

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

November 14, 2019

The November 14, 2019 work session was called to order at 11:00 a.m. by Karen Miller. In attendance were Commissioners Beth Baum, Jason Richter, Ken Larsen, Alishia Topper, Lowel Krueger and Wendy Lawrence.

Lisa DeBrock and Lakeview Loan Servicing gave an update on the Single-Family loan portfolio.

Val Pate gave a presentation on Commission Preservation and Asset Management efforts.

Shawna Higgins gave an informational presentation on the 2019 Combined Fund Drive.

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 12:00 p.m.

WASHINGTON STATE HOUSING FINANCE COMMISSION MINUTES

November 14, 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, Ken Larsen, Alishia Topper, Jason Richter, Lowel Krueger and Wendy Lawrence.

Approval of the Minutes

The minutes of the October 27, 2019 special meeting were approved as mailed.

Executive Session

At 1:01 p.m., Chair Miller called an Executive Session to discuss personnel issues and the public was excused. The Commission reconvened at 1:39 p.m.

Public Hearing: 2020-2021 Housing Finance Plan

Rich Zwicker, Senior Policy Advisor, stated that the RCW 43.180.070 statute requires that the Commission adopt a Housing Finance Plan that contains nine specific objectives.

These policy objectives include:

- (1) The use of funds for single-family and multifamily housing;
- (2) The use of funds for new construction, rehabilitation, including refinancing of existing debt, and home purchases;
- (3) The housing needs of low-income and moderate-income persons and families, and of elderly or mentally or physically handicapped persons;
- (4) The use of funds in coordination with federal, state, and local housing programs for low-income persons;
- (5) The use of funds in urban, rural, suburban, and special areas of the state;
- (6) The use of financing assistance to stabilize and upgrade declining urban neighborhoods;

- (7) The use of financing assistance for economically depressed areas, areas of minority concentration, reservations, and in mortgage-deficient areas;
- (8) The geographical distribution of bond proceeds so that the benefits of the housing programs provided under this chapter will be available to address demand on a fair basis throughout the state;
- (9) The use of financing assistance for implementation of cost-effective energy efficiency measures in dwellings.

The draft 2020-2021 Housing Finance Plan includes;

- Introduction;
- Overview of the Housing Finance Commission;
- Potential Resources Available to the Commission;
- Proposed Uses of Available Resources; and
- Appendices.

The Plan has been reviewed and edited by all Division Directors and was distributed to all WSHFC Staff for comment and input. The Plan was posted on the Commission's website and all 39 Clerks of the County governing bodies have been notified of this public hearing;

The Notice of Public Hearing was published in the Washington State Register, final portions will be added, any comments will be integrated into the proposed plan and the Plan will be presented to the Commission at the December 12, 2019 meeting.

Commissioner Richter mentioned he thought the layout of the Plan was outdated, difficult to read and could use an update.

In response to a question about the purpose for the Plan, Faith Pettis, the Commission's General Counsel, stated that the Plan is an educational piece and one of the single most comprehensive written descriptions of the Commission.

**Public Hearing:
Imagine Children's
Museum, OID # 19-
108A**

The Chair opened a public hearing on OID # 19-108A, Imagine Children's Museum, at 1:47 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 finance a portion of the costs for the construction and equipping of an addition to an existing facility located at 1502 Wall Street, Everett, WA 98201 to be owned by Imagine Children's Museum, 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 \$14,000,000. Mr. Peterson introduced Nancy Johnson, Executive Director of Imagine Children's Museum.

Ms. Johnson stated she has been the Executive Director for 21 years and in 2004 Imagine Children's Museum got a permanent facility in Everett. Last year the museum served 257,000 people making the space tight and harder to learn. The expansion of the facility will include four stories of learning and exhibits that include an ecosystem exhibit, an international trading port, and an engineering gallery.

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

**Public Hearing:
Mirabeau
Commons LLC,
OID # 18-113A**

The Chair opened a public hearing on OID # 18-113A, Mirabeau Commons at 1:52 p.m.

Mr. Peterson stated that this is a proposed issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs for the acquisition of land and the construction and equipping of a 120-unit multifamily housing facility located at 2906 North Cherry Lane, Spokane Valley, WA 99216, to be owned by Mirabeau Commons 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 \$18,000,000. Mr.

