

# WASHINGTON STATE HOUSING FINANCE COMMISSION

## WORK SESSION MINUTES

September 26, 2019

The September 26, 2019 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Beth Baum, Jason Richter, Lowell Krueger, Emily Grossman and Wendy Lawrence.

Lisa Vatske gave an overview of the 4% bond policy updates and changes for 2020.

Emily Grossman gave her Informational Report on Department of Commerce activities.

Kim Herman gave his Executive Director's Report.

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

**WASHINGTON STATE  
HOUSING FINANCE COMMISSION  
MINUTES**

**September 26, 2019**

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 Beth Baum, Jason Richter, Lowel Krueger, Emily Grossman and Wendy Lawrence.

**Approval of the  
Minutes**

The minutes of the August 22, 2019 special meeting were approved as mailed.

**Public Hearing:  
Copper Gate, OID  
# 18-114A**

The Chair opened a public hearing on OID # 18-114A Copper Gate at 1:01 p.m.

Bob Peterson, Manager of Multifamily Housing and Community Facilities Division, said this is the proposed issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition of land and the construction and equipping of a 500-unit low income multifamily housing facility located at 4750 Auburn Way North, Auburn, WA 98002, to be owned by Copper Gate 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 \$90,000,000, a portion of which may be taxable. Mr. Peterson introduced John Fisher, Senior Developer at the Inland Group.

Mr. Fisher stated that occupancy will be restricted to households earning less than 60% of the King County Area Median Income (AMI). Twenty percent of the units will be set aside for persons with disabilities and for large households. The amenities include a community garden, pool, fitness center, business center, media room, and playground.

Mr. Herman mentioned that this is the largest 4% project in number of units that the Commission has done.

There were no comments from members of the public and the hearing was closed at 1:05 p.m.

**Public Hearing:  
Esterra Block 6B  
4%, OID # 19-70A**

The Chair opened a public hearing on OID # 19-70A Esterra Block 6B at 1:05 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition of land and the construction and equipping of a 212-unit low income multifamily housing facility located at 2710 Tagore Avenue NE and 2715 156th Avenue NE, Redmond, WA 98052, to be owned by Esterra Park 4%, 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 \$65,000,000, a portion of which may be taxable. Mr. Peterson introduced John Fisher, Senior Developer at the Inland Group.

Mr. Fisher stated that twenty percent of the units will be set aside for large households and an additional twenty percent will be set aside for persons with disabilities. One hundred percent of the units will be affordable and they will use income averaging. The project will be South of Microsoft's main campus in Redmond and will have a YMCA early learning center located on site.

In response to a question by Mr. Herman regarding project cost savings, Mr. Fisher stated that they saved costs by changing the structural design of the project, keeping the original design of the shell of the buildings, but redesigning the interior, which helped lower the overall cost.

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

**Commission  
Hearing: Polaris at  
Rainier Beach, OID  
# 18-50A**

The Chair opened a Commission hearing on OID # 18-50A Polaris at Rainier Beach at 1:17 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition of land and the construction and equipping of a 306-unit multifamily housing facility located at 9400 Rainier Avenue S., Seattle, WA 98118, to be owned by Polaris at Rainier Beach, 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 \$60,000,000, a portion of which may be taxable. Mr. Peterson introduced John Fisher, Senior Developer at Inland Group.

Mr. Fisher stated that the Occupancy will be restricted to residents earning at or below 60% of the King County Area Median Income. Twenty percent of the units will be set aside for persons with disabilities. The amenities include a fitness center, business learning center and media room.

In response from a question from Mr. Richter, Mr. Fisher stated that the low cost per unit is due to Inland's experience with refining their product over the years.

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

**Commission  
Hearing: Filipino  
Community  
Village, OID # 19-  
74A**

The Chair opened a Commission hearing on OID # 18-62A Legacy Plaza Senior Living at 1:21 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt and taxable revenue bonds to finance a portion of the costs for the acquisition of land and the construction and equipping of a mixed-use building which includes a 95-unit multifamily housing facility located at 5715 37th Avenue S., Seattle, WA 98118, to be owned by Filipino Community Village LLLP, a Washington limited liability limited partnership. 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 \$22,000,000, a portion of which may be taxable. Mr. Peterson introduced Brian Lloyd, Vice President at Beacon Development Group.

