

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

March 24, 2022

The March 24, 2022 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, Ken Larsen, Lowel Krueger, Pedro Espinoza, Wendy Lawrence, Alishia Topper, Corina Grigoras (Department of Commerce Designee) and Mike Pellicciotti.

Lisa DeBrock introduced Rich Zwicker. He gave an overview of the proposed American Rescue Plan Act (ARPA) Homeowner Assistance Fund (HAF) Proposed Plan which included Commission staffing, HAF needs, eligibility, assistance, flexibility and outreach of the HAF plan.

Cheryl Engstrom, Housing Washington consultant, gave a 2021 conference recap and kicked off a 2022 conference planning conversation to start brainstorming topics and speakers.

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

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

March 24, 2022

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, Ken Larsen, Lowel Krueger, Pedro Espinoza, Wendy Lawrence, Alishia Topper, Corina Grigoras (Department of Commerce Designee) and Mike Pellicciotti.

**Approval of the
Minutes**

The minutes of the February 24, 2022 special meeting were approved with amendments.

**Public Hearing:
Wesley Homes Des
Moines LLC, OID
22-27A**

The Chair opened a public hearing for the Wesley Homes Des Moines, OID # 22-27A, at 1:06 p.m.

Claire Petersky, Manager of the Multifamily Housing and Community Facilities Division (“MHCF”), said this public hearing is for the proposed issuance of one or more series of tax-exempt and/or taxable revenue bonds to finance a portion of the costs: (i) for the acquisition, construction, expansion, improvement and equipping of a continuing care retirement community, including the acquisition of land, (ii) for the refunding of prior tax-exempt obligations of the Commission issued to finance an earlier capital phase of the Project’s acquisition, construction, expansion, improvement and equipping, (iii) to fund a debt service reserve and capitalized interest with respect to the Bonds and working capital related to the Project, if required, and (iv) to pay all or a portion of the costs of issuing the Bonds. The facility is located at 815 216th Street, Des Moines, WA 98178, owned and to be owned by Wesley Homes Des Moines, LLC, a Washington limited liability company whose sole member is Wesley Homes, a 501(c)(3) nonprofit corporation. The total estimated bond amount is not expected to exceed \$128,000,000. Ms. Petersky introduced Kevin Anderson, CEO of Wesley Homes.

Mr. Anderson stated that this is the third and final phase of this project, which started in 2016. This addition will include about 18 new senior living units, 11 townhome cottage-style units, 50 assisted living units, 26 memory care units and 72 nursing beds on 34 acres of land.

There were no comments from members of the public and the hearing was closed at 1:10 p.m.

**Public Hearing:
ARPA Homeowner
Assistance Fund
(HAF) Proposed
Plan**

The Chair opened a public hearing for the American Rescue Plan Act (ARPA) Homeowner Assistance Fund (HAF) Proposed Plan at 1:06 p.m.

Lisa DeBrock, Director of Homeownership Division, introduced Rich Zwicker, Grants Administrator, who stated the Commission intends to submit to the Department of Treasury a plan to comply with the requirements for distribution of the allocation made to the State of Washington from the 2021 ARPA, and specifically the HAF. With Treasury's approval, the Commission proposes to use the allocation to provide the following services.

Mortgage Payment Financial Assistance Program

Dedicating approximately \$120,000,000 to a program that will provide homeowners in Washington with potential financial assistance by providing grants up to \$60,000 for homeowners that meet the following qualifications:

- Have a household income of 100%—or less—of the Area Median Income (AMI) for the county of residence. Please see the HUD FY 2021 Homeowner Assistance Fund Income Limits.
- Have a demonstrable hardship caused by COVID-19 that began on or after January 20, 2020.
- Are the owner of the dwelling (up to four units) that is the primary residence (owner-occupied) of the applicant (this can include a manufactured/mobile home on rented space).

For those meeting the qualifications above, the program can provide the following financial assistance:

- To allow a homeowner to reinstate a mortgage or to pay other housing-related costs related to a period of forbearance, delinquency, or default.
- For mortgage principal reduction, including with respect to a second mortgage provided by a nonprofit or government entity.
- For facilitating mortgage interest rate reductions.
- To preserve a homeowner’s use of their “partial claim.”

In conjunction with at least one of the types of financial assistance above, the program can also provide the following financial assistance:

- For homeowner’s insurance, flood insurance, and mortgage insurance.
- For homeowner’s association fees or liens, condominium association fees, or common charges, and similar costs payable under a unit occupancy agreement by a resident member/shareholder in a cooperative housing development.
- For down payment assistance loans provided by non-profit or government entities.

