

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

April 25, 2019

The April 25, 2019 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Diane Klontz, Lowel Krueger, Jason Richter, Randy Robinson, Ken Larsen and Alishia Topper.

Rich Zwicker & Leah Haberman, the Outreach & Communications Manager, for the Housing Development Consortium (HDC), requested that the Commission sign and adopt the WSHFC Proclamation for the “Affordable Housing Week of May 13-17, 2019.”

Melissa Donahue, Rich Zwicker & Tracy McNeil, Intellectyx made a presentation on the WBARS upgrade and the Affordable Housing Data Portal.

Diane Klontz gave her Informational Report on Department of Commerce activities.

Kim Herman gave his Executive Director’s Report.

The work session was adjourned at 12:20 p.m.

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

April 25, 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 Diane Klontz, Lowel Krueger, Jason Richter, Randy Robinson, Ken Larsen and Alishia Topper.

**Approval of the
Minutes**

The minutes of the March 28, 2019 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.

Five Years

Martina Norman-Maleski

Fifteen Years

Cindy Felker

Special Recognition

2018 Combined Fund Drive Team: Kate Held, Rachel Hamlet, Shawna Higgins, Carla Vanderpool, Rona Monillas, Yvonne Williams, and Cindy Felker

Employee of the First Quarter

“The Employee of the 1st Quarter is known for being wonderful in every way and serves as a strong role model within her division.

On a daily basis she shows up prepared and ready to go with everything she touches.

She remains thoughtful in her approach to make sure she treats everyone fairly and considers all options before making delicate decisions.

She employs a strong work ethic and no matter what task is sent her way, she completes it with a smile and a willingness to give it her all.

She also takes on a strong leadership role within the Homeownership division. She keeps all the program manuals and program matrices meticulously up to date from two master loan servicers and sends out regular program announcements to our lenders.

When she was hired by the Commission she eagerly stepped into her role and quickly learned all aspects of 11 downpayment assistance programs, the Home Advantage, House Key and MCC programs which is no easy accomplishment.

She takes the lead on statewide trainings for our Commission Home Loan Programs and Homebuyer Education Instructor Trainings and continues to break the record for the sheer number of trainings conducted.

She diligently visits our lenders IN PERSON to see how she can better assist them and how to make our programs better. She is always available to help a lender, realtor, or borrower who needs assistance. This is how a great manager operates and helps a program become more successful!

Our Employee of the 1st Quarter is Corinna Obar.”

**Public Hearing:
The Little School
Campus, OID # 19-
51**

The Chair opened a public hearing on OID # 19-51A, The Little School Campus at 1:07 p.m.

Bob Peterson, Manager of Multifamily Housing and Community Facilities

Division, said this is a proposed issuance of one or more series of tax-exempt revenue bonds to refinance pre-development costs, finance the rehabilitation of an existing nonprofit facility and construct a new multipurpose building located at 2812 116th Avenue NE, Bellevue, WA 98004, for the benefit of The Little School, a Washington 501(c)(3) nonprofit corporation. 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 \$16,050,000. Mr. Peterson introduced Debbie Sharlock, Director of Finance and Peter Berner-Hays, Head of School.

Mr. Berner-Hays stated that that Little School is a 12.5 acres campus in Bridle Trails in Bellevue. This is their 60th year as a school. They educate children who are ages three to eleven. The school would like to expand the school from the current 60 students to about 200 students.

Ms. Sharlock stated that one third of the students are international students from around the world and most of their families are here related to software employment.

In response to a question from Mr. Moss, Ms. Sharlock stated that 19% of the student population receives financial aid and the average aid award is \$12,100. Full time tuition is \$25,000 a year.

There were no other comments from members of the public and the hearing was closed at 1:14 p.m.

**Public Hearing:
Low Income
Housing Tax
Credits from the
2019**

The Chair opened a public hearing on the recommended allocation of Low Income Housing Tax Credits at 1:14 p.m.