Mr. Lloyd stated that The Filipino Community Village of Seattle (The Village) is a first of its kind project that will provide five stories with 95-units of affordable and low-income housing to seniors.

The Village will also house the Innovation Learning Center; a state-of-the-art computer laboratory providing technological access for young people in the Rainier Valley, including robotics and science-technology-engineering-arts-math (STEAM) programs. The center is open to everyone needing access to computers and technical assistance.

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

**Commission  
Hearing: Legacy  
Plaza Senior  
Living, OID # 18-  
62A**

The Chair opened a Commission hearing on OID # 18-62A Legacy Plaza Senior Living at 1:25 p.m.

Mr. Peterson said this is a proposed issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the acquisition of land and the construction and equipping of a 166-unit mixed income senior housing facility located at 36 West Main Street, Auburn, WA 98001, to be owned by Auburn City Center Senior Living Associates, 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 \$38,000,000, a portion of which may be taxable. Mr. Peterson introduced Bryan Park, President of Pacific Northern Construction.

Mr. Park stated that this eight-story project will be across the street from City Hall and twenty percent of the units will be restricted to residents earning less than 50% of the area median income (AMI) for King County. Twenty percent of

the units will be set aside for persons with disabilities. The amenities include a fitness center, business learning center, and media center.

There were no comments from members of the public and the hearing was closed at 1:30 p.m.

**Public Hearing:  
Opportunity Place  
Apartments, OID #  
19-67A**

The Chair opened a public hearing on OID # 19-67A Opportunity Place Apartments at 1:30 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 and rehabilitation of a 145-unit multifamily housing facility located at 2024 Third Avenue, Seattle, WA 98121, to be owned by Opportunity Place Housing LLLP, a Washington limited liability limited partnership. 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 \$26,000,000. Mr. Peterson introduced Kris Lambright, Senior Property Strategist at the YWCA of Seattle.

Ms. Lambright stated that half of the units will be set aside for households at or below 50% AM, and half at 60% AMI. Ten percent of the units will be set aside for persons with disabilities. All of the units are covered by a rental assistance contract. The rehabilitation includes the HVAC system, elevator and roof upgrades. The property relocation plan expects tenant relocations to range from as short as one day to a maximum of 8 days.

There were no comments from members of the public and the hearing was closed at 1:35 p.m.

**Public Hearing:  
Proposed changes  
to the 4% Bond  
policies for the 2020  
Allocation year**

The Chair opened a public hearing on the proposed changes to the 4% Bond policies for the 2020 allocation year at 1:36 p.m.

Ms. Vatske stated the Commissioners were briefed at the July meeting on the high-level objectives of the policy changes, as well as historic trends of the program. There was a very well attended stakeholder meeting and discussion

held at the Commission (with conferencing options) on July 31st. There have been multiple conversations with many developers regarding their individual projects and points that would benefit their specific situation as well as robust broader policy conversations. Discussions have ranged from proposing specific point categories and numerical amounts to the overall weight of any category and broader policy issues addressing displacement, leverage, and priority of public transit sites. Given the cyclical nature and the market volatility of this financing tool, and the current backlog and pipeline, staff believe making modest modifications versus wholesale changes is the best approach at this time. Our guiding principles for the proposed changes remain the same as staff articulated in the previous materials and at the stakeholder meeting, with one addition:

Staff will emphasize thoughtful and strategic consideration of outcomes that they may want to achieve over time, especially given the current pipeline, as opposed to adding points to benefit individual projects. (New)

Efficient and effective use of Bond cap (Previous)

Cost efficiency and efficient use of cap (Previous)

Allowing market and economic drivers to lead the structure and type of housing being created or preserved, with a balance of public benefits points (Previous)

Additions and modifications were made to the original proposed policies and the specific changes to the policy were posted to our website mid-August.

Comments and conversations were briefly summarized in the memo and written comments were included as part of the packet. In addition, both the full redlined version and a clean copy of the policies was included. Highlighted below is summary of the more substantial changes, with a list of the minor changes at the end.

