

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

July 22, 2021

The July 22, 2021 work session was called to order at 11:00 a.m. by Bill Rumpf via Zoom and conference call. In attendance were Commissioners Nicole Bascomb, Diane Klontz, Mike Pellicciotti, Albert Tripp, Lowel Krueger, Ken Larsen, Pedro Espinoza, and Alishia Topper.

Lisa Vatske gave an overview of the 4% /Bond Tax Credit Program policy changes for the 2022 allocation round including the modifications, stakeholder meetings, the racial/social justice point criteria and more.

Margret Graham continued her conversation from a prior work session regarding the Commission's communications strategy and plan to update its mission, vision and value statements.

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

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

July 22, 2021

The Commission meeting was called to order by Chair Bill Rumpf at 1:00 p.m. via Zoom and conference call. Those Commissioners present were Nicole Bascomb, Diane Klontz, Mike Pellicciotti, Albert Tripp, Lowel Krueger, Ken Larsen, Pedro Espinoza, and Alishia Topper.

Approval of the Minutes

The minutes of the June 24, 2021 special meeting were approved as mailed.

Introduce New Commissioner

Executive Director, Steve Walker introduced the newest Commissioner, Nicole Bascomb, a Seattle real-estate broker and U.S. Bank lender. Ms. Bascomb has over 20 years of experience in the banking, real estate, and non-profit industries. She launched her business, Bascomb Real Estate Group, in 2017 and became a vice president at U.S. Bank Seattle in 2019. She is also president of the Seattle chapter of the National Association of Real Estate Brokers (NAREB).

Employee Recognition

Mr. Walker announced the following years of service and employee recognition awards:

Two Years

Sarah Lyon
Vanessa Thomas
Randy Mentele

Five Years

Erik Giesen
Chase Johnson
Makena Ogata

Shukri Rodol

Kate Held

Fifteen Years

Bob Peterson

Twenty Years

Bob Cook

Employee of the Second Quarter

“This person is one of our division’s Senior members who is widely respected and is a “go to” person to consult with when you may need the voice of reason in a particular situation and because of his extensive knowledge he is able to pause to contemplate a thoughtful response.

He has many duties within the division and always seems to manage them in a calm manner even under extreme pressure.

He is the go-to guy and has a strong following of loan officers who depend on him for answers to their questions because of his extensive knowledge of Commission programs and receives high praise from all who interact with him.

He is known as our division “Wordsmith” and helps review our program announcements to convey our message in a clear and understandable manner. He truly has a gift of making the complicated sound easy.

His many responsibilities include working on monthly Commission reports, numerous quarterly reports, IRS reporting, random reports upon request, purchases and extensions, covers our “Here to Home” folder, is part of the Rate Setting team, and file review. It is always a beautiful day in the neighborhood for this employee who could earn an Emmy for his recent starring role as Mr. Rogers!

He has also served as part of the Employee Recognition committee for several years and now it is time to recognize Christian Hayes as employee of the Quarter.”

**Public Hearing:
eliseo, OID # 21-
74A**

The Chair opened a public hearing on OID # 21-74A for eliseo, at 1:08 p.m.

Claire Petersky, Manager of Multifamily Housing and Community Facilities, said this public hearing was for the proposed issuance of one or more series of tax-exempt bonds to finance the construction of an expansion and to refinance existing debt of a nonprofit senior housing facility, located at 1301 N. Highlands Parkway, 1303 N. Highlands Parkway, 1305 N. Highlands Parkway and 1707 N. Vassault Street, Tacoma, WA 98406 owned by eliseo, 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 \$100,000,000. Ms. Petersky introduced Kevin McFeeley, President & CEO of eliseo.

Mr. McFeeley stated that eliseo is a 187-bed licensed nursing facility, 93 apartment units, which include 37 licensed beds in assisted living as well as 88 independent cottage style units across the campus, are owned and managed for the benefit of tenant members of eliseo. The expansion project is anticipated to include 50 independent living apartments and 41 hybrid homes as well as a new dining venue, multi-purpose and meeting rooms and renovations to the existing dining venue and administrative offices. eliseo serves senior citizens aged 62 and up.

