

WASHINGTON STATE HOUSING FINANCE COMMISSION

WORK SESSION MINUTES

June 23, 2022

The June 23, 2022 work session was called to order at 11:00 a.m. by Bill Rumpf at the Board Room of the Washington State Housing Finance Commission at 1000 Second Avenue, Seattle, Washington. In attendance were Commissioners Nicole Bascomb, Pedro Espinoza, Diane Klontz, Lowel Krueger and Mike Pellicciotti.

Lisa Vatske and Dan Rothman introduced the UW Evans School students Robbie Adams, Conor Ford, and Connor Urcuyo. They gave a presentation on their findings following an evaluation of the cost containment strategies for Multifamily Housing projects.

Lisa DeBrock, Margret Graham and Kathleen Komin gave an update on the Housing Assistance Fund (HAF) Marketing and Outreach Strategy.

Russ Evenhuis and Margret Graham gave a live demo of the Affordable Housing Data Portal.

The work session was adjourned at 12:03 p.m.

**WASHINGTON STATE
HOUSING FINANCE COMMISSION
MINUTES**

June 23, 2022

The Commission meeting was called to order by Chair Bill Rumpf at 1:00 p.m. in the Board Room of the Washington State Housing Finance Commission at 1000 Second Avenue, Seattle, Washington. Those Commissioners present were Nicole Bascomb, Pedro Espinoza, Diane Klontz, Lowel Krueger and Mike Pellicciotti.

**Approval of the
Minutes**

The May 23 & 24, 2022 minutes were approved as distributed.

**Public Hearing:
Annual public
hearing for the
issuance of single-
family bonds**

The Chair opened a public hearing for the issuance of single-family bonds, at 1:02 p.m.

Lisa DeBrock, Director of the Homeownership Division, said this annual public hearing concerns the proposed issuance by the Commission of single-family program bonds, special program bonds and homeownership program bonds in one or more series, in a total amount not to exceed \$250 million.

The Bonds will be used to help finance the acquisition of eligible single-family residences throughout the state.

Mortgage loans will be originated by lending institutions under standard FHA, VA, USDA, Freddie Mac and Fannie Mae guidelines, and sold to a master servicer or outsourced to a sub-servicer.

The loan servicer will pool the mortgage loans and sell Ginnie Mae, Fannie Mae or Freddie Mac mortgage-backed securities that are secured by our loans to the

Commission's bond trustee who will acquire the securities with the proceeds of the bonds.

A portion of the bonds may be short term notes which will be issued pending the establishment of mortgage rates through the issuance of long-term Bonds.

The issuance of bonds and any remarketing or refunding thereof are pursuant to a plan of financing of the Commission.

The mortgage loans must meet the requirements of the originating lenders as well as Section 143 of the Internal Revenue Code of 1986, as amended.

Borrowers must be first-time homebuyers unless the property is located in targeted areas or the loan is made to a veteran as defined in the Code, and are subject to maximum income limits.

Properties are subject to maximum purchase prices and must be owner-occupied.

No other public hearing needs to be held for bonds issued within the one-year period. No comments were received from the general public. The results of the hearing will be sent to the Governor for his approval for the issuance of bonds.

There were no other comments from members of the public and the hearing was closed at 1:05 p.m.

**Public Hearing:
Pine Ridge
Apartments, OID #
21-40A**

The Chair opened a public hearing for Pine Ridge Apartments, OID # 21-40A, at 1:05 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 and equipping of a 105-unit multifamily housing facility located at 3725 S. 180th Street, SeaTac, WA 98188, to be owned by SeaTac PR LLC, a Washington limited liability company.

Proceeds of the bonds may also be used to pay all or a portion of the costs of issuing the bonds. The total estimated bond amount is not expected to exceed \$20,000,000. Ms. Petersky introduced Coco Vasquez, President of Hearthstone Housing Foundation and Adam Diskin, Principal at DH&G.

Ms. Vasquez stated that this project's residents are primarily African, Hispanic, and Afghan immigrant refugees working in SeaTac. Renovations will include roof replacement, elevator replacement, new siding, plumbing and sewer replacement, upgraded landscaping, upgraded lighting, new flooring, appliances, countertops, cabinets, moisture sensing fans in all bathrooms, wildfire air quality control systems, solar energy installation, broadband internet access, and ductless heat pumps.

Mr. Diskin said this existing project was built in 1971 and last renovated in 2006. There will be 5 studio units, 52 one-bedroom units, 37 two-bedroom units and 11 three-bedroom units.