### **Proposed Policy Changes**

***Policy Number: 2.4 Total Development Costs***

**Proposed Modification:**

Update the TDC Limits in the Bond/Tax Credit Policies to reflect the changes made earlier this year to the TDC Limits in the 9% Policy, including the Pierce/Snohomish/Clark TDC limit category.

Based upon third-party data from Engineering News Record (ENR), propose a nine-percent (9%) increase in TDC Limits in the Seattle/King and Pierce/Snohomish/Clark TDC Limit Areas. Propose a three-percent (3%) for Metro and Balance of State TDC Limit Areas as set forth below:

	Studio	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm
2019 Sea/King	\$259,533	\$300,380	\$319,196	\$357,978	\$394,343
9% Increase	\$23,358	\$27,034	\$28,728	\$32,218	\$35,491
2020 TDC Limit	\$282,891	\$327,414	\$347,924	\$390,196	\$429,834
2019					
Pierce/Sno/Clark	\$249,769	\$291,367	\$308,560	\$347,238	\$382,514
9% Increase	\$22,479	\$26,223	\$27,770	\$31,251	\$34,426
2020 TDC Limit	\$272,248	\$317,590	\$336,330	\$378,489	\$416,940
2019 Metro					
2019 Metro	\$241,635	\$272,613	\$298,315	\$344,210	\$379,176
3% Increase	\$7,249	\$8,178	\$8,949	\$10,326	\$11,375
2020 TDC Limit	\$248,884	\$280,791	\$307,264	\$354,536	\$390,551
2019 BoS					
2019 BoS	\$175,251	\$197,320	\$223,661	\$290,517	\$319,689
3% Increase	\$5,258	\$5,920	\$6,710	\$8,716	\$9,591
2020 TDC Limit	\$180,509	\$203,240	\$230,371	\$299,233	\$329,280

**Intent/Issue:** Cost limits are still a critical tool for the Commission in managing costs and cost containment. Having limits that follow our policy based on third party assessments are critical for keeping up with a dynamic real estate and labor market.

**Summary of Stakeholder input:** No opposition but there is continued discussion regarding the specific increments for bedroom sizes and concern that these limits still may not currently reflect the reality in the market.

**Policy Number: 2.4.7.1 Waiver of the Total Development Cost Limit – Rehabilitation and Re-syndication Projects**



**Proposed Modification:** Adding language clarifying that in a related-party acquisition/rehabilitation financing, staff will consider the cost of the Seller Note as a waiver from the TDC limits.

**Intent/issue:** The value and acquisition cost of buildings with Section 8 contracts has been steadily increasing, making it hard for these types of projects to meet the TDC limits usually due to the seller note. Given the requirement of utilizing the appraised value to determine the sales prices and the benefit of using the acquisition price as a critical component to the financing, this policy change enables staff to assess several criteria in determining a waiver to the TDC limits.

**Summary of Stakeholder Input:** Although stakeholders support this clarification, there has also been a discussion about the removal of Deferred Developer Fee as well as the seller note from the TDC Limits entirely. We are only proposing to add criteria to assess this situation as a waiver to the limits and not as a deduction.

***Policy Number: 3.15 “50 Percent Test”***

**Proposed Modification:** Adding language clarifying that the Commission intends to target allocations of new-issue Bond Volume Cap to projects at a level sufficient to get projects to 55% of the aggregate basis plus land calculation for 4% tax credits.

**Intent/Issue:** To ensure the amount of cap allocated is reasonable for the project’s needs, but not more than what is necessary from a limited resource. Staff anticipates allocating recycled cap and, in some cases, taxable bonds, to make up the difference that projects need.

**Summary of Stakeholder input:** Colorado uses a 52% cap on their allocations, and in discussions with stakeholders there have been a mix of comments. Some thought the number was a bit too low and were concerned that there could be situations where projects would not have enough cap to claim all of their 4% tax credits, but others are fine with this and understand the need to limit and ration the resource in this way.

***Policy Number: 3.25 Re-syndication***

**Proposed Modification:** Adding language that re-syndication projects requesting any changes to existing regulatory agreements will be required to select the maximum extended-use period and take the maximum donation. This includes any projects requesting changes in the past 5 years.

**Intent/Issue:** This policy was a request from the Compliance and Asset Management Division and is a result of the work that TCAM has done on assessing current preservation strategies and implementing a standard process for changes to the regulatory agreements. It provides additional public benefit.

