



# STATE OF WASHINGTON DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

**Policy Advisory Team  
Department of Community, Trade and Economic Development  
Angle Lake Court Community Room, SeaTac  
March 26<sup>th</sup>, 2008  
10:00 a.m.-2:00 p.m.**

## **I. Apprenticeship/Prevailing Wage Update (Presented by Lisa Vatske)**

Dan Riebli met with the Washington State Apprenticeship and Training Council. CTED is starting with an internal training for staff and is looking at providing additional technical assistance to sponsors.

## **II. Green Building (Presented by Lynn Davison/Lisa Vatske)**

A handful of organizations submitted the Evergreen Sustainable Development Standard (ESDS) Checklist for the spring 2008 Funding Round, which HTF is using as a pilot round for this fall. The HTF is currently looking at implementation issues revolving around verification and moving projects from application stage to contracting stage and what to do after a project is placed in service. The Green Subcommittee of the PAT will be looking at the work done so far in the coming month. The HTF is getting ready for training for contractors and architects as well as providing a Evergreen Standard Toolkit on the web. Participants discussed rural self-help homeownership organizations being highly concerned about the ESDS and feeling like they are going to be shut out of the Trust Fund. PAT participants discussed doing a Homeownership training as well as having a group look at rural homeownership in particular to see if there are in fact issues that aren't addressed in ESDS. There is a need to look at seasonal farmworker housing and mobile home parks to see if there are implementation issues there.

## **III. Operating & Maintenance Update (Presented by Tanya Mercier)**

The HTF renewed 98 O&M contracts for 2008. At the time of contract renewal in mid-November 2007, HTF started looking at how people used their 2007 awards. From the difference of what was contracted compared to what was used, some savings were found that allowed for one time increases- they may not be renewable for 2009, but will provide a cushion for 2008. HTF staff are looking at doing this again in June, and are now billing monthly in hopes of making sure organizations are using the resource. Discussion over whether the HTF is seeing any change to the income stream to the 2060 fund based on the real estate market. There are nine requests for the Spring Round for O&M, so the Trust Fund is still wanting to make sure resources are available for new projects. The HTF is not proposing any big changes and are trying to balance aggressively spending with watching how the market is reacting and organizational needs. PAT members commended the O&M program for the level of organization it has achieved for being a start up program. The HTF will present an analysis of recording fee trends during the July 2008 PAT meeting.

#### **IV. Homeownership (Presented by Lisa Vatske)**

During this round, the HTF was doing organizational assessments while reviewing projects, which was both a rewarding and labor intensive process. A separate HO credit committee was created for reviewing projects. A lot of projects were going for the same funds. A policy issue is how deep does the Trust Fund want to go for single family projects? Several projects from the 1<sup>st</sup> round still haven't used resources, so in June the HTF will be looking at organizations with unused resources and shifting them to where they will be used. Lisa wants to discuss a future date regarding whether the \$50,000 funding limit policy makes sense or if we need to fund deeper.

#### **V. Multifamily Portfolio Presentation (Presented by Heather Matthews)**

CTED Asset Manager Heather Matthews provided an overview of data pulled from the 2006 Annual Reports. PAT members discussed both the methodologies and the strengths and limitations of the data and provided feedback to ensure that the most useful indicators of trends in the HTF were being used. This presentation will be available May 2008.

#### **VI. Level of HTF Investment (Presented by Paul Purcell, Dan Schilling and Lisa Vatske)**

PAT Chair Paul Purcell discusses background for conditions of the tax credit market:

- Fannie Mae and Freddie Mac represented 25% of the current tax credit market; both pulled out last fall.
- The subprime phenomenon happened causing most investors profits to start disappearing and they had no profits against which tax credits could be applied.
- Across the country there are about \$10 billion tax credits being purchased each year, yet the pool of investors has shrunk, and about 8 out of 10 projects will not get investors.
- A huge withdrawal in Washington is not anticipated, but we are seeing people dropping prices significantly. Projects are now facing a gap in where they expected tax credit equity to be and where it is now.

Within this context, the HTF would like to address two issues: what should be our level of investment and how are we going to fund the gaps? CTED staff propose two progressive models for funding the gaps: one for projects with tax credits with the maximum level of HTF investment getting progressively larger as the project got larger, but as a percentage of total project cost from all funding sources, would be smaller. The second model for non-tax credit projects would provide for a higher level of HTF funding depending on the additional resources that a project obtained. HTF staff applied the models to former projects to determine which would work better as a tax credit or non tax credit projects. Tax credits generally made sense when the total residential development costs were over \$7 million. However, the HTF expects the units per dollar ratio to drop as well as the leverage ratio to drop. PAT members, while concerned about these unintended consequences, were supportive and viewed this as a positive response to an uncertain tax credit market.

### **VIII. Housing Trust Fund Funding Scenario (Presented by Lisa Vatske)**

The HTF has a balance of \$37.65M after the budget provisos are accounted for in the 2008 supplemental Legislative session. HTF proposes \$4.5M (or 12%) for Homeownership, \$10M for funding gaps for existing projects, and splitting the remaining \$23.15M among the 2008 multifamily funding rounds, with the possibility of shallower in the spring and deeper in the fall. PAT members agree that this is a sensible use of the funds available.