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

**Public Hearing:
192 Shoreline, OID
21-33A**

The Chair opened a public hearing on OID # 21-33A for 192 Shoreline, at 1:15 p.m.

Ms. Petersky stated that this is a hearing for 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, construction and equipping of a 250-unit multifamily housing facility located at 19022 Aurora Avenue N., Shoreline, WA 98133, to be owned by Shoreline TWG LLLP, a Washington limited liability limited partnership.

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 \$72,000,000. Ms. Petersky introduced Megan Adams, Development Director at TWG Development.

Ms. Adams stated that 100% of the units will be set-aside for households earning 50% of area median income (AMI). Twenty percent of the units will be set-aside for large households, and twenty percent of the units will be set-aside for persons with disabilities. The building will include energy modeling, an adult daycare facility and electric vehicle charging stations.

There were no other comments from members of the public and the hearing was closed at 1:18 p.m.

**Public Hearing:
Proposed 4% bond
program policy
changes for 2022**

At 1:19 p.m., the Chair opened a public hearing on the proposed 4% bond program policy changes for 2022.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division (MHFC) said the new proposed policies are intended to achieve five main values and outcomes. Based on these five values and outcomes, staff developed an allocation system using several methodologies. The new process sets specific targets and then uses a point system to rank and compare like projects in similar buckets. The overall targets are:

- **At least 15% but no more than 25% of the total allocation to projects meeting the preservation definition.**
- **At least 50% but no more than 60% of the total allocation to projects meeting a threshold level of public investment (Seattle – 10%, Balance of State – 5% of total project costs less the deferred developer fee).**
- **Up to 40% of the total allocation to projects located outside of King/Snohomish counties.**

The two remaining outcomes prioritize projects by using criteria and points focused on the sponsor, history in the community and community engagement (By and For the community), and cost efficiency points for being a certain

percentage below the total development cost limits. Point criteria that were most frequently taken by current competitive applications have become threshold criteria; they are required to apply for an allocation. Some additional existing point criteria have been eliminated and some have been added.

Stakeholders continue to express a wide range of opinions on the proposed changes. Clearly these changes are a significant shift from our previous process, and many comments reflect the concern around change and not a clear understanding of the new values and outcomes being set. Staff will need to continue to clarify and assess these policies to ensure they are achieving the goals we have intended.

Point Criteria: Overcoming historic and systemic barriers for developers who are Black, Indigenous, or People of Color (BIPOC), “By and for community”

There are four distinct categories of points addressing the sponsor/developer, the long-term ownership of the project, the history of the sponsor developer or partners in the community and equitable outreach and development. As this is a burgeoning issue among housing finance agencies, we have considered potential legal issues and how to address historic discrimination in the local industry and effectively serve communities as we structure these points and criteria. Staff will continue to monitor local national policies and trends in this arena. This area has received many comments and concerns and represents a significant change in the prioritization and outreach to communities being served by the housing developed. Although staff have had a short period of time to pivot, these policies have been vetted intensely through direct outreach and discussions with a more diverse and broader stakeholder group than just our traditional developers.

Point Criteria: Ownership Entity is more than 50% BIPOC owned or controlled.

Staff consider this category a powerful way of addressing the historical discrimination that has occurred in the local allocation of resources and to address who has received allocations. This category specifically addresses building wealth and providing access to resources for historically discriminated

communities of color throughout the state. The structure of the points is intentional to prioritize ownership as a high priority and acknowledge and address the differences between for-profit and non-profit entities. It also takes into consideration partnerships among organizations to incentivize traditional development sponsors and owners to mentor and build capacity among and for communities of color. Several iterations of this category have taken place based on stakeholder input.

The Commission will award points for projects in which the Ownership Entity is more than 50% BIPOC owned or controlled.

A BIPOC entity is defined as:

For Profit – more than 50% of the ownership identifies as BIPOC-

Non-Profit – at least one of these is true at the time of application

- More than 50% of the board of directors identifies as BIPOC
- Its executive director or chief executive officer identifies as BIPOC

For Sole Entity Sponsors only

If the sponsor is a for-profit and more than 50% of the ownership identifies as BIPOC, the Commission will award eight points.

