

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

October 28, 2021

The October 28, 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, Brian Surratt, Mike Pellicciotti, Albert Tripp, Lowel Krueger, Pedro Espinoza, Wendy Lawrence and Alishia Topper.

Eli Lieberman gave an historical overview of the sustainable energy trust (SET). He stated the Commission's SET provides low-interest loans for energy-efficiency or renewable energy projects. The Commission can finance up to \$1 million at favorable interest rates. SET loans are typically issued for the following types of projects new construction of high efficiency single-family homes, energy and water efficiency upgrades for multifamily housing and nonprofit facilities and clean energy projects.

Lisa Vatske gave an update on the progress of the proposed total development cost (TDC) 2022 policy and limits with included TDC limits survey results, final proposed TDC limits, additional survey questions regarding boosts and additional minor modifications to the 2022 bond policies.

Staff presented a video with Dan Schilling being interviewed on KHQ Spokane TV about our new Farmland preservation fund.

The work session was adjourned at 11:56 a.m.

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

October 28, 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, Brian Surratt, Mike Pellicciotti, Albert Tripp, Lowel Krueger, Pedro Espinoza, Wendy Lawrence and Alishia Topper.

Approval of the Minutes

The minutes of the September 23, 2021 special meeting were approved as mailed

Employee Recognition

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

Five Years

Shawna Higgins

Employee of the Third Quarter

“This employee of quarter has only been at the Commission for a little more than a year but has had a tremendous impact. Because her contributions have been so great, and so unique, you’ll know who she is almost immediately.

Her vision for the Commission being more focused on racial equity and justice has caused her to put a great deal of time and energy into developing policy by and for people of color for the bond/tax credit program. She did not have to take up this – it was not assigned to her – but she did because of her passion for the issue. We hope she will continue to put this effort into the next 9% policy revision. In the Multifamily bond/Tax Credit policy revision, drafted, on her own, all the new ‘by/for communities of concern’ sections of the policy – and has done through iterative conversations with community stakeholders – not just

the ones that the Commission has traditionally worked with, but those we previously have not reached out to. She also has worked with other state agencies, other public funding authorities, nonprofits, and non-traditional stakeholders to select and develop community engagement toolkits for our developers in the upcoming 2022 round.

She helped recruit and supervise Cassidy, our intern researching the history of systemic racism in the development of low-income housing.

With Dan Schilling, she revived interest in a land acquisition program for farmland and enlisted other state agencies in supporting the program's development. She spearheaded the PAI program – working with community land trusts for our Farmer/Rancher program, and inspired Bob Peterson to get on the board of the Washington Farmer Trust.

She created and organized a workshop for the statewide nonprofit conference, enlisting a panel of experts to speak on nonprofit capital facilities financing. She established clear channels with the Communications Manager and her team, to accomplish speedy and collaborative upgrades and production of marketing materials and strategies.

She developed the means of holding for the divisional holiday party and white elephant gift exchange, despite us all being under pandemic restrictions.

She established the weekly all-staff on-line Happy Hour so that she could get to know other staff better, which has had the side benefit of every participant having the opportunity to develop better informal relationships with each other.

She has even more accomplishments, but I've already taken up too much of your time, so please welcome your Employee of the Quarter – Keri Williams!!”

**Public Hearing:
Proposed 2022
TDC limits and
policies in the Bond
4% program**

The Chair opened a public hearing on the proposed changes to the total development cost (TDC) limits and policies in the bond/4% program at 1:08 p.m.

Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division mentioned she briefed the Commissioners at the September and today's work session on the status and proposed policy changes, as well as historic trends

of the program. Staff also held multiple virtual stakeholder meetings and discussions. These recommendations are the result of these processes.

TDC Limits

Staff adjusted numbers and geographic categories to address the comments and added back a 4-bedroom limit outside of Seattle. We moved up the Balance of State numbers to the initially proposed metro numbers, gave the “new” metro pool the Pierce/Snohomish/Clark numbers and added a few more counties to that pool.

	Studio	One Bedroom	Two Bedroom	Three + Bedroom	
Seattle	\$339,900	\$388,700	\$461,500	\$588,200	

	Studio	One Bedroom	Two Bedroom	Three Bedroom	Four + Bedroom
Balance of King	\$317,700	\$367,800	\$390,800	\$484,900	\$519,900
Metro	\$305,800	\$356,700	\$377,800	\$446,700	\$481,700
Balance of State	\$274,200	\$309,300	\$338,500	\$410,400	\$445,400

Metro includes Snohomish, Pierce, Whatcom, Skagit, Clark, Thurston counties. Balance of State is all other counties – those not in King, or in Metro category. Applicants can request a “bump” to the next category for Permanent Supportive Housing projects in the 9% program and upon meeting the Urban policy limit increase in the bond policies (2.4.5).

