

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

April 28, 2022

The April 28, 2022 work session was called to order at 11:00 a.m. by Bill Rumpf via Zoom and conference call. In attendance were Commissioners Alishia Topper, Albert Tripp, Ken Larsen, Lowel Krueger, Mike Pellicciotti, Pedro Espinoza, Wendy Lawrence and Corina Grigoras (Department of Commerce Designee).

Lisa DeBrock introduced Marty Kooistra, Black Home Initiative Project Manager at Civic Commons. Mr. Kooistra gave an update on regional efforts to increase rates of Black homeownership in the Greater Seattle region with a seven-point Black Home Initiative project plan.

Lisa Vatske gave a briefing on the 4% bond round results. She highlighted the outcomes achieved with the selected projects which included BIPOC, community involvement, cost efficiency and preservation of affordable housing portfolios. She went over scoring, the “by and for community” points criteria, the trend of total development cost per unit, targets as a percentage of allocated funds and next steps for projects and the program.

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

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

April 28, 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, Alishia Topper, Albert Tripp, Ken Larsen, Lowel Krueger, Mike Pellicciotti, Pedro Espinoza, Wendy Lawrence and Corina Grigoras (Department of Commerce Designee).

Approval of the Minutes

The minutes of the March 24, 2022 special meeting were approved as distributed.

Employee Recognition

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

Two Years

Tanya Scratchley

Fifteen Years

Christian Hayes

Patricia Williams

Twenty-Five Years

Michael Soper

Yvonne Williams

Employee of the First Quarter – Kate Held

“This employee is described as conscientious and reliable and is always trusted to get numerous details correct and sorted out by their deadlines.

Project coordination is carried out by this employee in a consistently calm, patient, supportive, pleasant, positive, and organized manner such that all parties always know what the plan is for each step of the way.

This employee has a magical ability to keep things from falling through the cracks. She listens intently, distills the important points, and communicates clearly. There is a feeling of “Om” and stress melts away as soon as projects are assigned to this employee. We wish to know what her secret is – and we also wish that she never retires! Congratulations to Kate Held! Employee of the First Quarter for 2022.”

**Public Hearing:
Redondo Heights
TOD – Phase I,
OID # 19-121A**

The Chair opened a public hearing for the Redondo Heights TOD – Phase I, OID # 19-121A, at 1:06 p.m.

Claire Petersky, Manager of the Multifamily Housing and Community Facilities Division (“MHCF”), said this public hearing for the proposed issuance of one or more series of tax-exempt and/or taxable revenue bonds to finance a portion of the costs for the acquisition, rehabilitation, expansion and equipping of a 132-unit multifamily housing facility that is part of a combined 334-unit mixed-use development including newly constructed and rehabilitated components under separate ownership, located at 27606 Pacific Highway S., Federal Way, Washington 98003, to be owned by Silver Shadows Housing Partners, 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 \$22,000,000. Ms. Petersky introduced Corey Baldwin, Director of Acquisitions, and Matt Chantry, Director of Asset Management for Shelter Resources.

Mr. Baldwin stated that this a combination acquisition/rehab (“Phase I”) and new construction (“Phase II”) project, which will have its own public hearing. This project will be located adjacent to the Redondo Park and Ride in Federal Way, and within a half mile of the upcoming Star Lake Light Rail station. The Silver Shadow Apartments was an affordable market rate property built in 1989.

Mr. Chantry stated that Redondo Heights TOD will consist of 132 rehabilitated units and 202 new construction units serving households at 50% Area Median Income (AMI).

There were no other comments from members of the public and the hearing was closed at 1:20 p.m.

**Public Hearing:
Redondo Heights
TOD – Phase II,
OID # 19-121B**

The Chair opened a public hearing for Redondo Heights TOD – Phase II, OID # 19-121B, at 1:20 p.m.

Ms. Petersky said this is a proposed issuance of one or more series of tax-exempt and/or taxable revenue bonds to finance a portion of the costs for the acquisition, construction and equipping of two projects, with 202-units that are part of a combined 334-unit mixed-use development including newly constructed and rehabilitated components under separate ownership, located at 27606 Pacific Highway S., Federal Way, 98003, to be owned by Redondo Heights TOD New Construction 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 for Phase II East is not expected to exceed \$34,108,911 and the total estimated bond amount for Phase II West is not expected to exceed \$18,891,089. Ms. Petersky introduced Corey Baldwin, Developer, Director of Acquisitions and Matt Chantry, Director of Asset Management for Shelter Resources.

Mr. Chantry stated that the amenities include a community building with office space, a multi-service center with case management for residence and a food bank for residences.

