

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

December 13, 2018

The December 13, 2018 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Jason Richter, Wendy Lawrence, Beth Baum, Steve Moss, Lowel Krueger, Noe Castillo, and Diane Klontz.

Shawna Higgins gave an update on the Combined Fund Drive.

Kim Herman and Rich Zwicker gave a briefing on the Commission's potential legislative agenda for approval for 2019.

Kim Herman gave his Executive Director's Report.

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

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

December 13, 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 Jason Richter, Ken Larsen, Wendy Lawrence, Beth Baum, Steve Moss, Lowel Krueger, Noe Castillo, and Diane Klontz.

**Approval of the
Minutes**

The minutes of the November 15, 2018 special meeting were approved as mailed.

**Public Hearing:
The Frye, OID #
18-115A**

The Chair opened a public hearing on OID # 18-115A, the Frye at 1:00 p.m.

Bob Peterson, Manager of Multifamily Housing and Community Facilities Division, said this is a public hearing regarding the proposed issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition and rehabilitation of a 234-unit multifamily housing facility located at 223 Yesler Way, Seattle, WA 98104, to be owned by 223 Yesler 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 \$35,000,000. Mr. Peterson introduced Ms. Robin Amadon and Ms. Jill Davies of the Low Income Housing Institute.

Ms. Davies gave a brief history and overview of the project. She also mentioned how they will improve the facility.

Ms. Amadon talked about the financing plan of the project and said that the size and development of the project is complex and that they're creating a new partnership. LIHI will be the general partner through an affiliated LLC.

Ms. Amadon stated that support from different sources made this project possible. She thanked the Commission staff for helping to maintain the schedule and getting the project closed on time.

There were no other comments from members of the public and the hearing was closed at 1:06 p.m.

**Public Hearing:
Recommend and
present Projects for
Allocation of Low
Income Housing
Tax Credits from
the 2019 funding
round**

The Chair opened a public hearing on the recommended allocation of Low Income Housing Tax Credits at 1:07 p.m.

Mr. Peterson said that this is a public hearing regarding the YWCA Pierce County Affordable Family Housing project located at 406-408 Broadway Tacoma, WA 98402. It is in the metro pool with 54 units of housing and a credit request of \$1,246,715. Mr. Peterson introduced Ms. Miriam Barnett, CEO of YWCA of Pierce County, and Ms. Ellen Lohe, Development Manager of Beacon Development Group.

Ms. Barnett gave an overview of the project. She said that this project will complete the YWCA's downtown Tacoma campus with the development of this new permanent supportive housing with services. She also explained how this project will serve their clients.

Mr. Richter asked the amount of the Building Communities Funds (BCF) grant. Ms. Barnett answered that the amount of the grant was \$750,000.

Mr. Richter asked if there will be an excess since the amount of the grant will trigger \$1.2 million of additional cost for the Commercial Prevailing Wages. Ms. Lohe said that they talked with their contractor regarding the Commercial Prevailing Wages and determined that it has a substantial increase but overall worth it.

Mr. Richter asked if it made sense to accept the BCF if it's less than the amount of the increase in the construction cost. Ms. Lohe answered that the project will be pursuing an appropriation in addition to other project based options.

Mr. Richter pointed out that the state appropriation hasn't been factored into the cash flow. Ms. Lohe said that the project is fully funded without the appropriation and added that the YWCA is raising funds that would offset some of the funds.

Mr. Richter stated that this project is interesting and at the same time concerning due to the higher development costs.

Mr. Herman stated that the Commission often has this kind of project and pointed out the significance of having a waiver.

There were no other comments from members of the public and the hearing was closed at 1:15 p.m.

**Action Item:
Resolution No. 18-
136, a Resolution
for the 2019
Allocation of Credit
for the Housing
Tax Credit
Program**

Lisa Vatske, Director of Multifamily Housing and Community Facilities Division said this is a resolution authorizing the Executive Director to make reservations and/or allocations of 2019 Housing Tax Credits.

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

**Action Item:
Resolution No. 18-
134, Homage
Senior Services
Building, OID # 18-
98A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to refinance an existing debt used to acquire a 33,000 square foot office space (the "Facility"), finance the rehabilitation and equipping of the Facility and pay all or a portion of the costs of issuing the bonds. The project is located at 5026 196th Street SW, Lynnwood, WA 98036, to be owned by Senior Services of Snohomish County dba Homage Senior Services, a Washington 501(c)(3) nonprofit corporation. The total estimated bond amount

is not expected to exceed \$10,000,000. The public hearing was held November 15, 2018.

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

**Action Item:
Resolution No. 18-
124, Mukilteo Club,
OID # 18-85A**

Ms. Vatske said this is a resolution approving the issuance of a tax-exempt revenue bond to refinance the construction and equipping of a nonprofit facility located at 10600 47th Place W., Mukilteo, WA 98272, to be owned by the Boys' & Girls' Clubs of Snohomish County, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bond may also be used to provide a portion or all of the costs of issuing the bond. The total estimated bond amount is not expected to exceed \$3,000,000. The public hearing was held October 25, 2018.