Additional survey questions regarding boosts:

Staff proposed that projects could be eligible for a boost up to an aggregate of 10% of the project’s total development cost (minus the cost of land, the costs associated with offsite infrastructure improvements and capitalized reserves) for projects that have Commercial Prevailing Wage Rates, and for those projects with structured parking. We received 11 responses. Some simply appreciated the concept; others stated that the amount of boost is not reflective of the true costs.

Staff also proposed that sustainable building features listed below would be each eligible for a ‘boost’ and are not subject to the 10% cap:

- Heat pump hot water heating
- Ductless/or ducted heat pumps for HVAC systems

- Balanced ventilation with energy recovery and MERV 17 or greater filtration (for rehabilitation projects only)

Staff are proposing no change to this boost proposal as initially presented. These boosts acknowledge and offset the increased costs of these energy improvements but weren't intended to necessarily adjust for the full cost of implementation. Staff did consider not calling out separate energy measures, but still decided to specify them, based on published research. We will monitor the results of this round and reassess.

Other Comments

There were half a dozen additional comments ranging from appreciating the opportunity to input to concern about the approach and data for setting limits. Staff continue to consider options around this policy and are hopeful we will be successful in being matched with a team of UW students to further research and study the most effective cost containment approach.

Additional Minor Modifications to the 2022 Bond Policies

2.3 Maximizing the Use of Recycled Bond Cap: Staff want to clarify the priority of financing the development of additional projects using recycled volume cap. If we have accumulated enough recycled bond cap to make an entire project feasible, staff reserves the right to first offer it to any projects that plan to structure their project as an 80/20 bond deal, i.e., not using tax credits or using minimal tax credits. If there are no projects considering this structure, staff may offer the recycled bond cap to projects on the waiting list, in priority order based on point score. All projects receiving recycled cap under this priority would need to meet the following criteria: able to close by a specified date; use a nominal proportional amount of new bond cap; and, able to use most or all the expiring recycled cap.

4.4 Overcoming historic and systematic barriers for developers who are Black, Indigenous, or People of Color (BIPOC). Stakeholders brought to our attention that for nonprofit points and partnership points, a nonprofit with a board that qualifies would get 5 points and the partnership would only get 4 points. One of

the goals of this policy is to encourage partnerships. We propose to bump up the partnership points from 4 to 6.

4.5 Projects that are by and for the community. Staff recommend modifying the descriptive narrative of what is required to receive points in this section as part of the definition of the Community Based Organization (CBO). Based on feedback and to ensure a more authentic and genuine representation the following changes are proposed:

Existing:

- Identification and description of what leadership and/or advisory roles persons representing the identified Community(ies) Most Impacted have in the CBO, including one or more of the following:

Proposed Modification:

- Identification and description of what leadership and/or advisory roles persons with lived experience in the identified Community(ies) Most Impacted have in the CBO, including two or more of the following:

Lived experience is describe as a “Personal knowledge about the world gained from identifying as a member of the affected group, either currently or at some point in life.”

Staff will clearly monitor and address any unintended consequences that may result from these changes.

There were no comments from members of the public and the hearing was closed at 1:12 p.m.

**Action Item: 2022
TDC limits and
policies**

Ms. Vatske said she is requesting approval to moving forward with all of the proposed recommendations. Staff remain committed to continue to analyze the outcomes, work with our stakeholders and be the best stewards we can be of this resource.

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

**Action Item:
Resolution No. 21-
94, Overlake
School, OID # 21-
88A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue bonds to refinance the existing debt of educational facilities located at 20301 NE 108th Street, Redmond, WA 98053, owned by The Overlake School, 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 \$19,500,000. The public hearing was held September 23, 2021.

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

**Action Item:
Resolution No. 21-
95, 192 Shoreline,
OID # 21-33A**

This item was pulled from the agenda.

**Action Item:
Resolution No. 21-
97, LARC @
Burien, OID # 16-
156A**

Ms. Vatske said this is a resolution approving the issuance of one or more series of tax-exempt revenue notes to finance a portion of the costs for the acquisition, construction and equipping of a multifamily housing facility located at 11672 Des Moines Memorial Drive, Burien, WA 98168, to be owned and operated by LARC @ Burien, 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 estimate note amount is not expected to exceed \$4,000,000. The public hearing was held October 1, 2021.

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

**Action Item:
Resolution No. 21-
96, Nesbit Family
Housing, OID # 21-
38A**

This item was pulled from the agenda.