There were no other comments from members of the public and the hearing was closed at 1:16 p.m.

**Public Hearing:
Recommend and
present Projects for
Allocation of Low-
Income Housing
Tax Credits from
the 2022 funding
round.**

The Chair opened a public hearing on the recommended allocation of Low-income Housing Tax Credits at 1:16 p.m.

Fruitvale Housing

Jacob Richardson, Senior Development Analyst introduced Ashleigh Kilgore, Housing Developer at the Housing Authority of the City of Yakima (YHA). Fruitvale Housing is planned to be a single, new construction, four-story building, located on Fruitvale Boulevard in Yakima. The new development will create 54 units, 27 of them supportive housing for homeless individuals. The 54 units will consist of 23 studios, 23 one-bedroom flats and 8 two-bedroom flats, located adjacent to YHA's multifamily housing development, Nueva Primavera. This project will have a small YHA office, a community space and laundry onsite.

Good Shepherd Housing

Mr. Richardson introduced Aisaya Corbray, Project Manager of Community & Housing Development, at Low Income Housing Institute (LIHI).

Ms. Corbray stated that after serving individuals experiencing homelessness in the Tiny House Village hosted on site for 5 years, the Lutheran Church of the Good Shepherd wanted to take the next step to utilize their excess land. Despite having been bombarded with proposals by private for-profit developers to buy their land and develop market rate housing, the Church has insisted on retaining Black ownership of their land in the Central Area and providing services to community members, combatting the tide of gentrification and displacement. This 85-studio unit project's construction is projected for 15 months, and current residents will be moved to newly renovated units to prevent displacement. Seventy-five percent of the units will be designated for homeless clients. Amenities include onsite laundry on each level and a rooftop patio.

In response from a question from the Chair, Ms. Corbray stated that they have a long-term ground lease on the property to keep it affordable.

Laurel Manor

Mr. Richardson introduced Joshua Ollinger, Development Project Manager at the Vancouver Housing Authority. Mr. Ollinger stated that Laurel Manor will be a single, new construction, wood-framed, four-story building, located on NE Fourth Plain Boulevard in Vancouver. The new development will create 82 one-bedroom units, 41 of them for very low-income seniors and 41 units of supportive housing for homeless seniors.

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

Action Item: Resolution No. 22-53, 2022 Allocation of Credit for the Housing Tax Credit Program

Lisa Vatske Director of the Multifamily Housing and Community Facilities Division ("MHCF"), said this is a resolution authorizing the Executive Director to make reservations and/or allocations of 2022 Housing Tax Credits to the following projects:

TC #	Project Name	City	County	Credit Amount
22-01	Fruitvale Housing	Yakima	Yakima	\$1,333,411
22-10	Good Shepherd Housing	Seattle	King	\$2,163,829
22-16	Laurel Manor	Vancouver	Clark	\$2,163,816

Ms. Bascomb moved to approve the resolution. Mr. Espinoza seconded the motion. The resolution was unanimously approved with one abstention from Mr. Krueger due to a conflict of interest because he is employed by the Yakima Housing Authority.

**Action Item:
Resolution No. 22-52, Spokane United Methodist Homes, OID # 21-103A**

Ms. Vatske said this is a resolution amending Resolution 22-29 which approved the issuance of one or more series of tax-exempt and/or taxable revenue bonds for Spokane United Methodist Homes d/b/a Rockwood Retirement Communities, a Washington 501(c)(3) nonprofit corporation. The amendment approves the extension of the delegation to the Executive Director to sign one or more bond purchase agreements prior to December 15, 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. 22-50, Evergreen Ridge Apartments, OID # 22-46A**

Ms. Vatske said this is a resolution approving the issuance of a tax-exempt revenue bond to finance the acquisition and rehabilitation of an existing apartment project located at 3451 Woburn Street, Bellingham, Washington 98226, to be owned by a single asset entity, the sole member of which is Mercy Housing Northwest, a Washington nonprofit corporation and an organization described under section 501(c)(3) of the Internal Revenue Code. 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 \$28,000,000. The public hearing was held May 26, 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. 22-30,
Grand Street
Commons, OID # 20-
95A**

This item was pulled from the agenda.

**Action Item:
Resolution No. 22-
32, Mirabeau
Townhomes, OID #
21-37A**

This item was pulled from the agenda.