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

CPC Shoreline

Mr. Peterson introduced Kris Breton, CFO of Community Psychiatric Clinic and Jeremy Oslund, Housing and Community Development at Catholic Housing

Services. Ms. Breton stated that CPC Shoreline will provide permanent supportive housing to 100 formerly homeless residents, with at least 40 of the units serving people experiencing chronic mental illness and at least 20 serving veterans. The project will also serve formerly homeless senior veterans. The residential portion of the project will be on the second through fifth floors. The first floor will house Community Psychiatric Clinic's behavioral health services and a community medical health clinic. The project will be built with modular construction techniques as a pilot for modular affordable housing in King County.

In response to a question for Ms. Miller, Ms. Breton stated that they are not currently serving Snohomish County residents but would like to in the near future.

In response to a question from Mr. Richter, Ms. Breton stated that the location of the project was offered by the City of Shoreline, and is a great location but it has a steep slope that has required significant site work for the building.

The Elwood

Mr. Peterson introduced Andy Silver, CEO of Housing Initiative. Mr. Silver stated that the Elwood project brings 46 one-bedroom unit apartments to Vancouver, WA. This project is supportive housing for people exiting homelessness with complex behavioral and or physical health conditions. These garden style apartments will have a community space, a garden built in the project and will have rental assistance attached to it.

Tenny Creek Assisted Living

Mr. Peterson introduced Victor Caesar, Development Specialist at Vancouver Housing Authority (VHA). Mr. Caesar stated that Tenny Creek Assisted Living is a three-story, 40 unit housing development for individuals with complex behavioral health, physical health, and substance abuse challenges that hinder their ability to live independently. He stated this project is a unique model that exists in Oregon but not in Washington. The project will provide dining services, laundry services, and nurses' stations, medication storage as well as supportive

services. The VHA believes in the need for this project and is putting up its own money to help finance this project.

In response to a question from Mr. Moss, Mr. Silver stated that their revenue stream would come from Medicaid, project-based vouchers and the 16-unit cap with Safe Harbor, who they are in talks with to increase due to the scale of services provided.

Hope House

Mr. Peterson in introduced Fawn Scott, President of Volunteers of America and Brian Jennings, Development Director of Spokane Housing Authority. Ms. Scott stated that Volunteers of America's mission is to use housing as an intervention solution in our communities. Hope House will be located on the west side of downtown Spokane. This location provides easy access to transportation and to public and private social services. Fifty percent of the units are set aside to serve formerly homeless persons. Volunteers of America will provide 24 hour on-site support services.

The building will also serve as a pilot project for the state by incorporating cross-laminated timber into the building materials.

In response to a question from Mr. Moss, Ms. Scott stated that the average length of stay is on average 3 to 5 years and about 2 people move out of the program a month.

There were no other comments from members of the public and the hearing was closed at 1:45 p.m.

Public Hearing: Request an additional amount, not to exceed 5% of the 2018 initial Credit allocation

The Chair opened a public hearing at 1:45 p.m. on a request for an additional amount of not to exceed 5% of the 2018 initial tax credit allocation, for existing projects facing cost increases.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities

Division, said the 2018 allocation year was a bit of an anomaly with the lack of a state budget being passed. Although we held our regular round in January of 2018, since there were still so many projects awaiting a state HTF award, staff recommended, and the Board agreed, to forward commit part of the 2019 allocation in June. All of the Non-Metro pool (5 Projects) and part of the Metro pool (3 projects, one withdrew) were approved and allocated credit. Subsequently, wage rates changed in August and many of those projects were directly impacted.

Several sponsors approached staff in early 2019 expressing the need for additional credit to help fill the gaps caused by these additional cost increases. Given this was an unforeseen and unanticipated change that directly impacted this specific set of projects, staff is requesting that the Commission provide a fixed amount of additional credit, no more than a 5% increase, for 6 projects.