**Action Item:
Partner DPA
Program Limit
Increase**

Dietrich Schmitz, Down Payment Assistance Program Administrator, stated that the Commissions Down Payment Assistance programs have been a very successful part of achieving the purposes of the Commission in the direction of creating more opportunities for home ownership for the residents of our state. Since the early 2000s the Homeownership Division has created partnerships with jurisdictions in the state combining our funds with theirs in order to help individuals who really need a leg up to become homeowners. By combining our efforts, staff has been able to expand the circle of those people we can assist.

The current programs we are partners on are the following DPAs: ARCH (East King County), Bellingham, Pierce County, Seattle and Tacoma.

The Commission's contributions have ranged from \$10,000 to \$15,000 per transaction, with the Participating Jurisdiction's funds added on top, achieving Partner Down Payment Assistance programs that range presently from a total combined assistance of \$20,000 to \$55,000.

The continuing economic trend of increased home prices and a low inventory for first-time homebuyers has made it clear that greater assistance from the Commission will help keep this circle expanded.

Presently, some of the partner Down Payment Assistance programs are limited to a maximum Commission contribution of \$10,000. Staff feels it is time to meet the market conditions.

Current Partner Programs: DPA Program	Total Loan Amount	Maximum PRI Contribution	Partner Contribution
Seattle	\$55,000	\$15,000	\$40,000
Tacoma	\$20,000	\$10,000	\$10,000
Pierce County	\$24,900	\$10,000	\$14,900
ARCH (East King County)	\$30,000	\$12,000	\$18,000*
Bellingham Unrestricted	\$40,000	\$15,000	\$25,000

* ARCH contribution is presently \$10,000 from King County plus \$8,000 from ARCH itself

Mr. Schmitz requested that for Partner Down Payment Assistance Programs that the Commission raise our contribution up to \$15,000 on each program, not to exceed 50% of the total contribution. This would apply to all current and future partner programs. An increase in Program Related Investments (PRI) funds on future programs or the initiation of new partnerships would still require Commission approval. An increase to the total loan amount via greater partner contributions could be authorized by the Executive Director.

Ms. Topper moved to approve the request. Ms. Bascomb seconded the motion. The request was unanimously approved.

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

Housing Finance Unit (HFU)

Traditional HTF Applications Under Review: Meetings with other public funders in November will help coordinate awards for the \$140 million available and \$283 million requested.

Renewed interest in Commerce's loan policy: Commerce will be conducting a comprehensive review of this in 2022. Almost all of our projects receive fully deferred loans. A few remaining projects are underwritten with flexible terms and with 15-year deferrals if they include LIHTC. These issues were raised at the last Policy Advisory Team, and HTF is proactive about ensuring no project faces undue delays.

The second phase applications of Rapid Capital Housing Acquisition projects are due November 10.

Permanent Supportive Housing Budget Request: Commerce submitted a budget decision package for a capital request to create permanent supportive housing units statewide across the Health Care Authority's 10 healthcare regions.

Homeownership Disparities Workgroup

Informational Report on Department of Commerce Activities.

The Homeownership Disparities Workgroup hosted its first meeting on October 25. This workgroup will:

- Evaluate the distribution of state affordable housing funds and its impact on the creation of homeownership units serving Black, indigenous and people of color.
- Evaluate the eligibility requirements, access and use of state-funded down payment assistance funds and their impact on homeownership rate disparities.
- Review barriers preventing Black, indigenous and people of color from accessing credit and loans through traditional banks for residential loans.
- Provide budgetary, administrative policy and legislative recommendations to increase ownership unit development and access to credit.

Growth Management Services

Housing Action Plan and Implementation (HAPI) Grants

Grants are being awarded to about 50 cities to develop housing action plans or implement strategies from adopted housing action plans. Cities have until June 2023 to complete the work. This will allow the state to complete a periodic update of comprehensive plans and regulations for many of them. This is required by June 2024 for jurisdictions in the Puget Sound region. Deadlines are in 2025 and 2026 for other counties. Grantees will be posted at Growth Management Grants - Washington State Department of Commerce Monday, November 1.

Transit-Oriented Development Implementation (TODI) Grants

Grants of up to \$250,000 are being awarded to 11 cities to leverage investments in high-quality transit services by upzoning the areas for higher density residential development and conducting sufficient levels of environment review to allow development to proceed more quickly to construction. Grantees will be posted at Growth Management Grants - Washington State Department of Commerce, Monday, November 1.

Multi-Family Tax Exemption

Growth Management hired a new staff person and is getting ready to release an RFP for guidance, a legislative study, a template for a “permanently affordable housing program” and an auditing program. The multiunit property tax exemption is now open to all cities in the state. We have produced draft guidance on the 2021 changes. You can view the draft guidance [here](#).

