BOARD MEETING SUMMARY
Thursday, August 8, 2013
10:00am to 1:00pm
SeaTac Community Center – SeaTac, WA

ATTENDANCE

STAFF
Janet Masella, Tedd Kelleher and Cherish Rahikainen.

GUESTS
Steve Walker, Washington State Housing Finance Commission
Alison Mendiola, Staff Coordinator & Counsel, Washington State Senate
Sean Flynn, Staff Counsel, Washington State House of Representatives
Ben Minsch, Washington Low Income Housing Alliance
Maureen Howard, Habitat for Humanity
Jeanette McKague, Washington Association of Realtors

INTRODUCTIONS AND CONFIRMATION OF AGENDA
Faith Pettis
Faith summarized the agenda.

APPROVAL OF MINUTES
The June 2013 meeting summary was approved.

REPORT FROM THE CHAIR
Faith thanked Board members for attending. Since the last Board meeting, Faith attended the State Advisory Council on Homelessness and Interagency Council on Homelessness joint meeting. Faith has asked Tedd Kelleher to join us today to share the presentation he gave at that meeting on the state of homelessness in Washington.

Faith also attended the Washington Low Income Housing Alliance Board meeting to share an update on the Board’s efforts around the housing need study, and attended the National Council on State Housing Agencies Tax Credit Conference in San Francisco to learn more about what’s going on in the industry.
COMMERCE / LEGISLATIVE & BUDGET UPDATE

Dan McConnon provided an update on the Department of Commerce. The 2013 Legislative session has come to a close and all things considered, the Department came out better than expected.

Although Housing and Essential Needs program was threatened, the end result was the anticipated funding cut.

Commerce received an additional $5 million for the Home Security Fund to be set aside for family rapid re-housing.

The Housing Trust Fund was funded at approximately $50 million, all projects have been earmarked and the alternate list is prioritized. Dan shared that there are unintended consequences if we continue with the “list” funding method. For example:

- Although we are targeting the money to those who are most in need, the “list” process results in more projects in the portfolio that require support money, which is declining at the state and federal level. This is creating a problematic gap.
- We miss the opportunity for leverage because of time constraints. This makes it especially difficult to connect with other funders and tax credits.

Dan asked Board members to advise the Department on next steps as we move forward in preparation for the 2014 Legislative session. Tony To, Lauren Walker and Kim Herman volunteered to help draft a letter to the Speaker before the next Board meeting to addressing the Housing Trust Fund list issue as well as broader approach on how to invest in housing and connect to transportation, jobs, etc.

The Department is preparing decision packages due to the Governor’s Office in September. The Community Services and Housing Division’s package includes:

- The Home Security Fund has two years before the surcharge expires and money for homelessness will drop by 25 percent. Working to make the document recording fee permanent.
- In addition to changes on the Housing Trust Fund list, the Departments is also looking at trying to size a supplemental ask for additional capital funds. Working to tie housing to the Governor’s job package. Also looking at issue of subsidies and operating money.

RFQQ AND NEEDS STUDY UPDATE

The Department received eight RFQQ proposals for the housing needs study. The review team was thrilled with the quality, thoroughness and thoughtful approaches on how to collect the data it is looking for. Applications were scored and oral interviews were conducted on July 30. The team narrowed the selection down to Mullin & Lonergan Associates, Inc. out of Pennsylvania. The team will meet in-person with the consultants on September 5 at the WSHFC in Seattle to discuss next steps in detail. Board members are invited to attend.

Mary Schwartz, Data Systems Manager with the Department of Commerce, will manage the contract.

Our goal is to have an initial report ready in time for Assembly Days in November. The ultimate delivery date will be in late June/early July.

We currently have $135,000 in committed funds. We are still seeking additional funds. Faith will talk with the Housing Authorities in September to raise funds for future data transfer and methodology work.

Faith will route the RFQQ to the Board for those interested.
**HOMELESSNESS AND POINT IN TIME COUNT RESULTS**
Ted Kelleher presented a slideshow on homelessness data, which was also shared at the June State Advisory Council on Homelessness and Interagency Council on Homelessness joint meeting.

Statistics shows that homelessness in Washington State is on the decline. This is, in part, thanks to central assistance at the local level and assisting individuals and families on a case-by-case basis instead of a “one size fits all” approach.

**GENERAL POLICY SUBCOMMITTEE**
Obie O’Brien brought forward additional information on a potential policy issue for the Board to take position on.

**GMA Amendment to require cities to accommodate target population growth.**
The Washington State Office of Financial Management reports expected growth by county then the cities and county meet in Council of Governments (COG) to allocate the projected numbers to the affected cities. This projection is rolled into decision making and adjustments to the cities Comp Plan and to the Urban Growth Area (UGA) expansion requests. The county then makes decisions about the changes suggested by the cities for their UGA.

Issue: Sometimes cities have not followed the growth projections and blocked projects from developing that would increase their populations.

Questions
1. Is the resistance of the city based on overburdened infrastructure? i.e. “The sewer system is at capacity and cannot accept the inflow.”
2. Is the resistance a matter of controlling the projects in order to control the “low income people”?
3. Is the resistance individual in that the city does not like the project itself for design or compatibility issues?
4. Is the resistance a demonstration of a more general attitude of “We like it the way it is and do not want to change?”