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

**Action Item:
Resolution No. 18-
123, St. Elizabeth
Ann Seton Catholic
High School, OID #
18-99A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to refinance existing debt incurred for the acquisition of land and construction of a high school building and campus located at 9000 NE 64th Avenue, Vancouver, WA 98655, to be owned by St. Elizabeth Ann Seton Catholic High School, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds may also be used to pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$16,700,000. The public hearing was held October 25, 2018.

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

**Action Item:
Resolution No. 18-
133, Kin On Health
Care Center, OID #
18-94A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds for the purpose of making a loan to Kin On Health Care Center, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds will be used to finance the construction of a 20-unit assisted living facility located at 5214 42nd Avenue South, Seattle, WA 98118 and a 6-unit adult family

home located at 5208 42nd Avenue South, Seattle, WA 98118, and if necessary, to pay the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$6,000,000. The public hearing was held October 25, 2018.

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

**Action Item:
Resolution No. 18-
135, Reserve at
Lacey, OID # 16-
139A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs to acquire land and construct and equip a 241-unit senior multifamily housing facility located at 6100 Pacific Avenue SE, Lacey, WA 98503 to be owned by Reserve at Lacey Partners LLLP, a Washington limited liability limited partnership. Proceeds of the notes may be used to provide a portion or all of the costs of financing the Notes. The total estimated note amount is not expected to exceed \$46,000,000. The public hearing was held November 30, 2018.

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

**Action Item:
Resolution No. 18-
137,
Reauthorization of
Funding for the
Beginning
Farmer/Rancher
Program**

Ms. Vatske said this is a resolution approving the issuance of up to \$2,000,000 in bonds to fund the Beginning Farmer/Rancher Loan Program.

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

**Action Item:
Resolution No. 18-
138, Carryforward
of Private Activity
Bond Cap**

Ms. Vatske/Mr. Herman said this is a resolution approving the carryforward of Private Activity Bond Cap.

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

**Action Item:
Approval of Single
Family Investment
Banker
recommendation**

Lisa DeBrock, Director of the Homeownership Division stated that at least every 2 years, pursuant to the Revised Code of Washington, section 43.180.100 and the Washington Administrative Code section 262-01-070, we do a request for proposals for single family investment bankers.

Investment bankers develop and structure each bond issue and purchase the Commission's bonds for our House Key Opportunity program.

The RFP was posted in October and the due date for proposals was Monday, November 19th and we received 10 responses. Our team narrowed the proposals down to 6 and we interviewed the following firms on November 29th:

RBC Capital Markets

George K. Baum

Wells Fargo

Morgan Stanley

Raymond James

Stifel

We looked at the following criteria:

- Demonstrated technical competence, expertise and innovative ability.
- Demonstrated success in structuring and/or marketing housing bond issues.
- Demonstrated retail distribution capacity.
- Familiarity with FHA insured and VA guaranteed housing programs, as well as with privately insured programs.
- The cost in fees and expenses.
- Reputation for services.
- Qualifications of the individuals assigned to represent the investment banking firm in meetings and negotiations with the Commission regarding the structuring and purchase of bonds.

- Compatibility with the Commission and its staff of the individuals assigned to represent the investment banking firm in meetings and negotiations with the Commission.
- Accessibility of the underwriter’s personnel to the Commission and its staff.

We are recommending approval to keep RBC Capital Markets as senior manager and Wells Fargo Securities as a co-manager. We are recommending replacing George K. Baum with Morgan Stanley as a co-manager due to their retail expertise and believe they will add a nice addition to our current team.

Ms. DeBrock thanked Mr. Jim Stretz and George K. Baum for their participation and contributions as a finance team member over the past years.

Mr. Moss moved to approve the Single Family Investment Banker recommendation. Mr. Krueger seconded the motion. The request was unanimously approved.

**Action Item:
Request approval
of Commission’s
2019 Legislative
Priorities**

After a brief explanation of the Legislative Agenda for 2019 by the Executive Director and Mr. Zwicker, Mr. Moss moved to approve the 2019 Legislative Agenda. Mr. Castillo seconded the motion. The request was approved with seven yes votes and one no vote.

**Action Item:
Request approval
of the 2019
Commission
Meeting Calendar**

Mr. Larsen moved to approve the 2019 Commission meeting calendar. Ms. Lawrence seconded the motion. The request to approve the 2019 Commission meeting calendar was unanimously approved.

**Department of
Commerce’s
Report**

Ms. Klontz stated that the Department of Commerce (“Commerce”) released the local plan guidance as required by HB 1570 (Chapter 85, Laws of 2018). The guidance governs the contents of local five year homeless housing strategic plans that HB 1570 requires to be updated by December 2019.