If the sponsor is a nonprofit, the Commission will award points as indicated for each of the criteria:

- More than 50% of the board of directors identifies as BIPOC – five points.
- The nonprofit's executive director or chief executive officer identifies as BIPOC – three points.

For Partnerships only

- If the BIPOC entity has more than 50% ownership in the general partnership, the Commission will award eight points.
- If the BIPOC entity has 50% or less of the ownership in the general partnership, but BIPOC entity receives more than 40% of the developer fee and has significant development decision-making power, then the Commission will award four points.

Commissioner Krueger stated that he wanted express appreciation for the work and flexibility the staff has put in regarding these changes to the policy.

Commissioner Tripp stated that after hearing from the BIPOC community, these policies really align with greater investing and engagement with the BIPOC community and creating better opportunities for generational wealth building.

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

**Public Hearing:
Tax Credit
Program
Allocation,
Mattawa II, OID #
21-19**

The Chair opened a public hearing on Tax Credit Program Allocation, Mattawa II, OID # 21-19 at 1:30 p.m.

Ms. Petersky said this is a hearing on the request to increase the 9% Low Income Housing Tax Credit (LIHTC) allocation by \$38,237 from \$1,283,730 to \$1,321,967 for Mattawa II, to be owned by Mattawa Housing LLLP, a Washington limited liability limited partnership. The project is located at TBD Pat Chee Drive, Mattawa, WA 99349. The total estimated project cost is not expected to exceed \$19,196,541. Ms. Petersky introduced Holly Anderson, Housing Development Manager, Catholic Charities Housing Services of Yakima (CCHS).

Ms. Anderson stated that Mattawa is an agricultural town that has recently seen a shift from row crops to labor-intensive crops such as fruit trees and vineyards. Between 3,000 and 6,000 acres of fruit trees were planted over the span of just three years. These labor-intensive crops require year-round work resulting in high demand for farm laborers. Over 50% of employees in the local labor market work in agriculture. The need for additional housing is evident with 33% of its current housing stock experiencing crowding and overcrowding. The need for housing in Mattawa is also expressed by the nearly 300 families on the waitlist for another multifamily development operated by CCHS in the same jurisdiction.

The additional increase in requested fund is for the increased construction cost, high demand for lumber and available shipping and freight.

There were no other comments from members of the public and the hearing was closed at 1:34 p.m.

**Public Hearing:
Solera Apartments,
OID # 20-48A**

The Chair opened a public hearing on OID # 20-48A for Solera Apartments at 1:36 p.m.

Ms. Petersky stated that this is a hearing for the proposed issuance of one or more series of tax-exempt and taxable revenue notes to finance a portion of the costs for the new construction and equipping of a 275-unit multifamily housing facility located west of NE Sunset Blvd between NE 10th Street and Kirkland Avenue NE, Renton, WA 98056, to be owned by Solera Affordable, 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 \$70,000,000. Ms. Petersky introduced David Ratliff, Vice President of DevCo.

Mr. Ratcliff stated that the total development will have 650 units, 275 being affordable, 317 market rate units and 100 townhomes. The 275 affordable units will serve households earning no more than 80% of the King County area median income so that the average income at the property will be 50% of AMI. There will be 79 one-bedroom units, 86 two-bedroom units, 65 three-bedroom units and 45 four-bedroom units. Twenty percent of the units will be set-aside for large households, and twenty percent of the units will be set-aside for persons with disabilities. The building will include a health care clinic, bike storage for 142 bikes, a dedicated mailroom and electric vehicle charging stations.

There were no other comments from members of the public and the hearing was closed at 1:42 p.m.

**Action Item:
Resolution No. 21-
75, Tax Credit
Program
Allocation,
Mattawa II, OID #
21-19**

Ms. Vatske requested approval to increase the 9% Low Income Housing Tax Credit (LIHTC) allocation by \$38,237 from \$1,283,730 to \$1,321,967 for Mattawa II, to be owned by Mattawa Housing LLLP, a Washington limited liability limited partnership. The project is located at TBD Pat Chee Drive, Mattawa, WA 99349. The total estimated project cost is not expected to exceed \$19,196,541.

