

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

August 27, 2020

The August 27, 2020 work session was called to order at 11:00 a.m. by Bill Rumpf. In attendance were Commissioners Diane Klontz, Wendy Lawrence, Jason Richter, Lowel Krueger, Randy Robinson, Rich Nafziger, Ken Larsen and Alishia Topper.

Mike Hemmens from Citi Community Capital gave an overview of the affordable housing market in these current times including future trends for Area Median Income (AMI), construction and lending.

Mike Awadis from Hilltop Securities gave a presentation on the “to be announced” (TBA) market and the Home Advantage program which included production trends and the future of the market.

Mina Choo and Derek McGreal from RBC Capital Markets gave a presentation on the single-family bond market and House Key Opportunity Program, an economic snapshot, interest rate trends, and the Federal impact on the TBA market.

The work session was adjourned at 12:10 p.m.

WASHINGTON STATE HOUSING FINANCE COMMISSION MINUTES

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The Commission meeting was called to order by Chair Bill Rumpf at 1:00 p.m. via conference call. Those Commissioners present on the call were Diane Klontz, Wendy Lawrence, Jason Richter, Lowel Krueger, Randy Robinson, Rich Nafziger, Ken Larsen and Alishia Topper.

Approval of the Minutes

The minutes of the July 23, 2020 special meeting were approved as mailed.

Public Hearing: Madison/Boylston 4%, OID # 19-141A

The Chair opened a public hearing on OID # 19-141A, Madison/Boylston 4%, at 1:05 p.m.

Claire Petersky, Manager of Multifamily Housing and Community Facilities Division, said this is a proposed issuance of one or more series of tax-exempt revenue notes to finance the acquisition of land and the construction and equipping of a 250-unit multifamily housing facility located at 1400 Madison Street, Seattle, WA 98104, to be owned by Madison Housing LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$65,000,000. Ms. Petersky introduced Jacob Gelb, Real Estate Housing Developer at Bellwether Housing.

Mr. Gelb stated that this project will be restricted to households earning up to 50% and 60% of King County Area Median Income (AMI). Ten percent of the units will be set aside for large households and twenty percent will be set aside for persons with disabilities. Amenities will include a fitness center, business center/learning center, media room, playground or fitness trail, and supportive

services/community space with a service coordinator. The project is expected to be complete by 2022.

In response to Mr. Richter, Mr. Gelb stated that the high total development cost is associated with the high-rise construction, which requires materials like steel and concrete, and union wage rates, which are higher than commercial wages. He also mentioned the benefits of steel and concrete over wood construction.

There were no other comments from members of the public and the hearing was closed at 1:16 p.m.

**Public Hearing:
Northhaven Three,
OID # 19-136A**

The Chair opened a public hearing on OID # 19-136A, Northhaven Three, at 1:16 p.m.

Ms. Petersky said this hearing is for the proposed issuance of one or more series of tax-exempt revenue bonds to finance the acquisition of a leasehold interest in the land and the construction and equipping of an 82-unit multifamily housing facility located at 545 NE 112th Street, Seattle, WA 98125, to be owned by Northhaven Three Northgate Limited Partnership, a Washington limited partnership. Proceeds of the bonds may also be used to pay a portion of the costs of issuing the bonds. The total estimated note amount is not expected to exceed \$16,000,000. Ms. Petersky introduced Brian Lloyd, Vice President, Beacon Development Group.

Mr. Lloyd stated that this Department of Housing and Urban Development (HUD) 202 project is a partnership with HumanGood Affordable Housing and Northhaven Senior Living. The occupancy will be restricted to households earning up to 30%, 50%, and 60% of King County Area Median Income (AMI). Twenty percent of the units will be set aside for persons with disabilities. Amenities will include business center, media room, and covered secured bicycle storage.

In response to Mr. Richter, Mr. Lloyd stated that the total development cost is high mainly due to commercial wage rates, City of Seattle Code requirements

related to the building envelope and a high efficiency heat pump and additional infrastructure related development requirements by Seattle Public Utilities and Seattle City Light.

However, the Supportive Housing Program for the Elderly offers a significant public benefit to this project that include an interest free capital advance in the amount of \$3,029,470 and 20 units supported by a Project Rental Assistance Contract (PRAC).

There were no other comments from members of the public and the hearing was closed at 1:22 p.m.

