

**WASHINGTON STATE  
HOUSING FINANCE COMMISSION  
MINUTES**

**August 22, 2019**

The Commission meeting was called to order by Vice Chair Beth Baum at 9:30 a.m. in the Cedar Room, located at 301 West 6<sup>th</sup> Street, Vancouver, Washington 98660. Those Commissioners present were Alishia Topper, Wendy Lawrence, Jason Richter, Ken Larsen and Lowel Krueger.

**Approval of the  
Minutes**

The minutes of the July 25, 2019 special meeting were approved as mailed.

**Public Hearing:  
Proposed change in  
Tax Credit policies**

The Chair opened a public hearing on the proposed change in Tax Credit policies regarding the transfer of tax credit investors in projects in Washington State at 9:32 a.m.

Val Pate, Director of Asset Management and Compliance (AMC) Division, stated that currently the Commission allows changes in property ownership during the regulatory period, if it reviews and approves the proposed change. The review process allows the staff to examine the structure of the proposed change, determine whether the new ownership entity will have capacity to continue compliance with the regulatory agreement, and the resulting transfer agreement (which is recorded) requires that the incoming ownership entity acknowledge and agree to follow the terms of the regulatory agreement. Until now, the Commission has not required approval for transfers that don't directly impact the operations of a project, i.e. transfers that occur at the "upper tier" of a partnership. However, staff is proposing a change to this policy.

AMC is beginning to witness, both here in Washington State and across the country, certain investor entities who are stepping in to partnerships with the sole intent of disrupting the year-15 exit transaction. Several of these entities are aggregating properties in many states. The traditional intent of a partnership exit

has always been to hand over the property to the general partner once the investor member has realized their tax benefits. However, in some strong, high-value markets, there has been an incentive for investors to extract additional value from the real estate before exiting. This has been done in multiple ways, including stalling approvals on needed documents, challenging terms of the original partnership agreement, and even attempting to remove the general partner for non-performance. There have been multiple similar cases throughout the country.

This practice is detrimental to general partners as organizations and to the operations of the projects. The ultimate impact is on the residents, because funds that would be used to keep the building in good repair, or to focus on strong operations, are deployed by general partners to litigate their partnership agreements. These types of disputes do not appear to serve any purpose to the project besides extracting maximum value during the exit period and ultimately re-marketing the project at a higher price. Ultimately, the original General Partner (often a non-profit) risks losing this project from their portfolio.

The Commission can impact this practice by adding an approval process for investor member transfers. This would deter investor members from entering a partnership for the sole purpose of extracting additional value from the year 15 exit and then flipping the project for additional profit. Therefore, staff is proposing a change to the transfer process that will add an approval mechanism for “upper tier” transfers. AMC is proposing to add a criteria that will not allow an entity that has demonstrated this practice on previous transactions to step into projects in Washington.

On August 1, AMC sent out an e-mail notifying stakeholders of the proposed change, and a link to the Asset Management and Compliance portion of the Commission website, with a redlined version of current transfer chapter. In the e-mail and on the website, staff asked for comments, with a deadline of Friday, August 9. In this time period, staff received one phone call from a syndicator, and one e-mail from a developer. In both cases, staff was able to explain the intent of the policy change, and ultimately received verbal support.

After further discussion and consideration, AMC is proposing to eliminate the originally proposed \$1,500 fee for upper tier transfers, as the review process will consist of collecting a certification form.

There were no comments from members of the public and the hearing was closed at 9:48 a.m.

**Action Item:  
Proposed change in  
Tax Credit policies**

Ms. Pate requested approval of the proposed change in Tax Credit policies regarding the transfer of tax credit investors in a project in Washington State.

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

**Action Item:  
Resolution No. 19-  
98, Bethany at  
Silver Lake, OID #  
19-86A**

Lisa Vatske, Director of Multifamily Housing and Community Facilities Division, said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance the construction, equipping and expansion of a nonprofit housing facility located at 2235 Lake Heights Drive, Everett, WA 98208, to move approximately 31 skilled nursing beds from another facility. The proposed facility be owned by Bethany of the Northwest, 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 \$5,010,000. The public hearing was held July 25, 2019.

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

**Action Item:  
Resolution No. 19-  
90, Olympic Tower  
at Skyline, OID #  
19-69A**

Ms. Vatske said this is a proposed 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, construction and equipping of 77 senior independent living units, community and service spaces and administrative offices to be known as Olympic Tower (715 8th Avenue, Seattle, WA 98104); the construction, renovation and equipping of senior housing and related facilities of the Borrower at Park Shore (1630 43rd Avenue East, Seattle, WA 98112),

Cascade Tower at Skyline (725 9th Avenue, Seattle, WA 98104) and Fred Lind Manor (1802 17th Avenue, Seattle, WA 98122). Proceeds of the bonds may also be used to fund a debt service reserve and pay a portion of the costs of issuing the bonds. The facilities are each owned or will be owned and operated by Presbyterian Retirement Communities Northwest d/b/a/ Transforming Age (“PRCN”) or Fred Lind Manor, each a 501(c)(3) Washington nonprofit corporation and organization, or by FH, LLC, a Washington limited liability company, the sole member of which is PRCN. The total estimated aggregate bond amount is not expected to exceed \$150,000,000. The public hearing was held June 27, 2019.