In response to a question from Chair Rumpf, Mr. Chantry stated that they have been income qualifying new residents to lower the impact of relocation in the future and 90% of the current residents qualify.

Mr. Baldwin stated that permits should be approved by June and construction should start shortly after.

There were no other comments from members of the public and the hearing was closed at 1:29 p.m.

**Public Hearing:
for the 2022
Allocation of Credit
for the Housing
Tax Credit
Program**

The Chair opened a public hearing on the recommended allocation of Low-income Housing Tax Credits at 1:29 p.m.

DESC Woodland

Jacob Richardson, Senior Development Analyst and Lisa Vatske, Director of the Multifamily Housing and Community Facilities Division, introduced Daniel Malone, Executive Director, DESC (Downtown Emergency Services Center). Mr. Malone stated that DESC Woodland is a new construction of a 6-story building with 100 studio units and a below-grade parking garage. The first floor will consist of residential services and common space for tenants.

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

**Action Item:
Resolution No. 22-
45, a Resolution for
the 2022 Allocation
of Credit for the
Housing Tax Credit
Program**

Ms. Vatske said this is a resolution authorizing the Executive Director to make reservations and/or allocations of 2022 Housing Tax Credits to the following project:

TC #	Project Name	City	County	Credit Amount
22-20	DESC Woodland	Seattle	King	\$ 2,163,612

Ms. Bascomb moved to approve the resolution. Mr. Pellicciotti seconded the motion. The resolution was unanimously approved.

**Action Item:
Resolution No. 22-
44, Wesley Homes
Des Moines LLC,
OID # 22-27A**

Ms. Vatske said this is a resolution approving the 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, and is owned or will 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. The public hearing was held March 24, 2022.

Mr. Krueger moved to approve the resolution. Mr. Espinoza seconded the motion. The resolution was unanimously approved with one abstention from Ms. Bascomb due to a conflict of interest because her employer is the bond trustee.

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

This item was pulled from the agenda.

**Action Item:
Approval to
reinvest earnings
from Home
Advantage
program in order
to lower our rate on
our programs.**

Lisa DeBrock, Director of the Homeownership Division stated that when the Commission started the Home Advantage program, it anticipated having both good and some bad years. Because of our good years, it has the resources to keep the program going and offer good options to our homebuyers as we enter a higher rate environment. It has become more and more challenging to fund down payment assistance through the pricing of Home Advantage interest rates on the first mortgages. We will be having a much larger discussion about the market, the reasons for why our loans are challenging to price, and our long-term game plan at the May budget and planning session.

As a reminder, since program inception in July 2012, the Home Advantage program has been extremely successful in helping thousands of homebuyers purchase a home. With the success of our Home Advantage program, we do see repayments of our second mortgages. Over the past 12 months, we received on average \$7.2 million dollars per month in Home Advantage seconds and \$7.7 million per month if you include all down payment assistance programs. Also, our outstanding portfolio of Home Advantage seconds has been holding steady at approximately \$270 million over the last year.

In December 2017, the Commission approved the reinvestment of 1% of earnings to help offer lower interest rates to homebuyers. We are now requesting approval to reinvest an amount not to exceed the down payment assistance loan amount.

We will be carefully monitoring and intend to bring a long-term plan to you at our May budget and planning session with parameters. The borrower's down payment assistance loan will still be repaid when the second loans are paid off at the time of sale or refinance. By reinvesting our earnings, we may be able to offer some additional rate options that we haven't been able to offer for the past month due to lack of liquidity for higher coupon loans.

Lucas Loranger, Senior Controller of the Finance Division stated because it has been over 4 years since this idea was last brought before the Commission and there are several new faces on the board, he thought it might be helpful to give a quick and simplified overview of the premium pricing model and how increasing reinvestment will allow the Commission to lower interest rates.

Historically for the DPA programs, 2nd mortgages have been funded using PRI funds that are allocated to the various programs. However, in the Home Advantage program, 1st mortgages are sold at a premium to cover the cost of the associated DPA. The typical Home Advantage DPA is 4% of the 1st mortgage amount, meaning the loan would need to be sold with a 4% premium in order to provide the Commission with enough funds to cover the DPA loan.

As Lisa mentioned, over the years we have accumulated a fairly large portfolio of DPA's, which are repaid all the time, and because we do not need PRI funds to initiate these DPA loans, those repayments are held in reserve.

In December 2017, when the Commission approved reinvesting 1% of earnings to lower interest rates, it approved reducing the required premium at the point of 1st mortgage sale from 4% to 3%. The 1% "reinvestment" is pulling funds from the previously repaid DPA loans and applying those funds to the newly issued DPAs, so that the full 4% of the 1st mortgage amount is still available to that homebuyer as a downpayment assistance loan.