Peterson introduced Todd and Mary Ann Prescott, Principals at White Water Creek Inc.

Ms. Prescott stated that this project will be next to a transit center, in a bonus density area, next to a large park, a farmer's market and lots of employment opportunities. The complex will have standard amenities such as a community garden, fitness center, business learning center, media room, and playground. Twenty percent of the units will be set aside for large households and persons with disabilities.

There were no other comments from members of the public and the hearing was closed at 1:58 p.m.

**Public Hearing:
The Confluence,
OID # 19-75A**

The Chair opened a public hearing on OID # 19-75A, The Confluence at 1:58 p.m.

Mr. Peterson stated that 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 103-unit multifamily housing facility located at 3481 S. 152nd Street, 3601 S. 152nd Street and 3703-3707 S. 152nd Street, Tukwila, WA 98188, to be owned by Bellwether Tukwila 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, a portion of which may be taxable. Mr. Peterson introduced Kasey Liedke, Housing Director at Bellwether.

Mr. Liedke stated that this project will be the first project outside of Seattle for Bellwether. The project targets households earning between 50% and 60% of King County's Area Median Income (AMI). Ten percent of the units will be set aside for large households.

He also mentioned that about \$7 million of the permanent sources were from King County's Transit-Oriented Development (TOD) Loan and the Veterans, Seniors and Human Services Levy (VSHSL).

There were no other comments from members of the public and the hearing was closed at 2:03 p.m.

**Public Hearing:
The Orchard, OID
19-45A**

The Chair opened a public hearing on OID # 19-45A, The Orchard, at 2:03 p.m.

Mr. Peterson stated that 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 of land and the construction and equipping of a 48-unit multifamily housing facility located at the SE corner of Road 24 SW and Patchee Drive, Mattawa, WA 99349, to be owned by TH Patchee LP, a Washington 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 \$6,500,000. Mr. Peterson introduced Taylor Hunt, Vaughn Bay Construction.

Mr. Hunt stated that income targeting at the project will be split with 70% of the units restricted to 50% AMI and 30% of units at 60% AMI. Twenty percent of the units will be set aside for large households, another twenty percent for peoples with disabilities and 75% set-aside for farmer workers.

There were no other comments from members of the public and the hearing was closed at 2:07 p.m.

**Action Item:
Resolution No. 19-
116, Columbia
Park, OID # 19-
79A**

Lisa Vatske, Director of the 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 a portion of the costs for the acquisition and rehabilitation of a 139-unit multifamily housing facility located at 1682 Jadwin Avenue, Richland, WA 99354, to be owned by LIH Columbia Park, LP, a Washington 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 \$20,000,000. The public hearing was held October 24, 2019.

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

**Action Item:
Resolution No. 19-
111, Opportunity
Place Apartments,
OID # 19-67A**

Ms. Vatske said this is a resolution approving the 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. The public hearing was held September 26, 2019.

Mr. Krueger moved to approve the resolution. Ms. Lawrence seconded the motion. Mr. Larsen abstained from the vote due to a conflict of interest with his employer. The request was unanimously approved with one abstention.

**Action Item:
Resolution No. 19-
117, Ravenswood
Apartments, OID #
18-130A**

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 multifamily housing facility, expected to include 295 units, located at 16011 Admiralty Way, Lynnwood, WA 98087, to be owned by Ravenswood 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 \$88,725,000 (a portion of which may be taxable). The public hearing was held October 24, 2019.

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

**Action Item:
Resolution No. 19-
118, Vantage II,
OID # 18-129A**

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 of land and the construction and equipping of a multifamily housing facility, expected to include 176 units, located at 12731 Mukilteo Speedway, Lynnwood, WA 98087, to be owned by Speedway II, LLC, a Washington limited liability company. 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 \$50,085,000, a portion of which may be taxable. The public hearing was held October 24, 2019.

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

**Action Item:
JLARC report**

Ms. Vatske stated in January 2019, the Washington State Legislature's Joint Legislative Audit and Review Committee (JLARC) finalized its report, Analyzing Development Costs for Low-Income Housing, which studied the costs of developing low-income housing using the Low-Income Housing Tax Credit (LIHTC), managed by the Washington State Housing Finance Commission, and the state's Housing Trust Fund, managed by the Department of Commerce.