This additional amount of credit, in total \$371,547 will be coming from our 2020 allocation and is consistent with our current policies. Our current policy allows a forward commitment of up to 20% of a years' credit. Our current amount of forward commitment is 9.8% and the additional request would put us at 11.6%.

Final numbers and gaps will still need to be determined and filled and all of the affected projects are working diligently towards value engineering, reconfiguring and adjusting to fill the current gaps.

Staff is recommending moving forward with an up to 5% increase for the listed projects, to allow them some support in filling these gaps and the ability to keep moving forward, as time is of the essence to get financing closed and start building in this upcoming season.

- 1800 Hillside Terrace
- Compass Health Broadway PSH
- Arlington Youth Campus LLLP
- Spurling Court Apartments

- Alder Terrace Affordable Housing LLLP
- YWCA Pierce County Affordable Family Housing

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

**Action Item:
Resolution No. 19-56, a Resolution for the 2019 Allocation of Credit for the Housing Tax Credit Program**

Ms. Vatske said this was a resolution authorizing the Executive Director to make reservations and/or allocations of 2019 Housing Tax Credits to the following projects:

- Tenny Creek Assisted Living Vancouver Clark \$757,840
- The Elwood Vancouver Clark \$885,879
- Hope House Spokane Spokane \$1,433,800
- CPC Shoreline Shoreline King \$2,056,634

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

**Action Item:
Resolution No. 19-58, a Resolution for an additional allocation of Credit for existing projects facing cost increases**

Ms. Vatske this is a resolution for an additional amount, not to exceed 5%, of the initial allocation of 2019 Credit for existing projects facing cost increases.

| Project Name | City | Credit Pool | Original Credit | Additional Ask | % |
|--|------------|-------------|-----------------|----------------|-------|
| 1800 Hillside Terrace | Tacoma | Metro | \$1,303,504 | \$37,744 | 2.90% |
| Arlington Youth Campus LLLP | Tacoma | Metro | \$1,396,524 | \$69,826 | 5.00% |
| Compass Health Broadway PSH | Everett | Metro | \$1,794,547 | \$89,727 | 5.00% |
| YWCA Pierce County Affordable Family Housing | Tacoma | Metro | \$1,246,715 | \$62,336 | 5.00% |
| Alder Terrace Affordable Housing LLLP | Ellensburg | Non Metro | \$1,208,060 | \$60,403 | 5.00% |
| Spurling Court Apartments | Ellensburg | Non Metro | \$1,030,221 | \$51,511 | 5.00% |

Mr. Krueger moved to approve an additional amount, not to exceed 5% of the initial 2019 Credit allocation, for existing projects facing cost increases. Mr. Moss seconded the motion. The resolution was unanimously approved.

**Action Item:
Approval of PRI
Request regarding
the Change in
Existing Programs**

Lisa DeBrock, Director of Homeownership, asked for approval of a revision to previous PRI requests for some downpayment assistance programs (DPA). The Commissions DPA programs all have a range of interest rates from 0% to 4%. She asked the Commission for permission to allow staff to adjust the interest rate on these downpayment assistance programs as necessary to ensure compliance with Fannie Mae community second guidelines. Recent communication from Fannie Mae have brought to staff's attention that when first mortgages coupled with deferred payment downpayment assistance loans have an interest rate that is too low compared to the second, it may not meet Fannie requirements.

Given the current low-rate environment, staff would like to be able to adjust interest rates to ensure continued compliance with these guidelines. Otherwise we would have to stop making loans going forward under these programs. After approval, staff plans to lower the interest rate on the 4% programs to 3%. Staff does not believe it would need to adjust rates lower than this. However, they need flexibility in the approval if rates do not meet Fannie Mae's threshold. If interest rates return to higher levels, staff intends to review the use of these funds to ensure the interest rates are set optimally for forwarding the goals of these programs.

This will not change the DPA interest rates on Ginnie Mae or Freddie Mac DPA loans.