**Action Item:
Amortizing DPA
Programs**

Lisa DeBrock, Director of Homeownership Division said that at the May budget and planning session, staff discussed bringing a proposal to the Board to add an amortizing downpayment assistance program to the Commission's current offerings. For years, the Commission only offered amortizing seconds with monthly payments. Then, in July 2012, with the inception of the Home Advantage program, staff was able to premium price the downpayment assistance which enabled the Commission to offer deferred payment seconds to homebuyers. As the ability to premium price has become increasingly more difficult, staff is asking for permission to implement an amortizing Down-payment Assistance (DPA) program so it can revolve payments if needed. Staff want to continue to offer the deferred payment second mortgages if possible. Ms. DeBrock introduced Dietrich Schmitz, the Down-payment Assistance Administrator.

Mr. Schmitz said the Home Advantage Down Payment Assistance Program assists thousands of borrowers each year. The Commission has offered both DPA programs with and without monthly payments. Up until early this year, the best approach was to offer DPA without monthly payments, as this approach generally helps the borrowers to qualify more easily for their first mortgage.

With the recent volatility in the market, Homeownership have been unable to fully premium price DPA which resulted in greater difficulty in offering products to homebuyers. At May's Commission Meeting, the Commission approved the use of prior Home Advantage repayments to help issue new DPA loans, provided that the balance of repayments received does not fall below \$80 million. In the

present market, we believe returning to the use of DPA 2nds with amortizing monthly payments will expand this resource, by realizing repayments more quickly and allowing the Commission to reach more homebuyers.

Homeownership will work with Finance and hold off as long as possible to implement this option because it prefers the no payment option currently in use.

Mr. Kreuger moved to approve the Homeownership Division to offer additional avenues of down payment assistance through down payment assistance seconds with monthly payments on the Home Advantage program per the details in the PRI Application. Mr. Espinoza seconded the motion. The request was unanimously approved.

**Action Item:
Resolution No. 22-
54, Single Family
Resolution**

Lisa DeBrock, Director of Homeownership Division said this is a resolution authorizing the issuance and remarketing of Single-Family Mortgage Revenue Bonds, Homeownership Program Bonds, and Single-Family Special Program Bonds in one or more series, in a total amount not to exceed \$250,000,000; reauthorizing the Home Advantage Program; and authorizing the Executive Director to use undeployed funds to provide liquidity for mortgage loan purchase, all to facilitate the financing of single-family housing. Mortgage loans will be originated by lending institutions under standard FHA, VA, USDA, Freddie Mac and Fannie Mae guidelines, and sold to a master servicer.

The resolution approves swap agreements and the selection of a swap counterparty for payment agreements.

This resolution includes both new money bonds and bonds that do not require volume cap, such as taxable bonds.

Resolution 22-54 is intended to cover all of our single-family bonds issued through June 30, 2023 and the approval and sale of certificates for the same period of time.

This eliminates the need to come back before the Commission every time we issue single-family bonds during year and it allows us to capitalize on any advantageous fluctuations we might see in the market.

The resolution also confirms and continues approval of the Home Advantage program and gives the Executive Director delegated authority to enter into additional program administration, servicing agreements, and sub-servicing agreements as are necessary to ensure the continued efficiency of its single-family programs. It also gives the Executive Director authority to take all actions necessary to use undeployed General Operating funds, Program-Related Investment funds, amounts in the Commission Fund and other undeployed funds, to provide liquidity for the purchase of Mortgage Loans for efficiency of the program. It also ratifies the Commission's prior action to permit the allocation of Program-Related Investment funds representing Home Advantage Downpayment Assistance loan repayments in excess of \$80 million to revolving Commission Down Payment Assistance Programs.

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

**Action Item:
Operating Budget
for Fiscal Year
2023 (July 1, 2022 –
June 30, 2023)**

Penice Taylor, Senior Director and Lucas Loranger, Senior Comptroller in the Finance Division requested approval of the proposed budget for the Washington State Housing Finance Commission's upcoming fiscal year, July 1, 2022 through June 30, 2023. Staff have updated a few items from the draft presented at last month's Planning Session and this proposed annual budget is substantially the same as the draft staff presented at the May Budget Planning Session.

The few changes since the May draft include the following additional services or labor costs:

- Redesign of WSHFC website and intranet (\$130,000)
- Translation services for the Compliance Division (\$20,000)
- Elimination of WHEFA (Washington Higher Education Facilities Authority) and TSA (Tobacco Settlement Authority) allocation for the Deputy Director position with a small increase in the affiliate allocation for the Executive Director and IT staff. (\$33,127)

In summary, the net effect of the total changes (\$183,127) from the May draft budget is approximately 0.3% of the total budgeted expense or 1% of the projected net income for FY 2023.