JLARC made three recommendations. One of these was that the Housing Finance Commission identify and evaluate options for increasing the involvement of for-profit developers in the 9% Low Income Housing Tax Credit program and report the findings to the Legislature.

The Commission examined all housing projects allocated tax credits in the state between 2013 and 2019, a total of 28,914 units of housing. Staff also conducted a survey of 77 developers, both for-profit and non-profit, who currently use the program or have in the past. As detailed in the report, staff studied developer relationships, the point-scoring system of the LIHTC competition, relationships and leverage between public funders (particularly the state Housing Trust Fund), and the program's outcomes.

Based on this evaluation, the Commission staff found that:

1. For-profit developers continue to be important partners in the Low-Income Housing Tax Credit (LIHTC) program, producing thousands of affordable apartments each year using the shallower subsidy, the 4% LIHTC program. Because of the nature of the housing for-profit developers choose to build—and it is important to note that, by definition, they have the freedom to build only housing that will yield a profit—they are able to take advantage of many cost-saving factors identified by JLARC. These include larger size, less expensive locations, and higher-income residents whose rents can support long-term loans and operations. This production of “workforce housing” is of unquestionable value to Washington state.
2. Policy priorities that favor housing for the lowest income and most vulnerable—not developer type—drive the higher costs of production in the deeper-subsidy part of the LIHTC program. Highly competitive because of its deeper subsidy, the 9% program is critical to developing homes for the people of the state with the highest needs. This in turn drives the type of housing built, which tends to be of smaller size, in central metro locations, and for the lowest-income residents whose rents contribute far less to ongoing operations—factors associated with higher costs, per the JLARC report.
3. This focus on residents with the highest needs is the primary reason that for-profit developers choose not to compete for the 9% tax credit, though many partner with nonprofits, as our evaluation shows. It is difficult to make this type of housing profitable, which better explains the absence of for-profit developers than the point system or other factors in the competition. By contrast, it is the mission of many nonprofits and housing authorities to serve those who are homeless and low-income.
4. It is important that the 9% program continues to be prioritized for the lowest income and most vulnerable. This priority is enacted in the federal requirements (Section 42) that govern the LIHTC program, which

require each state to ensure that the LIHTC “serve the lowest-income tenants for the longest period of time.” Furthermore, the 9% housing credit is the largest public source of funding for housing for those with the lowest incomes, and a key factor in making these developments financially feasible. It is therefore a critical source of leverage for other public investments—including the state Housing Trust Fund, local housing levies, and federal programs—that alone would be far less cost effective. To de-prioritize the use of this program for the highest needs would be to deliberately set aside our state’s most useful tool in building homes for the homeless and other vulnerable populations.

5. Cost efficiency and good stewardship of housing dollars is of equal importance. Staff remain committed to learning from cost studies such as JLARC and from for-profit partners as the Commission strives to make the most of our financial housing resources. During the past year, the Commission has made several changes to the LIHTC competitive allocation rounds, increasing the emphasis on cost efficiency by increasing the points that projects can earn in this category. We are also considering other changes to our point system that may remove barriers to for-profit participation in the 9% program, as long as we can do so without sacrificing the focus on serving the lowest incomes and highest needs.

Ms. Vatske asked the Commission to consider and act upon the proposed JLARC report.

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

**Action Item:
Revised 2020
Commission
Meeting Calendar**

Mr. Herman stated that the November 2020’s approved Commission meeting date was the day after Veterans Day, so staff requested to change the November 2020 Commission meeting date from November 12th to November 19th, 2020.

The request to approve the 2020 Commission meeting calendar was unanimously approved.

Commissioners' Reports

Commissioner Lawrence presented a hand-woven basket from a Makah weaver to Kim Herman as a personal gift from the Commissioners to mark his retirement.

Ms. Baum gave the Audit Committee report and talked about the recent audit report. She highlighted that there were no difficulties and discrepancies during audit. She added that a copy of the audit report and financial statement will be provided in the next meeting packet.

Ms. Baum thanked all the staff for their hard work and the success of the audit.

Consent Agenda

The consent agenda was approved as mailed.

Adjournment

The meeting was adjourned at 2:23 p.m.

Signature