This helps us reduce interest rates because, in a normal environment, an investor buying Commission loans is more willing to pay a higher price for an investment that will pay a higher return. A 5% mortgage will get a higher price than a 4%

mortgage, for example. So if we only need to realize a 3% premium instead of 4%, we are able to offer loans with lower interest rates to make that happen.

However, in today's rate environment, a 1% reinvestment is no longer enough to make a meaningful impact on our rates. As Lisa mentioned, we have had many years of incredible success which has led to substantial reserves. What we are asking for today is temporary approval – until the May budget planning session - to increase that reinvestment rate from its current 1%, up to a maximum of the full DPA amount, whether that be 3%, 4% or 5% depending on the loan product, and utilize those accumulated reserves to help us weather this current interest rate storm.

Ms. Topper moved to approve the request. Mr. Kreuger seconded the motion.

The request was unanimously approved.

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

Organizational changes coming to Commerce

With historic funding levels coming to Commerce – about \$2 billion – the Community Services and Housing Division will reorganize into two divisions beginning May 1, 2022:

1. The Housing Division, supporting homelessness and affordable housing programs.
2. The Community Services Division, supporting community development and services programs.

Housing Finance Unit

Recent affordable housing awards

- Announced funding for \$32M in funding for projects that are also funded through the WSHFC 4% tax credit round
- Announced \$13.5M in Federal HOME and National Housing Trust Fund awards

Upcoming funding availabilities

- Traditional funding for \$73M in Multifamily Housing: June 2022
- Homeownership funding of \$25M: June/July 2022

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

- Rapid Capital Housing Acquisition funding of \$220M: June/July 2022
- Apple Health and Homes - Rapid Permanent Supportive Housing - \$60M: December 2022/January 2023
- HOME ARP: December 2022/January 2023

Hiring staff and consultants

- Project Management and Resource Allocation Staff - 8 FTE
- Asset Management Team Members - 3 FTE
- Homeownership Program Management - 2 FTE
- Consultant to develop program guidelines for housing for persons with Intellectual & Developmental Disabilities
- Community Land Trust Technical Consultant (supplemental budget proviso)
- Apple Health & Homes Consultant (supplemental budget proviso)

Housing Assistance Unit

The supplemental budget awarded \$45M to move people living on Washington State Department of Transportation rights of way into safer living situations. This is a priority of the Governor, and Commerce intends to link these funds with the Rapid Capital Acquisition funding and operating and services funds to offer a complete package to expeditiously fund the housing needed to successfully implement this initiative.

Growth Management Services Housing Team

On April 26, 2022, Commerce’s Connecting Housing to Infrastructure Program (CHIP) awarded \$17.5M in funding to affordable housing developments in 11 counties.

Homeownership Disparities Work Group

The Homeownership Disparities Work Group’s final meeting is scheduled for June 7, 2022. The legislative report is due to the Governor and Legislature on August 1.

Office of Homeless Youth

In May, OHY will begin accepting applications for two separate funding opportunities:

1. \$625,000 to implement the H-SYNC program in at least six counties in Washington. The H-SYNC program is a prevention model developed by the University of Washington CoLab team in collaboration with community and county partners. The program is designed to identify youth at risk of homelessness within the juvenile court system and refer them and their families to needed prevention, intervention, and housing services. Commerce will seek a lead grantee to select at least six counties to implement the H-SYNC model, serve as a coordinator of all program sites, and provide oversight, guidance, and training.
2. Commerce will seek a consultant to lead the programmatic planning for the Pacific Hospital Public Development Authority (PHPDA) Quarters Buildings located at 1147 14th Avenue S, Seattle, Washington. The PHPDA is chartered by the City of Seattle with stewardship of the landmark Pacific Tower and its surrounding campus. Per ESSB 5693, the Quarters Buildings are intended to be used for state-operated or contracted residential housing facilities and services, including recovery residences, group care, transitional housing, supportive housing or family-centered substance use disorder recovery housing.

Affordable Housing Advisory Board vacancies

The Affordable Housing Advisory Board (AHAB) is recruiting to fill five open seats, including people with experience as a:

- Homeless Shelter Operator
- For-Profit Housing Development Representative
- Home Mortgage Lending Representative
- Residential Construction Representative
- For-Profit Rental Housing Owner Representative
- Permanent Supportive Housing Representative

**Executive
Director's Report**

Mr. Walker said that Multifamily & Community Facilities (MHFC) finalized and announced the 2022 bond allocation list. Staff responded to a request for proposals from NCSHA for a Healthy Housing, Healthy Community Partnerships

opportunity funded by the Robert Wood Johnson Foundation. This opportunity is grant funding and technical assistance to support development of partnerships with hospitals, health systems and other health organizations to expand financing for affordable housing development and preservation. In addition to the funding opportunity if we are successful, we would also participate in a learning community with other HFA's and partners in our programs. Our proposal centered around the several great model projects we have funded around the state and taking lessons learned and best practices from those examples to hopefully create and develop a program framework that we could replicate with key partners. Big kudos to Claire for doing the heavy lifting on writing and Debbie Thiele from Corporation of Supportive Housing for agreeing to partner and provide insights into the response as well.