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

**Action Item:
Interest Rate Swap
Policy**

Bob Cook, Senior Director of Finance, stated that for the first time since the Great Recession, last fall the Commission entered into an Interest Rate Payment Agreement ("Swap") in conjunction with its Single-Family 2018 Series 1 bonds. Now that we have again entered into a Swap under this policy, staff have

a few proposed updates for consideration that are shown in the attached document with marked changes. Faith Pettis and Stacey Lewis of Pacifica Law Group have reviewed the draft and provided feedback.

Staff has incorporated feedback and has summarized the changes as follows:

Non-Substantive Changes

Throughout the Policy, there are several minor editorial edits. 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 and frequency of changes.

More Significant Changes, highlighted by section

Section VI. Qualified Swap Counterparties

There are now only two swap providers rated in the double-A category. We can accept an agreement with a single-A rated entity, however they must post 102% collateral. That requirement may diminish interest in bidding on or providing a swap and result in a lower bid. Because of this, it might be more advantageous for the Commission to consider a greater concentration of Swaps with a specific, higher-rated counterparty. The proposed change will allow us the flexibility to do so.

“The Commission will diversify its material exposure to counterparties to the extent practicable”.

Section XII - Other Criteria and Considerations

We propose changing the required number of bids from three to two. RCW 39.96, the Swap Act, requires two, but we opted for a higher standard when we adopted this Policy. When bidding our most recent swap last fall, we were concerned that we might only get two bids, but we ultimately received three. As previously mentioned above, there are currently only two counterparties with a rating in the double-A category.

“The Commission shall use a competitive process to select a Swap counterparty and price a Swap. Any such process shall, at a minimum, solicit and give due consideration to proposals from at least two entities that meet the criteria set forth in RCW 39.96.040(2), this Policy and tax regulations, if any, governing Swap pricing.”

Section XIII. Ongoing Monitoring and Reporting Requirements

This section contains a list of several items that we need to monitor. Many of them are done as a part of Bond Portfolio Analyst’s ongoing work. We have added an opening sentence stating that and also affirmed that anything not otherwise updated will be maintained periodically, no less than annually.

Section XIV. Procedures

The annual Single-family bond resolution contains the Commission’s findings and determinations necessary under the Swap Policy and the Swap Act for it to delegate to the Executive Director the authority to approve the terms of a Swap and to execute Swap documentation. The current Policy requires that we make a presentation about how the expected terms of a Swap meets our Policy before we can proceed, although no further Commission action is needed for the Executive Director to enter into a Swap.

Last fall we had to delay the 2018-1 Single-family bond pricing for a few weeks while we waited to make such a presentation to the Commission. Because of the delay, our unhedged mortgage pipeline in bond program grew well beyond what we usually allow. The Fed raised interest rates during that period, but fortunately the market had already priced in that increase and bond rates did not move against us too much.

Because of such timing issues we recommend changing the required report to the Commission to be provided “*at its meeting prior to or immediately after the Swap execution. When the Commission presentation is to occur after the Swap execution,*

the Audit Committee will be notified in writing at least 48 hours prior to the execution of the Swap.” Our goal would be to make the presentation beforehand, but if a meeting were cancelled or delayed, if there wasn’t a quorum, or if the market was quickly moving away from us, we would be able to act.

Mr. Moss moved to approve the request. Mr. Krueger seconded the motion.

Mr. Richter stated he would like to change the language in section VI to remove the words “*to the extent practicable.*” He also raised an issue with the timing of notice and who would be notified in section XIV.

Mr. Moss withdrew his motion. Mr. Krueger withdrew his second. The request was not approved

Mr. Cook said he would take this feedback to the Audit Committee for further discussion.

Consent Agenda

The consent agenda was approved as mailed.

Executive Session

At 2:13 p.m., Mr. Herman called an Executive Session to discuss personnel issues and the public was excused.

Adjournment

The Commission reconvened at 2:32 p.m. There was no action. The meeting was adjourned at 2:32 p.m.

Signature