Washington is the recipient of three Youth Homelessness Demonstration Program awards. King County was awarded \$5.4 million last year in the first round of this grant. This year, the second round awards went to the Balance of State Continuum of Care (“BoS CoC”), which received a \$4.6 million award, and Snohomish County, which received a \$2.4 million award. OHY, in partnership with the federal homelessness programs team at Commerce, is leading the implementation of the BoS CoC award, which goes to the 23 most rural counties in the state.

Commerce’s Office of Homeless Youth (“OHY”) is a partner with A Way Home Washington in the Anchor Community Initiative which will end youth and young adult homelessness in four communities by 2022. The four communities selected are Walla Walla, Yakima, Spokane, and Pierce counties. Each community has conducted a launch of their initiative in the last few weeks, with Pierce County’s launch scheduled for Jan. 4, 2019.

The Affordable Housing Advisory Board met on Dec. 5 in Olympia. Ms. Emily Grossman and Mr. Mark McCaskill are working with a group of graduate students at the Evans School on an evaluation of the efficacy of Washington’s affordable housing incentives. We’re doing this in coordination with the Ruckelshaus Center Growth Management Act Roadmap project.

Commerce, the Department of Social and Health Services (“DSHS”) and the Health Care Authority worked with the governor’s office and attorney general to develop and submit comments to the Trump administration’s proposed changes to the public charge rules.

Surplus State Lands - Disposal (Chapter 217, Laws of 2018), is an act promoting the use of surplus public property for public benefit, specifically for supporting the goals of affordable housing development for low and very-low income households.

Six designated agencies – Department of Natural Resources, DSHS, Department of Corrections, Department of Enterprise Services, Washington State Patrol and State Parks and Recreation Commission – are required to report to Commerce by Nov. 1 each year their inventories of surplus properties that are vacant or available for sale or lease, and information on any property transactions they executed for public benefit, including affordable housing development.

This year, 38 surplus properties were reported, and no public property was disposed of for public benefit. Commerce is required to determine which properties are suitable for consideration in affordable housing development utilizing affordable housing industry-accepted standards (location, approximate lot size, current land use designation, and current zoning classification) and report their findings to the Office of Financial Management (“OFM”) and appropriate legislative committees.

The report is currently under final review. It is anticipated to be submitted to OFM for their final review and approval in the next 30 days. The report includes only a preliminary designation of each property’s suitability for affordable housing. Commerce will continue to further evaluate the properties after the preliminary designation using more robust affordable housing industry-accepted standards derived in part from the Combined Funders Affordable Housing Application and the U.S. Department of Housing and Urban Development (HUD) Site and Neighborhood Standards.

Last fall, Commerce’s Community Services and Housing Division and Growth Management Services worked together to develop a training for local appointed and elected officials on housing affordability. The 3-hour training covers housing affordability data for the state, state requirements for housing planning, legal cases around housing affordability, and a range of ideas for promoting housing affordability at the local level and features exemplary work at the local level. One training took place in Gig Harbor last fall, and two are already planned for the spring, in Ellensburg and Kitsap County. This series will be recorded to be added to Commerce’s planning assistance video library.

The Legislature called for updated guidelines last year to reflect current issues and challenges of growth management in Washington. A steering committee representing counties, cities, industry experts and other interest groups developed the guidelines over a year-long process. Commerce hired consultant LDC Inc. to assist with drafting the update.

Originally, six western Washington counties were required under the Growth Management Act's review and evaluation program (RCW 36.70A.215) to complete buildable lands reports: Snohomish, King, Pierce, Kitsap, Thurston and Clark. The same 2017 legislation requiring Commerce to provide updated guidance also added Whatcom County to the list of counties required to report by June 30, 2021. Other counties and cities may complete buildable lands reports to inform their comprehensive plan updates but are not required to do so.

Buildable Lands Reports are an inventory of available land to measure development of land that has occurred, including housing and employment, since the last inventory, and to review the resulting population densities against forecast growth. The new guidelines detail procedural; data collection and approach; and methodology suggestions to help local governments complete their buildable land reports. Updated definitions, a comprehensive list of potential "reasonable measures," and new market supply factor evaluation considerations are also included.

Also, from that contract with LDC Inc. will come a "Housing Memo" for local appointed and elected officials to learn about housing economics, housing policy, and a range of actions to address housing affordability.

Updated Buildable Lands Guidelines are available on the Commerce website. For further information, please contact:

Valerie Smith, Senior Planner,
Growth Management Services
Valerie.smith@commerce.wa.gov
(360)725-3062

The Commerce Housing Breakthrough Group is looking at the possibility of working with the Municipal Research Services Center to explore how off-site construction and small unit development (attached and detached) could be supported to increase housing production and affordability.

Commissioners' Reports

Ms. Lawrence and Mr. Larsen were presented with an award on behalf of the Commission during the grand opening of 22 North in Bellingham, Washington.

Consent Agenda

The Consent Agenda was approved as mailed.

Adjournment

The meeting was adjourned at 1:44 p.m.

Signature