**Summary of Stakeholder input:** No specific comments have been made on this change.

***Policy Number: 4.2 Additional Low-Income Housing Use Period***

**Proposed Modification:** Increase the range and longevity of the commitment period for increased points. Changes the current one point for every two years, to three points for every five years, with a total of 25 years, from 22.

**Intent/Issue:** Given the current competitiveness of the program, increasing the length of commitment and increment of points is a priority as it provides a longer-term affordability period, without substantially changing the overall economics to the developer.

**Summary of Stakeholder input:** General agreement and acknowledgement of the public benefit.

***Policy Number: 4.7 Cost Efficient Development***

**Proposed Modification:** Increase the points from a total of 5 -10 depending on the range of the percentage the TDC of the project is below the limits.

**Intent/Issue:** Given the current competitiveness of the program, ensuring and prioritizing that cost efficiency is a key aspect of the scoring criteria, as per the guiding principles.

**Summary of Stakeholder input:** General agreement and acknowledgement of the public benefit. Concern regarding the TDC limits and discussion about allowances for additional deductions from the TDC limits.

***Policy Number: 4.8 Limiting of Developer Fee***

**Proposed Modification:** Eliminate this point category. Current points up to 5 depending on the percent of developer fee.

**Intent/Issue:** Although this policy has helped at times as a cost containment strategy, it also does artificially constrain the project's economics and the amount of equity that can be attracted to the project. In this environment, the concern is these points may drive behavior in a way that impacts the economics of the project and may or may not be driving as much public benefit that can be gained by attracting the most private equity to the deal. Analysis has shown a growing trend of taking these points in the past 2 years.

**Summary of Stakeholder input:** Staff heard from several for-profit developers that they would seek these points, validating the concern about "chasing" points, especially in this category. Staff heard general concern from the non-profit developers that eliminating these points might impact them. Eliminating this point category neutralizes the issue and allows for the economics or potentially other factors to determine the amount of the developer fee.

***Policy Number: 4.14 Transit Oriented Development***

**Proposed Modification:** Adding a range of 1-3 points for different types of transit in different locations. Maintains three points for projects within ½ mile walking distance of a major transit option.

**Intent/Issue:** Allows for a broader range of options and points for projects outside a major transit system. Maintains the highest point category for the major transit sites.

**Summary of Stakeholder input:** Support and agreement for a broader range of options. Comments regarding the need to ensure publicly owned transit sites are prioritized, as there is a growing pipeline of Sound Transit sites being developed.

**Policy Number:** *4.18 Donation in Support of Local Non-profit programs*

**Proposed Modification:** Decrease the donation amount by half.

**Intent/Issue:** Given the current climate, it is likely that projects seeking points will take the higher point category. The points in this category are based on a percentage of the bond amount. Given that bond amounts per project continue to increase, cutting the amount in half helps to address the cost issues but still allows for donations to be made in the community.

**Summary of Stakeholder input:** General support, with some discussion of the scale and weight of these points to other categories.

**Policy Number:** *4.19 Development Amenities*

**Proposed Modification:** Adding 3 new development amenities.

4.19.7 Electric Vehicle Charging Stations

4.19.8 Onsite Childcare program

4.19.9 Lunch program

4.19.10 Supportive services/community space with Service Coordinator

**Intent/Issue:** Allow additional options and keep up with current trends and services for tenants.

**Summary of Stakeholder input:** General support and adjustments made based on comments clarifying the types of programs and relationships.

***Policy Number: 4.21 Solar Options***

**Proposed Modification:** changing the requirements for achieving points and adding a range. Proposing a specific measurable production target versus a specific system and requiring a certification attesting to a measurable outcome.

**Intent/Issue:** Current solar options were difficult to achieve, were specific in the technologies to be used and hard to measure

**Summary of Stakeholder input:** General support and adjustments made based on comments from developers that have been currently using solar in their projects.

***Policy Number: 4.22 Energy Efficiency***

**Proposed Modification:** Removing the net zero requirements and basing increased energy efficiency on additional measures implemented through ESDS, the current standard required for all our projects.

**Intent/Issue:** The current category is not being utilized as it was difficult to attain and increased cost. This piggybacks on the existing standard and allows for election of additional measures to achieve greater efficiencies.