Countywide Projections of Housing Need and Planning to Prevent Displacement

Commerce is currently reviewing RFPs to implement HB 1220 (laws of 2019) to set housing targets for each county by income band and for special housing. This work also includes recommendations to disaggregate the targets and guidance and examples for local governments to implement the rest of the bill, along with countywide profiles of housing needs using existing data.

Connecting Housing to Infrastructure Program

We are still waiting for legal review for the Connecting Housing to Infrastructure Program (CHIP). We hope this will be out in the next few weeks.

Bond Cap

- All 2021 Volume Cap has been allocated. Entities receiving allocations have until December 15 to make issuances. After that time, we will recapture all unused volume cap for an issuance to carryforward December 31.
- Applications for 2022 Volume Cap began October 3, and Commerce received two requests, including one from the Housing Finance Commission.

Executive Director’s Report

Mr. Walker stated that Multifamily & Community Facilities division staff conducted a Bond/4% application workshop. 72 participants on zoom, with staff walking through the new application threshold and point criteria. There will be another workshop on November 10th, which is the same day that the 9% applications are due! Big thanks to Claire, Keri, and Eli for being the main presenters!

Continued and exciting progress is being made on the online application – and staff are in User Acceptance Testing for the next two weeks. Big thanks to Sojung and Matt for all their leadership on this project and working with EightCloud to get it to this point.

The Commission closed a Land Acquisition Program (LAP) loan to Africatown Community Land Trust (CLT) in the amount of \$4,120,000. The Commission, Department of Commerce, and City of Seattle partnered to fund the purchase of the Keiro Center in the Central District, which will be operated by Africatown CLT as a 150-bed enhanced shelter in the interim. The second phase of the project contemplates a 285-unit affordable housing redevelopment.

The Homeownership Division's Lisa DeBrock was a panelist on a national webinar entitled "Persistence Pays Off! Work Smarter with DPA (downpayment assistance) Clients" in partnership with Downpayment Resource and MGIC on October 20th.

Lisa DeBrock participated in the Department of Commerce's taskforce meeting regarding Homeownership Disparities on October 25th along with stakeholder from around the state to generate solutions to reduce racial disparities.

On November 2nd, staff will be pricing bonds for our House Key Opportunity program. These will be our first single-family bonds to have a Social Bond designation meaning they conform with social bond principles including Affordable Housing, Access to Essential Services, and Socioeconomic Advancement and Empowerment.

In September, Homeownership had \$245 million in new reservations assisting 702 families.

Asset Management & Compliance's (AMC) portfolio analysts continue reviewing all tax credit annual reports and analyzing asset management reports for our ARRA-funded projects.

AMC presented a well-received 4-day online tax credit compliance fundamentals workshop.

AMC support staff continue to upgrade our website forms to be editable and signable online, manage online workshop activities, and process transfers.

The Commission has hired Broadview Talent, the firm that we previously used for our Executive Director recruitment, to conduct a nationwide targeted search for the Deputy Director and the Senior Finance Director positions. The Senior Finance position out and we are finalizing the Deputy Director position and expect to post soon.

From the other Washington: Housing Credit Investment in Build Back Better – The White House and congressional leadership are pushing to finalize a framework for the Build Back Better reconciliation legislation in the coming days. With tremendous pressure to bring down the cost of the legislation, all initial proposals, including the House Ways and Means Committee's proposed investment in the Housing Credit, are at risk of cuts or elimination. The Commission has reached out to our congressional delegation seeking their strong support for including housing production in the final package.

The Commission will soon be publishing a Request for Proposals for our Strategic Planning Consultant. The Commission's vision, mission and values were last updated about two decades ago. In addition, while many strategies and plans are in place for individual programs and initiatives, the Commission has no overarching strategic plan that guides decision-making. Instead, we regularly update a Housing Finance Plan that we are required by statute to submit to the legislature. While this plan has been a useful and in-depth description of our work that includes anticipated future challenges and assets, it does not provide an overall strategy framework. We expect this process to result in a range of strategic goals, outcomes, plans and actions at every level of our organization, within the framework of racial justice.

Legislative Session Preparations – staff continue to hold discussions with key legislators seeking support for the Commission’s debt limit increase. Staff have formed an in-house legislative team and will soon begin meeting regularly to prepare our legislative agenda and manage the upcoming legislative session.

**Commissioners’
Reports**

Commissioner Bascomb and Pellicciotti attended the groundbreaking of George Fleming Place in Seattle. Commissioners Espinoza, Rumpf and Steve Walker attended the grand opening of Sunset Oakes in Renton.

Consent Agenda

The consent agenda was approved as mailed.

Adjournment

The meeting was adjourned at 2:09 p.m.

Signature