The program will also provide for financial assistance for payment of delinquent property taxes to cure defaults and for homeowner’s association fees or liens, condominium association fees, or common charges, and similar costs payable under a unit occupancy agreement by a resident member/shareholder in a cooperative housing development.

Mortgage Default Assistance Program

Dedicating approximately \$15,000,000 to fund various established support services that will allow all homeowners in the State of Washington, regardless of income level, to receive no-cost assistance working with their loan servicers by funding default housing counseling services and related services. Also, a portion of these funds will be used to fund civil legal aid that can assist by providing no-cost legal assistance to income-qualified homeowners.

Funds Retained

Approximately \$10,000,000 of the funding received from Treasury will be retained for future use. Uses for these retained funds could include:

- Supplemental funding for the uses set forth above.

- To establish other financial assistance programs. Such programs could include:
 - Mortgage Payment Assistance (future mortgage payments)
 - Home Repairs
 - Other contemplated uses under Treasury’s guidelines

Program Timeline

Opportunities for public comment on this plan were provided in the month of March 2022. In addition, this Public Hearing is occurring at the March Special Meeting of the Washington State Housing Finance Commission. When this plan has been approved by the Commissioners of the Washington State Housing Finance Commission, it will be submitted to the U.S. Department of the Treasury for review and comment. When the plan receives Treasury’s approval, it will be implemented.

Darryl Smith, Executive Director at HomeSight made a public comment stating that working with housing counselors and the Commission on the pilot program has been successful and so far since February they have been able to save 26 families from foreclosure.

Heather Goodman, a private citizen, made a public comment asking if someone was already in foreclosure prior to COVID would they qualify. Mr. Zwicker stated that she should call the hotline and connect with a counselor to discuss this.

There were no other comments from members of the public and the hearing was closed at 1:24 p.m.

**Action Item:
Resolution No 22-43, Approval of
ARPA Homeowner
Assistance Fund
Proposed Plan**

Ms. DeBrock said this is a resolution requesting approval for the Commission’s HAF Plan for submission to the U.S. Department of the Treasury whereas the Commission was designated as the agency in the state of Washington to design, implement, and administer the HAF established in Section 3206 of the American Rescue Plan Act of 2021.

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

**Action Item:
Resolution No. 22-28, The University Prep Project, OID # 22-03**

Lisa Vatske, Director of the MHCF said this is a resolution approving the issuance of one or more series of tax exempt and/or taxable revenue bonds to: (i) refinance existing taxable debt of the Borrower related to the refunding of prior Commission bonds and the financing of the acquisition of land, prior rehabilitation, renovation and remodeling of existing educational facilities, and the development of the projects; (ii) finance and/or refinance the acquisition, construction, expansion, improvement, installation and/or equipping of an approximately 40,000 square foot educational facility; (iii) finance and/or refinance the rehabilitation, renovation and remodeling of existing educational facilities; (iv) finance capitalized interest on the Bonds; and (v) finance all or a portion of the costs of issuing the Bonds. The project is owned by University Preparatory Academy, a Washington 501 (c)(3) nonprofit corporation, located at 8000 25th Avenue NE, 7740 24th Avenue NE and 2415 NE 80th Street, Seattle, WA 98115. The total estimated bond amount is not expected to exceed \$56,000,000. The public hearing was held January 27, 2022.

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

**Action Item:
Resolution No. 22-31, Watershed Renton, OID # 20-94A**

This item was pulled from the agenda.

**Action Item:
Program Related Investments (PRI) for Manufactured Housing**

Ms. Vatske stated that since 2012, the Commission has invested Program Related Investment (PRI) funds into a program to assist in the preservation of Manufactured Housing Communities through resident ownership by the tenants. This partnership has mostly been with Resident Owned Communities (ROC) USA and has expanded to also include a partnership with Washington Community Reinvestment Association (WCRA). To date, approximately \$18.7 million has been deployed, preserving 21 communities and 1,124 units. The current fund balance is approximately \$2.89 million, and the existing pipeline of

projects scheduled to close by fiscal year end is \$3.185 million. The undesignated funds available at the end of February were approximately \$900,000. As per our policies, the Executive Management Team has reviewed and approved this request and it is now before the Commissioners for approval.

Ms. Bascomb moved to approve the request to transfer \$350,000 from the undesignated fund to the Manufactured Housing Community program to cover two communities, Sunrise MHP and Bob's and Jamestown in the pipeline. Ms. Topper seconded the motion. The request was unanimously approved.

**Action Item:
Approval of
Financial Advisors
for the MHCF
Division**

Ms. Vatske stated that the WSHFC intermittently engages with financial advisors on bond issues in the MHCF. Services they may provide include:

- Evaluating the risk of bond financing structures when they are complex, have not been encountered previously, or are potentially riskier to the Commission, borrower, or investors; and
- Evaluating pricing and conditions in negotiated public sales

Typically, the developer of the project pays for these financial advisor fees, and not the Commission.