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

**Action Item:  
Resolution No. 19-  
91, Belmont 1, OID  
# 18-112A**

Ms. Vatske said this is a proposed resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance a portion of the costs for the acquisition of land and new construction and equipping of a 90-unit low income multifamily housing facility located at 1717 Belmont Avenue, Seattle, WA 98122, to be owned by Pioneer Belmont 1 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 \$18,000,000. The public hearing was held June 27, 2019.

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

**Action Item:  
Resolution No. 19-  
21, Jayne Auld  
Manor, OID # 18-  
59A**

Ms. Vatske said this is a proposed resolution approving the issuance of a tax-exempt revenue bond to finance the costs for the new construction and equipping of a 48-unit low income multifamily housing facility located at 2830 E. Francis Avenue, Spokane, WA 99208, to be owned by J Auld Apts LLC, a Washington limited liability company. Proceeds of the bond may also be used to pay a portion of the costs of issuing the bond. The total estimated bond amount is not expected to exceed \$9,000,000. The public hearing was held November 15, 2018.

Ms. Topper moved to approve the resolution. Mr. Kreuger seconded the motion. Mr. Larsen abstained from the vote because his employer is involved in the financing. The resolution was unanimously approved.

**Action Item:  
Brief  
Commissioners on  
status of projects**

Ms. Vatske said there will be three projects she anticipates having a public hearing outside of the August Commission meeting, and both a Commission hearing and Resolution will be presented at the September Commission meeting. These projects include Filipino Community Village, Polaris at Rainier Beach, and Legacy Plaza Senior Living.

**Executive  
Director's Report**

Mr. Kim Herman mentioned that HUD rescinded their Mortgage Letter which stated government entities operating downpayment assistance programs must operate only where they have legal jurisdiction.

In July, for Home Advantage, the Commission had over \$272 million in reservations assisting 951 families. For House Key Opportunity, there were over \$18 million in reservations assisting 90 families totaling \$291 million and 1041 families for the month. Again, the Commission broke our production record with July representing the biggest month since program inception.

Bob Peterson, Manager of Multifamily Housing and Community Facilities Division, attended the Federal Home Loan bank's quarterly Affordable Housing Programs advisory council meeting in Seattle.

Eli Lieberman, Senior Sustainable Energy Coordinator, made a presentation and visited the Office of Rural and Farm worker housing in Yakima, providing information on the Sustainable Energy Trust program.

Ms. Vatske attended and spoke at the Caples Terrace project opening earlier this week, a project sponsored by the Vancouver Housing Authority providing 28 units for homeless youth and youth coming out of foster care. Senator Cantwell was in attendance and was a speaker and Commissioner Alisha Topper was in attendance as well.

There was a very well attended Bond/4% stakeholder meeting held on July 31st. There were approximately 40 folks on the phone as well as the same amount in the room. There was discussion and comments on the proposed changes to the bond policy. The proposed changes are posted on the website and staff will bring recommendations forward next month. There are made some modifications based on the discussions and staff will provide updates as part of the presentation in September.

The Commission held interviews for filling the position vacated by David Clifton and is in the process of finalizing a decision on how best to move forward. Asset management and compliance continues to fine tune the WBARS update and met with Intellectyx staff last week to work on closing out the project.

Ms. Pate has been working with Mr. Lieberman to update the MOU-related data with Seattle City Lights. This relationship provides aggregated data from WBARS to automatically enroll many of building residents, who are already income-qualified for their units, in a low-cost utility program. Mr. Lieberman has been cultivating similar relationships with other statewide utility providers.

All inspections have been either completed or are scheduled in Asset Management and Compliance. AMC will be conducting a search for a new provider to perform the work in 2020.

**Commissioners’ Reports**

Ms. Baum stated that the Audit Committee met today. She stated they discussed the charter, swap policy, and the upcoming changes to Governmental Accounting Commissioners’ Reports Standards Board (GASB) standards.

**Consent Agenda**

The consent agenda was approved as mailed.

**Adjournment**

The meeting was adjourned at 10:10 a.m.

**Signature**

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# WASHINGTON STATE HOUSING FINANCE COMMISSION

## WORK SESSION MINUTES

August 22, 2019

The August 22, 2019 work session was called to order at 10:10 a.m. by Beth Baum. In attendance were Commissioners Alishia Topper, Wendy Lawrence, Jason Richter, Ken Larsen and Lowel Krueger.

Peggy Sheehan, Community Development Grants of City of Vancouver gave a presentation on the affordable housing market in Vancouver.

Leah Greenwood, Director of Property & Asset Management, at the Housing Authority of the City of Vancouver gave a presentation on their current activity.

Daniel Valliere, Executive Director of REACH Community Development, also gave an update on their current activities.

Josh Townsley, Executive Director, Evergreen Habitat for Humanity gave a presentation on the activities at Habitat for Humanity.

**The work session was adjourned at 11:25 a.m.**