



Department of Commerce

Policy Advisory Team
October 2, 2017
Spokane, WA

Meeting Summary

Participants: Chris Pegg-Housing Opportunities of SWWA, Sharon Lee-LIHI, Tony To-Homesight, Marty Miller-ORFH, Kim McCollim-HUD, Fred Peck-Spokane Housing Ventures, Scott Crain-NW Justice Project, Patrick Tippy-CHSWW, Johnnie Barnes-Renton HA, Melora Sharts-City of Spokane, Darryl Reber-IERR, Kay Murano-Spokane LIHC, Michele Thomas-WLIHA, Kate Baber-WLIHA, Lael Duncan-OCCAC, Angie Kieffer-Community Frameworks, Chris Collier-HASCO, Fred Safstrom-Housing Hope, Ann Melone-US Bank Corp, Marty Kooistra-HDC, Mark Ellerbrook-KCHA, Chris Jowell-CCSWW, Ginger Segel-Community Frameworks, Peggy Papsdorf-Pioneer Human Services, Connie Brown-TPCAHC, Bryan Ketcham-CCHSY, Judith Olsen-Impact Capital, Robin Koskey-Seattle OH, Lisa Vatske-WSHFC, Renee Rooker-Walla Walla HA, Maureen Fife-Habitat, Susan Duren-WCRA, MA Leonard-Enterprise, Mark Gropper-Renton HA, Cindy Proctor-Beacon, Corina Grigoras-Commerce, Diane Klontz-Commerce, Jennifer Lane-Commerce, Ann Campbell-Commerce, Jason Davidson-Commerce, Emily Grossman-Commerce.

Remote Participants: Paul Fortino, Paul Lambros-Plymouth, Kathryn McCormick-Tacoma HA, Trudy Soucoup-Homes First, Jackie Anderson-Snohomish Co, Karen Peterson-Tacoma HA, Bob Peterson-WSHFC, Klaas Nijhuis-ARCH, Sandy Burgess-Tacoma HA, Jeff Guyett-CAC Whitman, Sandra Martinez-CAC Whitman, Jackie Moynahan-King Co, Tina Ilvonen-Snohomish Co, Lisa Byers-Opal CLT, Wanda Johns-DSHS, Megan Hyla-KCHA, Ken Katahira-Snohomish Co, Felicia Medlen-Snohomish Co, Samya Lutz-Bellingham, Pam Denham-Commerce, Susan Butz-Commerce, Michelle Campbell-Commerce.

Agenda Item	Key Discussions/Decisions
Introductions	Chris Pegg welcomed members and participants. Introductions were made, agenda discussed, and attendees signed in. All welcomed Ann Campbell, the new Project Management & Underwriting Manager in HTF, replacing Nathan Peppin. PAT will be accepting new membership applications , as some of the memberships recently expired. Corina will send out a notice to stakeholders.
Department of Commerce Updates	There is still no 2017-2019 capital budget. Many rumors speculate a winter/spring budget being passed. Commerce will continue to move forward with the Stage 2 reviews to stay in alignment with the other public funding and tax credit rounds.
-Diane Klontz/ Corina Grigoras	The Housing Assistance Unit released their Homeless Housing Strategic Plan at the beginning of 2017. This report was initiated by the Homeless Housing and Assistance Act . Diane spoke about the Housing Assistance and the Housing Finance Units collaborating on their policies and top priority to combat

homelessness and increase the affordable housing stock in our state. The Strategic Plan outlines seven primary goals that will support the statewide homeless crisis response system through specific strategies, actions, timelines, and performance measures within each goal. Please check out the Strategic Plan, or visit the [Housing Assistance](#) webpage for more information on Commerce's plan to combat homelessness.

Diane announced that Cary Retlin is Commerce's new Behavioral Health Housing Administrator. The Governor requested this position and the Legislature passed it in the 2017 session. Cary will work with other state agencies and a variety of stakeholders with a focus on helping people with behavioral health problems find permanent supportive housing. Cary will be facilitating conversations and will collaborate with HCA and DSHS on this project, including incorporating the new Medicaid Transformation Waiver.

JLARC will conduct a new study comparing cost efficiency of market rate housing and publicly subsidized low-income housing. The Governor vetoed this section of the budget as he felt that the focus should be on addressing the current homelessness crisis and increasing the housing stock in our state. [JLARC](#) is an independent legislative committee and its members decided to proceed with the study. Conversations between JLARC and Commerce and the Housing Finance Commission started in September. JLARC completed a similar study in 2009: see [2009 study](#). Meeting participants shared concerns whether this study will be effective or portray subsidized low-income housing in a negative light. JLARC shared with Commerce that they are looking to Commerce and Commission staff for guidance on how to conduct the study, and are open to new ideas. Commerce will continue to work with JLARC, brainstorm, offer ideas, and continue educating the Committee so they have enough information to build an accurate report. JLARC has an aggressive timeline with hopes of having the report completed by December 2018. Commerce and the Commission will continue to watch the committee's timeline and assist as needed.

