group of projects that would pursue this option.

Projects will need to

- Submit a plan and unit configuration, utilizing a spreadsheet created by Novogradac, showing the unit configuration meets the income averaging and/or bond regulatory agreement
- Get written agreement from the investor and any other public or private funders
- May need a market study update depending on the circumstance
- Not have any material change to the points or structure of the projects as applied or allocated
- Commit and agree in writing to the compliance implications.

Allowing income averaging will be determined on a case by case basis, once the above criteria are met.

There were no other comments from members of the public and the hearing was closed at 2:00 p.m.

**Action Item: 2018-2019 Housing Finance Plan**

Mr. Zwicker requested that the Commission adopt the 2018-2019 Housing Finance Plan by resolution.

Ms. Topper moved to approve the 2018-2019 Housing Finance Plan resolution. Mr. Davidson seconded the motion. The resolution was unanimously approved.

**Action Item: Resolution No. 18-63, a Resolution for the 2018 Allocation of Credit for the Housing Tax Credit Program**

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, said this was a resolution authorizing the Executive Director to make reservations and/or allocations of 2018 Housing Tax Credits to the following project:

- Patricia K Apartments - \$1,112,956
- Isabella 2 - \$1,026,893
- 1800 Hillside Apartments - \$1,424,330
- River View Apartments - \$1,129,822
- Grand Boulevard - \$535,075
- Father Bach Haven 4 - \$1,070,150
- Father Bach Haven 5 - \$1,070,150

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

**Action Item: Resolution No. 18-64, Judson Park, a HumanGood Community, OID # 94-63A**

Ms. Vatske stated that this is a resolution approving the issuance of tax-exempt revenue bonds to finance and refinance a continuing care retirement community, located at 23600 Marine View Drive South, Des Moines, WA 98198, to be owned by HumanGood Washington formerly known as Baptist American Homes of Washington, a Washington 501(c)(3) nonprofit organization. Proceeds of the bonds will be used to: (i) refund all outstanding tax-exempt bonds issued in 2012, proceeds of which were used to refund outstanding tax-exempt bonds issued in

2007 for the project; (ii) fund a debt service reserve; and (iii) pay all or a portion of the costs of issuing the bonds. The total estimated par amount of the bonds is not expected to exceed \$20,000,000. The public hearing was held March 22, 2018.

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

**Action Item:  
Resolution No. 18-  
65, MSC Pierce  
Portfolio, OID # 17-  
107A-C**

This item was pulled from the agenda.

**Action Item:  
Resolution No. 18-  
41, Panorama  
Apartments, OID #  
17-145A**

Ms. Vatske stated that this is a resolution approving the issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition and the construction and equipping of a 191-unit low income multifamily housing facility located at the NW corner of Highway 18 and SE 99<sup>th</sup> Street, Snoqualmie, WA 98065, to be owned by Panorama Apartments, LLC, a Washington limited liability company. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$55,000,000. The public hearing was held November 27, 2017.

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

**Action Item:  
Resolution No. 18-  
66, Vintage at  
SeaTac  
Apartments, OID #  
17-198A**

Ms. Vatske stated that this is a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs for the acquisition and the construction and equipping of a 170-unit low income multifamily housing facility located at 21212 International Blvd., SeaTac, WA 98198, to be owned by Vintage at Seatac, LP, a Washington limited partnership. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$31,000,000. The public hearing was held November 27, 2017.

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

**Action Item:  
Resolution No. 18-42, Winter Heights, OID # 17-200A**

Ms. Vatske stated that this is a resolution approving the issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition and the construction and equipping of a 120-unit low income multifamily housing facility located at 2702 N. Pines Road, Spokane Valley, WA 99206, to be owned by Winter Heights LLC, a Washington limited liability company. Proceeds of the notes may also be used to pay all or a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$13,000,000. The public hearing was held November 27, 2017.

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

**Action Item:  
Resolution No. 18-67, Fairwinds – Redmond, OID # 03-08A**

Ms. Vatske stated that this is a resolution approving the issuance of taxable bonds by the Commission to provide financing for the Fairwinds – Redmond Retirement Community, a 143-unit senior housing facility located at 9988 Avondale Road NE, Redmond, WA 98052, to be owned by REDM, LLC, a Washington limited liability corporation. The total estimated bond amount is not expected to exceed \$5,000,000. The public hearing was held April 28, 2005.

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

**Action Item:  
Approval of the Legislated income averaging option/LIHTC Program**

Ms. Vatske requested the approval to allow income averaging to be determined on a case by case basis, once the stated criteria are met.

Mr. Krueger moved to approve the legislated income averaging option. Mr. Robinson seconded the motion. The request was unanimously approved.

**Action Item:  
Request approval  
to negotiate and  
execute an  
agreement for  
Single-Family  
Trustee Services**

Bob Cook, Senior Finance Director, stated the contract period for our Single-family Trustee ends on June 30, 2018. In anticipation, he released a Request for Fee Quotation, for this service in March.

In response to the RFP, the Commission received proposals from:

- The Bank of New York Mellon Trust Company, N.A.
- U.S. Bank National Association
- Wells Fargo Corporate Trust Services
- Wilmington Trust Corporation

The staff chose to interview each firm. Interviews were held April 3, 2018 with the following participants:

- Paul Edwards, Deputy Director
- Bob Cook, Senior Director, Finance
- Faith Pettis, General and Single-family Bond Counsel
- Lisa DeBrock, Director of Homeownership
- Debra Stephenson, Senior Controller
- Rahim Samatar, Single-family portfolio Bond Analyst

Each firm was well qualified. After the interviews the panel reached a preliminary choice subject to the result of reference checks. Those were conducted and confirmed the decision. The panel unanimously recommended Wilmington Trust Corporation based upon a clear commitment to quality service and support and having strong business systems in place. Currently, Wells Fargo Corporate Trust Services is the trustee.

Upon approval, the Executive Director will negotiate and execute a fee agreement with Wilmington Trust Corporation for a two-year period with up to five, one-year extensions. Wilmington Trust Corporation has drafted a plan to ensure a full and complete transition of trustee services by June 30, 2018.

Mr. Cook requested authorization for the Executive Director to negotiate and execute a fee agreement with Wilmington Trust Corporation for a two-year period with up to five, one-year extensions.

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

**Action Item:  
Selection of  
General Banking  
Services Vendor**

Mr. Cook stated that the Commission staff has conducted a Request for Qualifications and Quotation (RFQQ) for general banking services.

In response to the RFQQ, the Commission received proposals from:

- Bank of America, National Association
- Banner Bank
- First Financial Northwest Bank (Disqualified—received after deadline)
- HomeStreet Bank
- JPMorgan Chase Bank, N.A.
- Washington Federal

The Commission conducted interviews on Tuesday, April 17th and reference checks thereafter.

Mr. Cook requested approval to negotiate and execute an agreement for General Banking Services with JPMorgan Chase Bank, N.A.

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

**Commissioners’  
Reports**

Alishia Topper attended a Maria Cantwell event in the greater Vancouver area. She also congratulated Kim Herman being such a great leader in the affordable housing industry.

**Consent Agenda**

The Consent Agenda was approved as mailed.

**Adjournment**

The meeting was adjourned at 2:21 p.m.

**Signature**

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