Mr. Krueger moved to approve the 2022-2023 budget. Mr. Espinoza seconded the motion. The annual budget was approved.

**Action Item:
Transfer of
reserves to
Program-Related
Investments (PRI)**

Ms. Taylor stated that the Commission adopted its initial Reserves Policy in 1989. It emphasizes the need to maintain an adequate level of General Operating Fund reserves considering factors such as long-term compliance and financial monitoring obligations, the amount of debt outstanding and current operational activity and liquidity needs. Program-Related Investments were established as a mechanism to invest excess reserves in programs and projects related to the Commission's mission.

In recent years, Governmental Accounting Standards Board statements require us to book underfunded Pension and Other Post-employment Benefits (OPEB) liabilities in the General Operating Fund. While we never expect the liabilities to be billed to us directly, necessary funding will be collected over time in ongoing, monthly benefit charges billed to us by the state. However, being required to include them as liabilities reduces our general reserves.

As in every year since June 2019, staff recommends that the Commission retain \$30 million in General Operating Fund reserves before the effect of these deferred employment-related liabilities is considered. By doing this, the general reserves amount as shown on the financial statements is expected to be between \$22 million to \$24 million depending on the final calculation of those deferred liabilities for June 30, 2022 (\$30 million reserve less the expected \$6 million to \$8 million underfunded Pension and OPEB liabilities). Funds in excess of that are recommended to be transferred to Program-Related Investments.

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

Mr. Kreuger moved to approve the transfer of excess revenue into the Program Related Investments. Mr. Espinoza 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)

Organizational changes are underway to realign work for the Housing Division and Community Services Division. The Housing Division will include the creation of a new Homeownership Unit.

Running new competitive funding rounds for 2022:

\$300 million for Rapid Capital:

- \$140M in competitive funding
- \$20M for rural communities
- \$60M for permanent supportive housing
- \$60M for the Rights-of-Way-Initiative

\$75 million for Traditional Funding: Limited funding will be available to pair with the 4% LIHTC round. We are working with WSHFC and public funders on ways to maximize the anticipated pipeline of projects.

Housing Assistance Unit (HAU)

Public rights-of-way

Commerce is releasing a request for proposals for funding to transition persons residing on rights-of-way (2022 operating budget, Sec. 128, subsec. 132) the week of June 20 and contracting for beds in Thurston and King counties immediately. Outreach and housing offers are now connected to the planned final closure of two encampment sites in the near term.

Growth Management Services

Periodic Update work begins, grants available

Every ten years, all communities fully planning under the growth management act must review and update their comprehensive plan and development regulations. The first round is in the Puget Sound region, with an update deadline of Dec. 2024. Much has changed with requirements, specifically for planning for housing. Commerce received historic levels of funding to help local governments complete the update, the first half of which is now available to the first communities. The update cycle goes through 2027.

Projected housing needs

Commerce is working to project housing needs by income band for all jurisdictions in Washington state. We expect to have the final numbers by early 2023 but are working on the model for projecting housing needs to ensure that the model addresses equity, cost burden for renters, jobs-housing balance, and climate change. We are also working on a model to provide recommendations on allocating countywide housing targets by income band to individual local governments, using the same goals. The allocation includes special housing needs for shelters, emergency housing and PSH. We expect a projection of that need to be ready by the end of the summer.

Guidance on racial equity in housing

By the middle of summer, Commerce expects to release draft guidance on assessing past racial discrimination and exclusion in housing and develop policies to begin to undo this past harm and prevent future displacement.

Round 3 CHIP awards

GMS has now made two rounds of awards for the grants for the “Connecting Housing to Infrastructure Program.” We plan to open round 3 in early July. Awards are capped at \$1 million, and we will prioritize applications from outside of King County.

Middle Housing Grants

Commerce received \$7.5M from the legislature to provide to jurisdictions in the Puget Sound region to address middle housing and past racial discrimination and exclusion in housing, which is part of the required work to update the housing

element or a local comprehensive plan. Currently, the largest jurisdictions have either submitted applications or the intent to apply; they represent about 2/3 of the population and have the staff capacity or grant writers to apply for the money. Other jurisdictions are concerned about the timing or having the capacity to take on more work at this time. Commerce is working on expanding capacity to help local governments, hiring staff and consultants to develop products that all jurisdictions can use.