HFU continues to process increasingly complex contracts for our recent HTF awards, and some contract negotiations are moving slower than in the past. Many of our contractors and funding partners have seen the increasing tax credit complexities in these contracts. The unit's contracts lead has been out on maternity leave and we have new contracting staff. The unit brought back Dian Gowen (who retired in 2016) to help with some of the backlog. The contracting team is also working to revamp the HTF contract templates, which will have a modular format with the terms broken out by specific programs: HTF, HOME, Homeownership, National HTF, etc. This will have a positive impact and expedite the contract negotiations. It will provide a standard template that is readily available for our contractors and partners to review, while project-specific details and loan terms are being negotiated. The unit is also looking at providing technical assistance workshops in the next year. This was a common feedback

	<p>request from the application workshops conducted in May (survey results were shared with PAT and interested parties via email on 9/25/17). In fact, HFU has been advertising ad-hoc technical assistance sessions at the Commerce booth during Housing Washington Conference (flyer has been emails recently).</p> <p>Chris Pegg asked for a status update on the AHAB’s needs assessment. Emily Grossman shared that the WSHFC posted an RFP to hire a contractor to collect data on the state- & federally- funded affordable housing supply and design a public interactive portal. This data collection is the first step to updating the AHAB needs assessment for 2017. A committee of AHAB is finalizing the scope of the remaining work. Tasks will likely be split between the Department of Commerce and a third party contractor.</p>
<p>2017 Application Round Update (Stage 2 Solicitation)</p> <p>-Corina Grigoras</p>	<p>HTF released the Stage 2 Solicitation on August 8, 2017. The solicitation was carefully worded so applicants understand that the funding round is contingent on a capital budget being passed. HTF is optimistic that a budget will be released and will continue efforts to stay in alignment with the other funders and tax credits. Award decisions cannot be made, applications cannot be ranked with the scoring tool, and funds cannot be decided on or awarded until a budget is released. Once the budget is released, HFU will release an addendum and applicants will need to submit additional information, such as their third party reports and any remaining information needed to make award decisions. HTF staff will then process the remaining application information as soon as possible.</p> <p>HTF will likely have some federal funds from HOME and National HTF programs. HUD is still in the process of approving the two new funding agreements. Funds available for capital projects will be approx. \$2.6 million in HOME and \$3.5 million in National HTF program. It has not been decided at this time whether federal funds will be used to award any projects this year, before a state capital budget is released and before HTF has a chance to fully evaluate the Stage 2 applications.</p> <p>A bill (HB 1777) was passed in the 2017 legislative session with changes to RCW 43.185.050 (3) that state: “Preference shall be given for projects that include an early learning facility.” A new program is being created in Commerce that will fund early learning facilities (ELF), which is pending capital budget funding. HTF will likely apply this preference in the third phase of the evaluation process, after the applications are scored and ranked, and at the time coordination with the other funders and programs will be conducted. This topic will be discussed at the next AHAB meeting with guests from DEL. A question was asked whether or not the facilities will accept all income levels or if they are specifically for low-income or state-subsidized children. Meeting participants agreed that this would also be a great topic to discuss at the upcoming AHAB meeting with DEL staff. HTF and funders will continue to find a common ground to incorporate the ELF preferences. A meeting participant indicated that Bay Terrace in</p>