**Summary of Stakeholder input:** General support for aligning with ESDS.

***Other Minor Changes:***

- 3.5.1 ESDS -modifying the definitions to remain consistent with current ESDS updates.
- 3.26 Utility Incentive Contact-applicants must contact their project's utility to inquire about incentives and provide a letter verifying this action.
- 4.1 Additional Low-Income Housing Commitment- removing the two-point option of 10% of the units at 40% AMI due to non-usage.
- 4.12 Location Efficient Projects- clarifying that a convenience store does not substitute for a supermarket or grocery store for the purpose of meeting the point criteria.

- 4.19.3 Onsite business learning center- modification to allow for a laptop check-out program.
- 4.19.6 Bicycle Storage- modification to the amount of spaces required.

Ms. Vatske mentioned staff has a working list of the more substantial policy changes that were discussed and suggested by stakeholders that will continue to be analyzed for 2021, as staff closely monitors the outcomes of this next year's allocation.

Brian Lloyd, Vice President at Beacon Development Group made a public comment to state that stakeholders appreciate the staff's hard work and knows this cannot be easy. He believes these are good moves but mentioned that a lot of people depend on this program and they will continue to stay engaged with the staff as things progress and change.

There were no comments from members of the public and the hearing was closed at 1:50 p.m.

**Public Hearing:  
Tax Credit  
Program  
Allocation,  
Meadow Point  
Family Housing,  
OID # 19-01**

The Chair opened a public hearing on the Tax Credit Program Allocation for Meadow Point Family Housing at 1:50 p.m.

Ms. Vatske stated that the Meadow Point Family Housing project, located in Omak, has approached the Commission requesting to increase their 9% LIHTC from \$958,740 to \$1,039,851 or an additional \$81,111. The project has experienced a delay in finding an investor, which has resulted in a change in pricing, increasing the financing gap. Also, the project recently received their final bids which came in \$920,376 over previous estimates.

Through value engineering, the development team was able to reduce the overall construction budget by \$301,213. The increase in LIHTC will allow the project to fill the remaining budget gap.

Given the importance of this project, which is a homeless project in Okanogan County, staff recommends approval of this requested increase.

There were no comments from members of the public and the hearing was closed at 1:52 p.m.

**Action Item:  
Resolution No. 19-105, Tax Credit Program Allocation, Meadow Point Family Housing**

Ms. Vatske requested approval to increase the 9% Low Income Housing Tax Credits (LIHTC) by \$81,111 from \$958,740 to \$1,039,851 using the 2019 LIHTC Allocation, for Meadow Point Family Housing, to be owned by Meadow Point at Omak LLLP, a limited liability limited partnership. The project is located at 620 Oak Street, Omak, WA 98441. The total estimated project cost is not expected to exceed \$12,455,360.

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

**Action Item:  
Proposed changes to the 4% Bond policies for the 2020 allocation year**

Ms. Lawrence moved approval of the proposed changes to the 9% Tax Credit Policies for the 2020 allocation round. Mr. Krueger seconded the motion. The changes were unanimously approved.

**Action Item:  
Resolution No. 19-103, Kent YMCA, OID # 19-93A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance the new construction and equipping of an approximately 50,000 square foot nonprofit community facility located at 10878 SE 248th Street, Kent, WA 98030, operated and owned by The Young Men's Christian Association of Greater Seattle, 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 \$8,000,000. There is a purchase offer from Bank of America in the materials for \$8,000,000.

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

**Action Item:  
Resolution No. 19-  
104, Rockwood at  
Whitworth, OID #  
19-87A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance the first phase of the replacement and expansion of an existing nonprofit continuing care retirement community, including the demolition of a portion of an existing facility, the construction and equipping of a health center with 24 memory care units and 48 assisted living apartments, located at 101 E. Hawthorne Road, Spokane, WA 99218, owned by Spokane United Methodist Homes d/b/a/ Rockwood Retirement Communities, a Washington 501(c)(3) nonprofit corporation. Proceeds of the bonds may also be used to fund a debt service reserve and pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$45,000,000.