The Multifamily Property Tax Exemption (MFTE)

Commerce is working with BERK Consulting to develop an MFTE workbook for all program administrators. A final version will be available in July. All jurisdictions may now offer an MFTE program, but more specifics are required from the new jurisdictions, such as minimum densities and a limited time to offer the program. Commerce is also working on a legislative report and an auditing program.

Executive Director's Report

Mr. Walker said that Multifamily & Community Facilities (MHFC) hired Kate DeCramer, who started Wednesday, June 22, as our new Energy lead. Kate recently just completed her MPA at the Evans School and most recently was working for the Seattle Public utilities.

Staff completed a recruitment and hiring process for the manager position that Bob Peterson vacated. MHCF had two strong internal candidates and have hired Jacob Richardson to fill it. They are excited about the opportunity to promote from within the agency and will now begin to back fill for Jacob's development analyst position.

Staff is beginning to get out and about and doing more in person activities. Dan Schilling and Keri Williams attended the Washington State Leading Age conference in Spokane and had the opportunity to visit the Ridpath housing project - a bond project utilizing our critical preservation funds that rehabbed an old hotel in downtown Spokane.

Claire participated in the HDC annual funder panel and there was a big discussion on gaps and how to address those for projects still looking to close. Following that presentation was a public funder meeting to discuss the coordination and strategy for addressing the ongoing gaps that are being created through interest rate increases, supply chain issues and the competitive labor and subcontractor environment. Staff heard quite a bit about this as an issue throughout the country at the tax credit conference this week in Chicago where many of the division staff have been.

Homeownership Division said the HAF Program continues to progress towards its opening in July of 2022 and remains on schedule. The HAF Team has been working closely with our IT vendor as well as our marketing consultant to develop the application portal and the tools necessary for outreach. Shortly we will begin training our partners on the system so they will be ready to assist Washington State homeowners in need of assistance.

Lisa DeBrock attended the Western States Homeownership Director's conference in Casper, Wyoming on June 5th-7th to compare programs and discuss best practices.

Homeownership staff attended the state's DEI training offered throughout the month of June.

In May, Homeownership had \$111 million in new reservations assisting 316 families. Continued escalating interest rates and lack of liquidity in the secondary market continue to provide challenges for our programs and for homebuyers who are struggling to qualify.

The Asset Management & Compliance (AMC) Division said the Portfolio Analysts have closed out their reviews for all 2021 Bond annual reports.

Staff anticipate Portfolio Analysts to meet their goals for reviewing 40% of all tax credit annual reports by June 30.

The compliance training schedule for FY23 starts in July, AMC already has 50 registrants signed up for that class.

Physical inspections of tax credit properties have begun, our inspections are being completed by two contracted vendors as well as City of Seattle Office of Housing staff. Inspections are resuming after a 2 year pause due to the pandemic.

In the month of June, AMC made significant progress with the Nooksack Indian Tribe Housing Authority (NIHA) toward compliance with the Transfer Plan.

AMC is actively engaging and working to identify gaps to promote Fair Housing and racial equity compliance across the portfolio. A core group is working on developing a stakeholders survey and will deliver it in August 2022.

The Finance Division said staff have been in contact with the State Auditor's Office and are in the process of beginning our fiscal year 2021 accountability audit. The first step in the process is a risk assessment meeting scheduled for June 24th.

Eide Bailly, our new independent auditors, have been working with our former auditors, Moss Adams, reviewing their workpapers in preparation for our fiscal year 2022 financial audit. Staff expects them to do preliminary fieldwork over the coming month.

Steve Walker mentioned he is in Chicago attending the NCSHA Executive Directors Forum that runs alongside the Tax Credit Conference. We will be the host agency for both the Directors Forum and this large industry conference in June 2023.

Lisa Vatske joined Steve at the first convening of NCSHA's Recommended Practices in Housing Credit Administration task force. The NCSHA Board charged this task force with reviewing and potential revising NCSHA's existing Housing Credit Recommended Practices—last revised in 2017. Over the course

of the next 12 month this group will solicit input from all HFAs and key industry stakeholders. Recommendations will be presented to the NCSHA Board at the June 2023 meeting in Seattle.

Strategic Planning Committee was established with Bob Peterson serving as Chair. Our consultant Dr. Carmen Phelps continues her review and discovery process of all programs and internal operations.

Commissioners' Reports

Commissioner Espinoza attended a grand opening for the Filipino Community Village in Seattle.

Consent Agenda

The consent agenda was approved as mailed.

Adjournment

The meeting was adjourned at 2:18 p.m.

Signature