Mr. Kreuger moved to approve the request. Mr. Espinoza seconded the motion. The request was unanimously approved.

**Action Item: No.
21-76, National
Charter School
Revolving Loan
Fund, OID # 21-
60A**

This item was pulled from the agenda.

**Action Item:
Resolution No. 21-
65, Admiralty
Apartments, OID #
20-82A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt and taxable revenue notes to finance the acquisition and rehabilitation of a 48-unit multifamily housing facility located at 129 Taylor Street, Port Townsend, WA 98368, to be owned by Admiralty Apartments, LP, a Washington 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 \$15,000,000. The public hearing was held March 25, 2021.

Mr. Kreuger moved to approve the request. Mr. Espinoza seconded the motion. The request was unanimously approved.

**Action Item:
Resolution No. 21-
77, Ethiopian
Village, OID # 20-
70A**

This item was pulled from the agenda.

**Action Item:
Resolution No. 21-
78, Polaris at
Eastgate 4%, OID
21-41**

Ms. Vatske stated that this is a resolution approving the issuance of one or more series of tax-exempt and taxable revenue notes to finance the acquisition, construction and equipping of a 360-unit multifamily housing facility located at 13300 SE Eastgate Way and 13620 SE Eastgate Way, Bellevue, WA 98005, to

be owned by Polaris at Eastgate, 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 \$75,000,000. The public hearing was held June 24, 2021.

Mr. Kreuger moved to approve the request. Ms. Lawrence seconded the motion. The request was unanimously approved.

**Action Item:
Resolution No. 21-
67, Rose Street II,
OID # 21-43A**

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, construction and equipping of a 182-unit multifamily housing facility located at 7930 Rainier Avenue S. and 8190 Rainier Avenue S., Seattle, WA 98118, to be owned by Rose 2 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. The public hearing was held April 22, 2021.

Mr. Kreuger moved to approve the request. Mr. Espinoza seconded the motion. The request was unanimously approved.

**Action Item:
Resolution No. 21-
79, Watermark,
OID # 17-147A**

Ms. Vatske said this was a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance the construction of a 221-unit low-income multifamily housing facility located at 31655 Military Road South, Auburn, WA 98001, to be owned by Watermark 320 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 \$2,271,600. The public hearing was held June 24, 2021.

Mr. Kreuger moved to approve the request. Mr. Espinoza seconded the motion. The resolution was unanimously approved with one abstention from Ms. Lawrence due to a conflict of interest with her relationship with Opportunity Counsel and DevCo.

**Action Item:
Proposed 4% bond
program policy
changes for 2022**

Ms. Vatske requested approval of the proposed changes to the 4% competitive bond program policies for 2022.

There were questions and discussion among the Commissioners and staff regarding the requirements to obtain points when a for profit and nonprofit entity applies under the criteria, “Ownership Entity is more than 50% BIPOC owned or controlled”. An amendment was proposed and withdrawn. The Board agreed to the criteria and points as recommended by staff.

Mr. Pellicciotti moved to approve the proposed policy changes. Mr. Kreuger seconded the motion. The request was unanimously approved.

**Informational
Report on
Department of
Commerce
Activities.**

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

Housing Finance Unit (HFU)

The Housing Trust Fund has Two Open Funding Rounds:

1. Rapid Capital Housing Acquisition, which closes on August 5, and is intended to address homelessness by creating new housing units through the acquisition of recently constructed but unoccupied housing, hotels or motels, and the expansion of shelter facilities. There is \$93M available for the program.
2. The second Traditional Round closes in September. The biennial budget for competitive state funding is \$149M and includes set-asides for cottages, housing for persons with Intellectual and Developmental Disabilities.

Large Increase in Funding for Operating and Maintaining Permanent Supportive Housing (OMS):

- Contract renewals for 69 OMS projects, representing 2,617 units, are underway for a total of \$18.5M per year.
- A new notice of OMS funding (timeline TBD) will allocate up to \$29M in operating supports annually for PSH projects or PSH units within projects.