In addition, Staff may hire a financial advisor at our own expense when we are considering new or revised programs and policies.

Historically, every two years the Commission submits a Request for Quotations/Qualifications ("RFQQ"), evaluates the proposals, and draws up Personal Service Contracts as needed. Staff extended the contracts they had with those on the roster for 2019-2021 for one additional year. The contracts will end June 30, 2022.

Before the RFQQ was posted, staff solicited interest in working with the Commission with potentially qualified firms, including those that are BIPOC-owned. In accordance with state law, we announced the RFQQ on the Washington Electronic Business Solution (WEBS). Once the RFQQ was posted,

staff emailed it to our existing team of financial advisors, as well as those who indicated they were interested in applying.

Staff received replies in early February. The panel reviewing the proposals included division analysts and management, plus the Finance Division manager, Lucas Loranger.

Staff recommend the Commission should create a roster of financial advisors, made up of the following firms:

- PFM
- CSG
- Blue Rose
- Baker Tilly
- Public Finance and Energy Advisors
- Juan Aguilar

The Commission has had long-standing relationships with PFM and CSG, and plans to continue to engage their staff in our work as needed. However, by including new companies on the roster, we add the option of using their expertise in specific transactions. Further, in accordance with our stated values in justice, equity, diversity, and inclusion, we plan to engage with BIPOC-owned companies when appropriate.

Ms. Vatske requested the board's approval for the Commission to renew contracts with PFM and CSG and to enter into new contracts with the other firms listed above.

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

Action Item: Hear and act on a recommendation to appoint an independent auditor

Lucas Loranger, Senior Controller of the Finance Division, said that the Commission's contract for an independent CPA firm has expired, so staff undertook an RFP process. Four different firms expressed interest, all of whom staff felt were very qualified. The proposals were evaluated, and it was decided

to interview each firm. A panel of four conducted the interviews including Angel Galgana, Lowel Krueger, Bob Woodward and Lucas Loranger. After gathering additional information following the interviews, it is the unanimous recommendation of the committee to recommend Eide Bailly LLP.

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

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

Housing Finance Unit

- Traditional funding increased by \$113M with \$25M set aside for Homeownership, \$17M in direct appropriations and special projects, and \$73M for competitive awards.
- Rapid Capital Housing Acquisition was increased by nearly \$300M, and passage of the Office of Apple Health and Homes provides \$60M to create the Rapid Permanent Supportive Housing Program to complement the Apple Health and Homes program.
- Commerce is receiving many requests for gap funding and calls for changing allocation caps. The agency's focus will be on developing program parameters for Rapid 2.0 and maintaining stability with the available Traditional funding.

Housing Assistance Unit

- \$68M in additional rent assistance to prevent evictions added to existing temporary COVID response program.
- \$55M to pay one-time stipends to front-line homeless housing workers with lower incomes.
- \$45M to move people from public rights of way into safer housing, working with local governments and the Department of Transportation
- \$27M to address most of the backlog of unpaid Landlord Mitigation Program claims.

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

- \$60M in capital funds and \$8.7M in operating funds for the new Apple Health and Homes Program (ESHB 1866): Directly links capital financing with ongoing operating and federal Medicaid funded services to create housing units equitably distributed throughout the state. Will house people the Health Care Authority determines need housing and services to improve their health.
- A dozen other smaller budget items including expansions of existing efforts to reduce youth homelessness and increasing funding in existing contracts to help address housing and wage cost increases.

Growth Management Services Housing Team

- Connecting Housing to Infrastructure Program (CHIP): The program received an extra \$9M from the Legislature of state funds, so the total to offer is \$25M. The second round of grant applications closed with requests for \$40M. Out of 40 applications, 20 were funded. The majority of applications came from the central Puget Sound region.
- Middle Housing Grants: Growth Management Services received \$7.5M to address middle housing in the Puget Sound region, which must be spent in FY 23. Due to the lack of planners for hire and consultants, Commerce is considering providing as many tools as possible to meet the grant program's policy goals. There was no policy bill, but the regional plan (Vision 2050) contains many policies with which local plans must be consistent.
- Periodic Update Grants: Commerce received \$10M for periodic updates for the Puget Sound region (King, Kitsap, Pierce, Snohomish) to update comp plans and regulations by Dec. 31, 2024, which was pushed back to that date from six months before. Most of the work on updating comprehensive plans and regulations is currently substantial changes to the housing element, as the climate bill did not pass in 2022.