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

**Action Item:  
Resolution No. 19-  
80, College Glen  
Apartments, OID #  
18-110A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt and taxable revenue bonds to finance a portion of the costs for the acquisition and rehabilitation of a 164-unit multifamily housing facility located at 4870 55th Lane SE, Lacey, WA 98503, to be owned by College Glen Affordable Housing Partners II, 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 \$24,000,000, a portion of which may be taxable.

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

**Action Item:  
Resolution No. 19-  
101, Legacy Plaza  
Senior Living, OID  
# 18-62A**

Ms. Vatske said 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 of land and the construction and equipping of a 166-unit mixed income senior housing facility located at 36 West Main Street, Auburn, WA 98001, to be owned by Auburn City Center Senior Living Associates, 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 \$38,000,000, a portion of which may be taxable. There is a purchase offer from Citibank, N.A. in the materials for \$37,250,000.

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

**Action Item:  
Resolution No. 19-  
102, Polaris at  
Rainier Beach, OID  
# 18-50A**

Ms. Vatske said 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 of land and the construction and equipping of a 306-unit multifamily housing facility located at 9400 Rainier Avenue S., Seattle, WA 98118, to be owned by Polaris at Rainier Beach, 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 \$60,000,000, a portion of which may be taxable. There is a purchase offer from Citibank, N.A. in the materials for \$45,000,000.

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

**Action Item:  
Resolution No. 19-  
107, Local  
Government  
Investment Pool**

Bob Cook, Senior Director of the Finance Division, stated that the Washington State Housing Finance Commission began recapturing bond cap from payments made within four years of issuance when it became feasible to do so after a revision to the related law. Since the Commission began the program in February 2016, we have recaptured bond cap of \$289 million from 80 prepayments and recycled \$208 million in 29 new bond issues.

In consultation with bond counsel, staff have determined that it is prudent to recycle the debt into a line of credit. Staff have tentatively reached agreement with a third-party to provide the liquidity for this as long as we invest the proceeds into a segregated Local Government Investment Pool (“LGIP”) account with the State Treasurer. This resolution authorizes us to establish the account.

A resolution from the Treasurer's Office, adapted by counsel, was distributed to the Board as well as a copy of the prospectus for the LGIP.

Mr. Cook requested the Board to consider and act upon Resolution 19-107 authorizing investment of Commission monies in the Local Government Investment Pool.

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

**Action Item:  
Interest Rate Swap  
Policy**

Mr. Cook stated that Staff and the Audit Committee (the "Committee") reviewed the Commission's Interest Rate Swap Policy (the "Policy") at its April meeting and presented proposed changes to the Commission. Considering the feedback received, the proposed changes were referred back to the Committee for further review. At the Committee's August meeting, staff presented alternative changes to the policy. The Committee reviewed, accepted and agreed to recommend the revisions for adoption by the Commission. A blacklined version of the proposed Policy is in the packet.

As previously presented, there are several minor edits throughout. In addition, we have changed the frequency of some activities from a specific, dictated time period (monthly, quarterly, etc.) to "periodically though no less than annually," recognizing that with few swaps and little expected activity, reporting should follow the magnitude of swaps outstanding and the frequency of changes.

The remaining two more significant proposed changes are listed by Policy section:

**1. Section XII – Other Criteria and Considerations**

Summary: Changes the required number of bids received on a Swap from three to two, matching the requirements in the State's Swap Act, RCW 39.96.

**Rational:** Our Swap Policy requires that bidders with a rating less than double-A post collateral for the swap. There are currently only two swap providers rated in

the double-A category. When we originally developed our policy, we opted to require three bids, a higher standard than required by the Swap Act. We believe it is prudent to change our required number of bids to match the Swap Act in case we were only to receive bids from the two entities that do not have to post collateral.

## **2. Section XIV – Procedures**

Summary: Allows staff to make its required presentation to the Commission regarding a new Swap at the meeting immediately following its bidding if circumstances dictate. In this case, staff will provide notice to Commissioners at least 48 hours prior to bidding a swap.

**Rational:** The Commission makes the findings and determinations necessary under the Swap Policy and the Swap Act for entering into a swap in its annual Single-family Bond Resolution. It also delegates the authority to approve the terms of a Swap and to execute Swap documentation to the Executive Director. Currently the Policy requires that staff make a presentation to the Commission regarding how the expected terms of a swap meets our Policy before we can proceed with bidding, although no further Commission approval action is needed. This revision would eliminate the market risk that could occur while the bidding process is on hold to the next Commission meeting date.