- A consultant is coming on board to assist with evaluating costs for our housing portfolio and making recommendations for long-term planning and potential OMS benchmarks. The consultant will consult with stakeholders and ensure that investment lengths and amounts are appropriately sized to support the expansion and quality of Permanent Supportive Housing.

Commerce Continues to Develop Housing Equity Work:

Commerce is forming a strategy to collectively deliver 27+ specific provisos related to equity across our programs. In the HTF, our applications included specific questions and elevated the importance of Organizational Engagement and Cultural Competency. We will start with a listening session to center BIPOC voices in forming a strategy to engage and promote racial justice in housing equity authentically.

Private Activity Bond Cap Allocation Program

The Private Activity Bond Cap Allocation Program issued a supplementary allocation certificate to the Housing Finance Commission on July 13 for \$232,345,737.25.

Growth Management Services

In July of 2021, the GMS team successfully closed out the first round of HB 1923 grants. A report will be coming in late fall detailing successes and challenges.

Much work is needed to implement new legislative work. By fall of 2021, the GMS housing team will have:

- Released RFPs for:
 - Transit-oriented development technical assistance to local government in the Puget Sound Region
 - Technical assistance to develop projections of housing need by income level at the county level, plus projections for permanent supportive, transitional and emergency housing, updating housing element guidance and providing workshops

- Developing methodologies for reviewing past discriminative land-use practices, displacement and exclusion, and updating housing element guidance and providing workshops
- A legislative study of the multifamily tax exemption program
- Released applications for grant programs:
 - Transit-oriented development planning (\$2.5M)
 - Housing action plans and implementation actions (\$5M)
 - Utility connections for affordable housing (\$42M)
- Posted preliminary guidance on the housing element and Multifamily Tax Exemption (MFTE) changes to be supplemented by contractor work.
- Signed a contract with the Washington State Center for Real Estate Research WCRER to continue their work updating previous data sets and developing market data in Oct 2021 and zoning/housing tools/incentives in Oct. 2022.

**Executive
Director's Report**

Mr. Walker stated that Homeownership staff participated in the Housing Development Consortium's BIPOC Homeownership initiative event on June 30th as we work collectively on regional strategies. Lisa DeBrock and Corinna Obar participated in our second NAREB Facebook Live Event on July 6th with Nicole Bascomb featuring a recent homebuyer and participating lender.

Multifamily & Community Facilities received 11 applications for the July Bond/4% allocation round totaling over \$333 million in tax exempt and \$46.8 in taxable bond requests. Two of these projects did not meet the threshold requirements, so we have 9 applications totaling \$300 million in requests being reviewed. Approximately \$200 million is available. Current projects continue to be slow in closing and have financing gaps due to market issues including lumber pricing issues and supply, so the Commission has been asked to increase existing allocation amounts to help close financing gaps, which could affect the amount available.

The Finance Division has reported the June 30, 2020, fiscal year State Audit has been completed and the exit conference was held July 12. There were no

findings. There was, however, one management letter item noted related to program administration of pass-through grants where insufficient documentation was gathered to support reimbursement on non-counseling activities. Homeownership staff will develop additional policies and procedures to ensure compliance with federal grant guidelines with the assistance of the Finance Division. The external, independent auditors will kick off their interim fieldwork on July 26th. Staff have been gathering information in anticipation of their arrival.

The Asset Management & Compliance Division has reported that their portfolio analysts exceeded their June tax credit report review production goal and closed out all bond property annual reports for the year. Staff continue to provide pandemic and emergency assistance-related guidance to property managers. Support staff worked on upgrading our website forms to be editable and signable online and processed multiple property transfer transactions.

Steve Walker attended three Senator Cantwell press events highlighting the housing tax credit and focused on getting the expansion and improvement of the credit back into the infrastructure package. He introduced the Senator at her event in Vancouver and then in Spokane at Gonzaga Family Haven. The last event took place in Seattle, which also included our House housing champion, Suzan DelBene, which took place at the almost-completed Chief Seattle Club in downtown Seattle.

Consent Agenda

The consent agenda was approved as mailed.

Adjournment

The meeting was adjourned at 2:27 p.m.

Signature