Executive Director's Report

Mr. Walker stated that in MHCF they received over 30 intents to apply for volume cap totaling approximately \$850 million, and officially received 21 applications, totaling approximately \$562 million in tax-exempt bond cap requests, with an additional \$70 million in taxable bond requests. MHCF

received 5 projects from Balance of State (outside King and Snohomish Counties): 1 from Bellingham, 3 from Pierce County and 1 from Yakima. 4 proposals are for new construction and 1 is a project aging out the full 30-year LIHTC regulatory period. For the Snohomish/King County areas, there is one project from Snohomish County and all the rest are from King County (15). Of the King County projects, 10 are from Seattle. There are five acquisition/rehab, and the rest are new construction. Sixteen out of the 21 projects are leveraging other public funds. Staff are deep in the review and hope to have a final allocation list by mid-April.

MHCF has seen a level of intentionality and partnerships that really have embraced the new policies, but lots of gray area and lessons learned that will inform where we head from here. Staff will provide a more in-depth review and presentation at an upcoming meeting once they have finalized the list and debrief from this round.

Homeownership continues offering virtual homebuyer education classes, and are pleased to announce the re-introduction of in person classes.

In February, Homeownership had \$111 million in new reservations assisting 318 families. Escalating interest rates, lack of affordable inventory, and rising home prices continue to negatively impact our homebuyers.

Asset Management & Compliance (AMC) division reported that all Bond annual reports have been submitted and Portfolio Analysts have reviewed 82% of all bond annual reports as of March 1st. 85% of all Tax Credit annual reports have been received as of March 1st. AMC hired Allie Delano to fill the Portfolio Analyst position vacated in November 2021. AMC successfully conducted online Tax Credit Compliance Fundamentals training. 52 trainees attended the online training from across the state and support staff continue to upgrade our website forms to be editable and signable online, manage online workshop activities, and process transfers.

In Executive Recruitments: for the Senior Director of Finance role, Fenice Taylor will be our new Senior Finance Director! She will be coming to us from the Georgia HFA (the Georgia Dept of Community Affairs), where she directs the operations of bond finance and homeownership programs as Director of Bond Finance.

Before that, Fenice was the HFA's Office Director of Housing Finance, where she oversaw both single family production and multifamily housing financing programs, including the Low-Income Housing Tax Credit, HOME, and Georgia Dream programs. An honors graduate from the University of Texas at Austin, Fenice is also a member of Phi Kappa Phi honor society and is a CPA licensed in both Texas and Georgia. Here's the quote Fenice shared for our press release, which will be going out next week: "I'm elated to soon join WSHFC, one of the best and most respected housing finance agencies in the country. I look forward to working with a team of innovative and talented housing finance leaders and professionals in the Commission to increase housing access and affordability for low to moderate income families in the state of Washington."

For the Deputy Director role, Steve was thrilled to share that Bob Peterson will be our new Deputy Director. Thrilled because with all his gifts of leadership, empathy, and commitment, he is the right choice for this extremely important position. And thrilled because of how we arrived at that choice. This was a new hiring process for the Commission, and Steve was very grateful for the opportunity to involve more people – from the small hiring committee that included Patricia as the RJET co-chair, to the interview panel that didn't just consist of director-level staff, to the all-staff town hall interviews and close to 60 staff who shared their thoughts. This depth of input really did help inform the decision and Steve said he can confidently say the right candidate rose to the top for the right reasons. Bob said: "I'm overwhelmed, extremely happy, thankful for all the mentorship and partnership from you all over the years... and looking forward to tackling the many challenges before us!"

With the Deputy Director and Senior Finance Director positions filled, it feels like we are finally staffed up to take on the huge amount of work we have before us.

The Strategic Planning RFP is down to two finalists and we have just begun negotiations with our top choice. More to come soon.

May's Budget and Planning Session: we are excited to announce will be in-person. Staff is currently working on logistics, and we will be developing the agenda over the coming weeks. Please reach out to Steve if there is a specific topic you would like considered.

The Commission announced the office will reopen on Monday, May 2nd. Staff continue to come in voluntarily; however, supervisors will be asking their staff to come in when needed beginning May 2. A lot of logistics to settle between now and May. This is the next phase and just like everything we have experienced over the last two years, we will learn and adjust as we go.

We are also in initial discussions planning for future board meetings and what that may look like. We are working with division directors and IT staff to analyze various options and will be engaging the board in the near future for input.

Consent Agenda

The Consent Agenda was approved as mailed.

Executive Session

At 2:12 p.m., Mr. Rumpf called an executive session as permitted by RCW 42.30.110 to discuss litigation.

Adjournment

The Commission reconvened at 2:57 p.m. No action was taken. The meeting was adjourned at 2:57 p.m.

Signature