**Action Item:
Resolution No. 20-
77, Rockwood
Retirement
Communities, OID
20-75A**

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division (MHFC), said this was a resolution approving the issuance of one or more series of tax-exempt revenue bonds to finance the second phase of the replacement and expansion of an existing nonprofit continuing care retirement community, including the demolition of a portion of an existing facility and the construction and equipping of a 117-unit independent living facility with resident amenities, administrative facilities and an underground parking garage, all located at 101 E. Hawthorne Road, Spokane, WA 99218, and the renovation and improvement of independent living homes, apartments and common areas at an existing continuing care retirement community located at 2903 E 25th Avenue, Spokane, WA 99223, each 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 \$90,000,000. The public hearing was held July 23, 2020.

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

Action Item:
Resolution No. 20-41, The Bush School, OID # 20-31A

This item was pulled from the agenda.

Action Item:
Resolution No. 20-76, Eclipse Fremont, OID # 20-30A

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance the acquisition, construction and equipping of a 153-unit multifamily housing facility located at 309 N. 39th Street, Seattle, WA 98103, to be owned by Eclipse Fremont LLLP, a Washington limited liability limited partnership. Proceeds of the notes may also be used to pay a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$34,000,000. The public hearing was held July 23, 2020. Ms. Vatske reminded Commissioners this was the pilot project that used only recycled bond cap and received a fee waiver.

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

Action Item:
Resolution No. 20-72, South Wilbur Manor Apartments, OID # 19-135A

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance the acquisition and rehabilitation of a 38-unit multifamily housing facility located at 135 Wilbur Avenue South, Walla Walla, WA 99362, to be owned by Wilbur Manor Apartments LLC, a Washington limited liability company. Proceeds of the notes may also be used to pay a portion of the costs of issuing the notes. The total estimated note amount is not expected to exceed \$7,000,000. The public hearing was held June 25, 2020.

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

Action Item:
agreement with Microsoft to administer existing LAP activities.

Ms. Vatske stated that due to the Commission's successful Land Acquisition Program (LAP), Microsoft approached the Commission to assist them with developing a similar program. The discussion led to the Commission administering a program for land acquisition focused on the east side, using Microsoft funds.

The program is modeled after the current Commission's LAP program. However, there are no restrictions on eligible developers; both for-profit and nonprofit entities are eligible for funding.

Expected terms are:

- Interest rate is at 5%, but can be reduced up to 3% for achieving changes in the local ordinances or regulations of the jurisdiction of the development in a way that will meaningfully and positively impact future affordable housing projects by reducing costs or easing the development process. Some examples are provided in the program guidelines. A credit committee made up of Commission and Microsoft staff will evaluate and determine if a reduction in interest rate is warranted.
- The loan term would be 3 years with a 2-year extension available (LAP term is up to 8 years).
- Geographic focus is on Redmond, Bellevue, Kirkland, Issaquah, Renton and Sammamish (LAP is statewide).
- Income limits: Up to 120% AMI

Staff is recommending the Commission approve the delegation of authority for the Executive Director to negotiate final terms and enter into an agreement with Microsoft to administer their funding of an expansion to the existing Land Acquisition Program. This is another great opportunity to expand the resources available to help create affordable housing in east King County.

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

Action Item: Ratify the appointment of designees by the State Treasurer and Director of the Department of Commerce

Mr. Krueger moved that the Commission ratify the appointment of Jason Richter as the designee of Duane Davidson, the State Treasurer, and Erhiza Rivera, as a backup designee in the event Jason Richter is unable to participate in a Commission meeting, and ratifying the participation of prior designees by the State Treasurer.

Ms. Klontz seconded the motion. The motion was unanimously approved with one abstention from Jason Richter.

Mr. Richter moved that the appointment of Diane Klontz as the designee of Lisa Brown, the Director of the Department of Commerce; and ratifying the participation of prior designees by the Director of the Department of Commerce.

Mr. Kreuger seconded the motion. The motion was unanimously approved with one abstention from Diane Klontz.

Informational Report on Department of Commerce Activities

Ms. Klontz from the Department of Commerce (“Commerce”) gave a report as follows:

Housing Finance Unit

Updates to Funding Rounds

Funds are available from the 2020 Supplemental Budget, the remaining amounts from the 2019-21 Capital Budget, and the federal HOME and National HTF awards for 2020.

- **Modular Housing NOFA closes Sept. 2:** The NOFA was announced on June 4 for \$10 M available for new modular construction projects for homeless individuals and households. UHEE and Private Match funds can be requested along with this funding. The technical assistance period to ask questions and request waivers closed on August 3.