	<p>Tacoma is a housing project with an ELF on site and the model seems to be working. Concerns were expressed in the room regarding the disadvantage to rural communities for their incapacity levels, and about how to align operating costs and funds for ELFs. Please send your suggestions or comments for ELFs to Corina.</p>
<p>LIHTC Program Updates</p> <p>-Lisa Vatske</p>	<p>The tax credit deadline is still January 17, 2018. LIHTC is likely to continue with the current funding schedule. Tax credits must be allocated into the competitive pool or they revert to the national pool and cannot be used until the following funding cycle. LIHTC does not want to take that chance and will continue forward with the funding round regardless of a capital budget being passed. A capital budget not being released could impact the types of projects that are funded in the 9% pool. LIHTC will continue to coordinate with Commerce and the other funders throughout this unprecedented situation. A question was asked: if HTF is not funded, will the tax credit round still award funds? Yes, LIHTC will still move forward. 50% of LIHTC projects do not include HTF dollars. The main impact will likely be changes to population target and income level. King County will have little or no impact, the metro pool may have more impact than King County, and the non-metro pool will take the hardest hit. Another question was asked about a project's inability to meet set-asides and can they be pulled from other set-asides? Lisa said this is a possibility and has happened in the past and will be addressed at the time. LIHTC believes they will see other types of projects rise to the top without a capital budget.</p> <p>Changes to the 9% Housing Credit Policy were recently approved. The policy change proposals were discussed at the last PAT meeting: total development costs, geographic credit pools, farmworker housing, and leverage. They include a 3% increase in total development costs, point changes to leveraging, farmworker, and tribal projects, and income chart changes for lower income counties. Please check the links above for more details.</p> <p>The LIHTC program is keeping an eye on incoming disaster relief increases, due to the new approval to use LIHTC units for areas affected by disaster. Discussions will continue on disaster relief efforts. Cost of materials might also increase due to disasters and LIHTC wants to be prepared for these costs.</p> <p>The 4% Bond program was a bit less competitive than anticipated. The market fell so the pace fell. LIHTC is matching with similar projects that are out there now and still believes there is a large demand for the 4% program, especially with new incoming TOD funds and county funds. LIHTC will continue to hold rounds, the next round is October for projects that can close by March and another towards the end of the year. The bond program is working with other housing authorities and is robust. LIHTC is not seeing the scarcity as expected.</p>

	<p>The Land Acquisition program has been approved for additional funds. Many are interested in the program and the Commission expects to see a good number of requests received.</p>
<p>WLIHA's Legislative Updates and Advocacy Efforts</p> <p>-Michele Thomas</p>	<p>WLIHA legislative agenda is created and is very similar to the last year's. Agenda process is created by a policy committee with Alliance members and others. The committee met 3 times and voted on the key priorities of the agenda. These priorities include a capital budget being passed, making sure that the request for HTF is not reduced, trying to pass a statewide source of income discrimination ban, and protect operating budget programs that are in place for homelessness and housing, including the Medicaid program.</p> <p>Agenda was worked out with two different scenarios in this situation. The 45th district seat is up for re-election. If the seat flips to democrats, the Hirst bill and other reasons that have held back the budget could drop, and the budget could be signed. Even with democrats leading, we would still need at least five Republicans to vote yes. WLIHA is continuing to advocate to these representatives. The Alliance does not foresee any special sessions until January, including sessions to discuss the capital budget. There are also discussions happening around the supplemental budget and, if it does happen, it will be relatively small.</p> <p>The Alliance will hold a press release to highlight the issues surrounding no capital budget and to educate the public more on HTF.</p> <p>Please contact Michele at the Alliance if you would like to reach out to any senators or representatives to help advocate.</p>
<p>Subcommittee Reports – Loan & Underwriting</p> <p>-Jason Davidson</p>	<p>The Underwriting & Loans Subcommittee was formed several months ago to standardize award loan/grant terms for HTF contracts. The goal of the subcommittee is to finalize a term sheet so funding structure expectations can be established earlier in the application and award cycle, which will provide more predictability and more consistency in our loan terms and contracting process overall. The subcommittee has met a few times and came to a great starting point with creating term sheets. The subcommittee will reconvene in the next couple of months.</p>
<p>Portfolio Preservation & Asset Management</p> <p>-Jason Davidson</p>	<p>A HTF preservation NOFA will be created if/when the capital budget is passed with \$10 million preservation funds included. The funds are specifically targeted to existing HTF buildings that are 15+ years old. Commerce submitted a new decision package and requested an additional \$10 million in the 2018 supplemental budget.</p> <p>The new application for workouts and amending contracts is being used. So far, there has been good feedback from contractors and it has helped tremendously with grouping multiple changes to contracts.</p>

	Please send any feedbacks to Jason regarding the new application. The HTF monitoring team is wrapping up the monitoring season, with approximately 217 onsite visits completed this year. One of the monitors, Doug Ogden, will be retiring this year. Monitors will be working on the annual reporting reviews (ARR) next. WBARS desk audits will follow the ARRs. Please contact Jason or AM staff if you have any questions.		
Closing Remarks	Chris Pegg concluded the meeting, and encouraged members and participants to attend every PAT meeting <i>in-person</i> . 2018 PAT Meeting dates to be discussed at next meeting.		
Next PAT Meeting	December 5, 2017 9:00am – 12:00pm	Pacific Tower Seattle	AHAB Meeting to follow PAT Meeting