There were first round of interviews for the Energy position with a diverse group of candidates which resulted in 2 top candidates, with follow-up early next week. We will kick off the recruitment for the vacant MHFC Manager position next week.

Keri Williams and Claire Petersky have planned an outreach and marketing trip in addition to attending the Washington Nonprofits Central Washington conference to meet with banks and non-profits to help get the word out regarding the Commission's programs.

The Homeownership (HO) staff have been working with Eight Cloud on our Homebuyer Education Instructor Portal. The portal is now complete, and we are beginning the implementation of going live with our instructors. This portal allows our instructors to register classes and attendees online and eliminates the manual data entry and paper process. Corinna Obar, Dietrich Schmitz, Kathleen Komin, Margret Graham, and Vanessa Thomas participated in Realtist Week events on April 7th and 9th in partnership with National Association of Real Estate Brokers (NAREB). Lisa DeBrock participated in the Department of Commerce's Homeownership Disparities taskforce meeting on March 31st along with stakeholders from around the state to generate solutions to reduce racial disparities.

In March, HO had \$126 million in new reservations assisting 359 families. Escalating interest rates, lack of affordable inventory, and rising home prices continue to negatively impact our homebuyers.

Our HAF application was submitted to Treasury on March 31st. Staff participated in a call with Treasury on April 14th and our plan received approval from Treasury on April 21st.

Asset Management & Compliance (AMC) stated that all 2021 Bond annual reports have been reviewed, and nearly all 2021 Tax Credit annual reports have been received and Portfolio Analysts are reviewing them.

AMC has successfully conducted a four-day online Tax Credit Compliance Fundamentals training. Fifty-four trainees attended the online training from across the state.

The Ownership Interest Transfer Process is now an automated Laserfiche process. The transfer chapters in our Compliance Manuals and all associated forms are revised and posted on the website. AMCs 2022 onsite inspections are being scheduled and the inspection report submission process has been converted to a Laserfiche process. The submission of Casualty Loss forms is also now an automated Laserfiche process.

The Finance Division's contract with our new auditors, Eide Bailly, is about to be finalized, at which point engagement letters will be created and preliminary work can start on our FY 2022 audit. The first iteration of the proposed budget for Fiscal year 2023 has been completed and is under review. We expect additional updates before the second iteration that is expected to be presented to you at next month's planning session.

Mr. Walker also mentioned that Dr. Carmen Phelps has been selected as our strategic planning consultant. Staff is finalizing contracting and look forward to having Ms. Phelps join us virtually for part of the May Budget and Planning Session.

On March 22, we announced that 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. 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.

Regarding the Nooksack litigation, the Thurston County Superior Court denied Plaintiffs' request for emergency injunctive relief to stop their evictions, citing concerns over tribal sovereignty. Plaintiffs then moved the Washington Supreme Court for emergency relief and direct review. The Washington Supreme Court Commissioner denied the request for emergency relief for the same reason. No emergency relief was sought against the Commission before either Court. The case is now proceeding on parallel tracks before both courts.

Commissioners' Reports

Commissioner Tripp spoke at the Gonzaga Family Haven Project grand opening with Steve Walker.

Ms. Topper reported that the Audit Committee met this morning. They reviewed the committee charter, swap policy and the investment policy. They requested that counsel review the swap policy to make sure there are no changes since 2019. Mr. Loranger made some amendment recommendations in the investment policy that will come to the Commission for recommendation and approval.

Commissioner Espinoza and State Treasurer Mike Pellicciotti represented the Commission at the Capella at Esterra Park Grand Opening.

As President of the Western Washington Realtors, Commissioner Bascomb participated in the Washington Realtors Week. On Sunday they reached out to their faith-based partners, Monday was membership day, Tuesday was policy advocacy day, Wednesday was their day of service, Thursday was the fair housing day, Friday they had a mixer and Saturday Corinna Obar came and talked about what the Commission does and the Housing Homeowner Assistance Fund (HAF) program.

Chair Rumpf attended an event at a Kitsap Mental Health event for League of Woman Voters regarding supportive housing.

Consent Agenda

The consent agenda was approved as mailed.

Adjournment

The meeting was adjourned at 2:26 p.m.

Signature