- **2020 Traditional HTF Round (formerly known as "Stage 2") closes Sept. 29:** The technical assistance period to ask questions and request waivers were extended and will close on August 24.
- **Affordability Preservation Awards:** Applications were due on a first-come, first-served basis starting July 1. Ten million dollars was available for projects at risk of losing affordability due to the expiration of use restrictions. This includes USDA or other rental housing not in the HTF portfolio. Seven projects were awarded the full \$10 million, plus an additional \$2.5 million that was used from the \$40 million “flexible” HTF allocation to preserve affordable housing for a total of \$12.5 million.

Homeownership Reporting

A meeting was held with stakeholders to discuss how the report template should look. A new template has been created and is now posted on the HTF Annual Reporting page. An email went out to stakeholders with additional details. Homeownership annual reports for 2019 are due by Oct. 9. The long-term plan is to work towards creating a homeownership table in WBARS so that all HTF clients will report program data in one place.

Decision Package for the 2021 Legislative Session

HTF is in the early planning stages of drafting capital and operating budget decision packages for the Legislature’s consideration in the 2021-23 biennial budgets.

Housing Assistance Unit

New Eviction Rent Assistance Program

One hundred million dollars in federal CARES Act funding for an Eviction Rent Assistance Program is currently available in some jurisdictions. Funds were awarded primarily to county governments, with some funds going directly to

Executive Director's Report

youth non-profits. The rental assistance goes directly to landlords for back and future rent, March through December 2020.

Mr. Walker stated he wanted to highlight some bright spots in the Executive Director's Report that was included the Commissioners board meeting packets this month.

Help for Pierce County homeowners: Pierce County awarded the Commission \$1.5 million in CARES Act to help struggling homeowners avoid foreclosure through housing counseling and mortgage assistance payments. Bill Conner and Rich Zwicker will be working with HomeSight, the Urban League, American Financial Services, Parkview Services and the Washington Homeownership Resource Center to get the funds where they are needed.

Bringing youth services to a small community: Many of you may not know much about our Capital Plus program, a long standing partnership with the Washington Community Reinvestment Association that makes capital available for projects that are otherwise “unbankable” or too small to be bond-financed or get other public subsidies. Youth Emergency Services of Pend Oreille is using this program to purchase a house in Newport, Washington (look it up, top right corner of the state) to provide services to homeless and at-risk youth. Well done, Claire, for bringing this project together!

Solar power partnership: Thanks to Eli, we have an exciting new partnership with Seattle City Light to bring solar power to affordable housing projects and nonprofit facilities. For nonprofits interested in adding solar, two barriers are the lack of upfront capital to fund construction and the inability to cover loan payments entirely with electricity savings. This partnership addresses both problems: The SET will provide a loan to cover construction costs, and once the solar energy is being generated, City Light will buy down a substantial portion of the loan’s principal through their Green-Up-Grant. Thus, the solar systems will not only generate clean energy, but also revenue for their sponsors from day one! Vanessa is working with Eli and City Light to promote the program and invite organizations to participate.

A win in court: After more than five years, the Commission has won an important appeal. We argued successfully that the National Homebuyers Fund (NHF) has no authority to operate as a government entity in Washington State. It must identify itself as a non-profit and its loans do not qualify for federal insurance. Although NHF home-loan ‘grants’ appear to be free to the homebuyer, they are in fact enabled by higher interest rates and high upfront fees, so we believe this is a victory for consumer protection. Paul Lawrence and Taki Flevaris at Pacifica defended our interests well throughout this long process.

New online training in AMC: Kudos to Erik and Chrystal for their success in rolling out the first online version of our Tax Credit Compliance Fundamentals training. Transforming this workshop, breaking it down into smaller pieces and presenting it over four days took a lot of effort. Next, AMC will work on converting the presentation to a replicable model that can train other stakeholders while in-person workshops are suspended.

Commissioners' Reports

Ms. Topper stated that the Audit Committee met today. She stated they discussed the charter, swap policy, and two major upcoming changes to Governmental Accounting Commissioners' Reports Standards Board (GASB) standards: (1) Conduit Debt Obligations and (2) Subscription-Based Information Technology Arrangements.

Financial statements presented to the Commission will be getting a makeover and both formats will be in the Commissioners packets for a few months to get feedback. She also mentioned that the State Audit will be wrapping up soon.

Consent Agenda

The consent agenda was approved as mailed.

Executive Session

At 2:13 p.m., Mr. Rumpf called an executive session as permitted by RCW 42.30.110 to review the performance of the Executive Director.

Adjournment

The Commission reconvened at 2:59 p.m. There was no action. The meeting was adjourned at 2:59 p.m.

Signature