When approaching city leaders, planners, and developers it appears that the resistance is one of four concerns:
1. Cities have been put on Sewer Moratoriums by Department of Ecology and or Department of Health until repairs and upgrades can be made to the systems. At least one city was directed by the court to permit a project because the deficiencies in the sewer system could not be demonstrated to the satisfaction of the judge. This concern among the other infrastructure concerns may be addressed more effectively outside of a GMA amendment process.
2. Resistance based on discrimination is difficult to demonstrate often because the concerns expressed may be a cover for the real concern. This may be dealt with outside the GMA amendment process.
3. Design or compatibility issues seem to be source of strong resistance but that may be the easiest to deal with, again outside the GMA amendment process.
4. This is the one that has the biggest challenge and is a problem for city leaders as well as developers. In my opinion this is the hardest one to address and in fact the one that may be addressed by an amendment to the GMA.
GMA Amendment
Pros:
- Less resistance by some cities to accept affordable housing projects. Perhaps targeted percentages of the growth numbers to call out affordable housing projects as required part of the city’s growth.
- Required growth may encourage city planners to facilitate affordable projects as a higher priority.

Cons:
- Resistance by cities will be strong because they do not want to be forced to comply with more GMA requirements.
- Legislature Representatives and a Senator are interested in following up on amending the GMA. Many city and county leaders are interested in changing the GMA in one area or other so maybe this change can be rolled into a larger review. The Legislature has talked about looking into the GMA recently. Talks are scheduled with the Senator and two Representatives. Other legislative staffers have indicated interest on behalf of their boss but have not returned calls with times to meet yet.

Steve Walker from the Washington State Housing Finance Commission also presented additional information on a policy issue regarding charging impact fees on a per-square-foot basis for multi-family housing development.

Per the request of the Board at the last meeting, Heather Bunn from RAFN and Steve looked deeper into this issue. The purpose of charging impact and hook-up fees is to maintain infrastructure and public facilities, but clearly impact fees have a direct effect on cost and those costs are passed on to consumers, such as renters and buyers. Impact fees and hook-up fees are assessed in different ways in different communities, such as residential vs. commercial.

Unlike commercial property, impact fees for residential projects are usually charged on a per-unit basis which, especially in the context of multifamily development, can have the unintended consequence of encouraging larger, more costly units to off-set that fee. This could also inhibit building smaller, more affordable units.

One suggestion is to have residential impact fees assessed in the same as commercial, on a square-foot basis.

Motion: Moved by Faith Pettis for Dan McConnon to raise these issues with Nick Demerice, Director of External Relations to discuss next steps and the possibility of adding to Commerce’s 2014 legislative agenda.

- Ayes: 10
- Nays: 0
- Abstain: 1

SUBCOMMITTEE AND OTHER REPORTS
State Advisory Council on Homelessness (SACH)
Chris Lowell thanked those who attended the June 13 joint meeting with the State Advisory Council on Homelessness and the Interagency Council on Homelessness. The meeting was a success and the two groups look forward to another joint meeting on October 24.
Encouraging data was shared at this meeting which shows homelessness is becoming increasingly manageable. The Department of Veterans Affairs shared that chronically homeless veterans has dropped from 8,000 in 2009 down to 1,400 in 2013. To date, there are 3,000 chronically homeless ill individuals in the State of Washington.

**HOUSING TRUST FUND COST-EFFECTIVENESS UPDATE**
Janet Masella provided an update on implementation of the recommendations included in the 2012 report, *Increasing the Cost-Effectiveness of Housing Trust Fund Investments*. Beginning with the 2013 HTF application round, the cost per unit of each project will be compared to the cost of similar projects in a similar geographic area. Applications exceeding 110 percent of the average cost will have to justify the higher cost or reduce costs in order to be considered cost-effective. Applications are due in September and awards will be announced in early December. Kevin Grossman asked about the viability of comparing costs against non-HTF projects in similar areas and discussion ensued.

The Policy Advisory Team (PAT) reviewed the ten recommendations and selected three to work on over the next year. Subcommittees have been established to look deeper into these recommendations and will provide an update at the next PAT meeting, scheduled September 18:

1.) Identify potential incentives for cost savings during the project development phase
2.) Conduct an inventory and impact analysis of regulatory requirements that continue to drive costs
3.) Establish a methodology for factoring long-term operational cost efficiencies into the evaluation of project development costs

**CLOSING REMARKS**
The next Board meeting, currently scheduled for November 14, may be moved to coincide with Legislative Assembly Days. The formal Board meeting will take place the Department of Commerce in Olympia. Please stay tuned for updates.

Board members are now responsible for bringing their binders and meeting materials to each quarterly meeting. Cherish will distribute the agenda, previous meeting summary and any handouts prior to each meeting for members to print. Cherish will continue to coordinate name tags.

**MEETING ADJOURNED 1:00pm**

**Future items:**
- Development Costs

**Next Meeting:** *To be determined to coincide with Assembly Days*
*Department of Commerce – Olympia, WA*