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

### **Action Item: 2019 Transfers to the General Reserves and Program Related Investment Accounts**

Mr. Herman stated that there are two things for the Commission in the materials related to the Program Related Investments (PRI). The first is a report regarding the Program Related Investment program for your reference. It covers the allocations to the Program Related Investment accounts through 2018 but not the PRI transfers that are being requested for approval today. These can be added to the compendium in the future. The second item is a memo outlining the PRI account allocations that are before you for approval today, which are the same as those presented for consideration at the June 27<sup>th</sup> meeting of the Commission. A

copy of the June 27<sup>th</sup> memo was sent to the Commissioners as well. There were no objections or concerns brought up at the time of that presentation or subsequently since then.

Requested Transfers and Program Related Investments for 2019:

Based on estimated available revenue of \$24.1 million at the end of FY 2019, Mr. Herman is recommending the following transfers of funds:

- \$10 million dollars will be retained in the Commission's General Reserves to cover pension liabilities and to restore General Reserves to \$20 million.
- A total of \$14.1 million will be transferred to the Program Related Investment accounts for the following purposes:
  - ◇ Critical Project Preservation Fund: \$4 million.
  - ◇ Impact Capital: \$1 million in cooperation with a CDFI application for additional low-cost lending capital.
  - ◇ Manufactured Housing Park Preservation: \$1 million.
  - ◇ Land Acquisition Program: \$3 million
  - ◇ Sustainable Energy Trust: \$2 million
  - ◇ Purchase of Habitat Mortgages: \$1 million

Once these specific transfers and allocations are approved, \$2.1 million will remain available in the PRI account during FY 2020 for future allocation to specific programs.

Ms. Baum moved to approve the request of the 2019 PRI allocations. Mr. Richter seconded the motion. The request was unanimously approved.

**Action Item:  
Executive Director  
Recruitment  
Process and motion  
to approve the  
process**

Mr. Herman provided a report on the Executive Director Recruitment process. The Search Committee of the Commission was established at the May Planning Session in keeping with the Succession Plan of the Commission.

- After an RFP process was conducted, which resulted in the receipt of 13 proposals, and interviews were conducted with two selected finalists, HCGA Consulting Partners was selected to assist the Search Committee with a nation-wide search for qualified candidates to be considered for the ED position.

- HCGA is currently identifying potential candidates for consideration by the Search Committee and will be making recommendations regarding potential candidates to be interviewed in late October and early November for the Committee's consideration.
- The first round of interviews will be conducted by the Search Committee on October 30 and 31<sup>st</sup> and final interviews, if necessary, will be conducted by the Search Committee on November 5<sup>th</sup>.
- The Search Committee will make a recommendation of the top two candidates to the Chair and Commissioners during an Executive Session to be held during the November 14 Commission meeting.
- Following the Commission meeting, and pursuant to the Succession Plan, the Chair will make a final decision regarding the potential hiring of a selected candidate.
- Once negotiations are completed and an offer is accepted, the Chair will announce the name of the successful candidate for the position of Executive Director to take effect following the retirement of the current Executive Director.
- If, for any reason, the negotiations are not successful and an offer is not accepted, the Search Committee will reconvene for the purpose of determining how to proceed with the search.

Mr. Herman requested a motion to approve the Executive Director Recruiting Process.

Ms. Lawrence move that the Search Committee be delegated the authority to conduct the search process for a new Executive Director, including interviewing candidates identified by the Commission's search consultant HCGA Consulting Partners, and making a recommendation to the Chair and Commissioners of the top two candidates during an executive session at the Commission's November meeting. Pursuant to the Succession Plan, the Chair is authorized to make a final decision regarding the hiring of an Executive Director and to negotiate employment terms with the selected candidate. If negotiations are unsuccessful, the Search Committee is authorized to reconvene to determine how to proceed

with the search. Mr. Richter seconded the motion. The resolution was unanimously approved.

**Consent Agenda**

The consent agenda was approved as mailed.

**Adjournment**

The meeting was adjourned at 2:20 p.m.

**Signature**

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