



Department of Commerce

Policy Advisory Team MEETING SUMMARY October 4, 2016 Tacoma, WA

Agenda Item	Key Recommendations, Decisions, Discussion
Welcome and Introductions	<ul style="list-style-type: none"> Chris Pegg started the meeting with introductions.
2016 Application Round: <ul style="list-style-type: none"> Housing Trust Fund Stage 2 Applications Ultra-High Energy Efficient Demonstration Health Homes 	<ul style="list-style-type: none"> Corina Grigoras had sent out the list of Stage 2 applications. 37 applications were received for a total ask of \$58M. Ultra-High Efficiency has \$1.9M available and received 5 applications for a total ask of \$2.9M. There was only one application for Health Homes; the NOFA will be reposted. It is likely that Health Homes funding will be back in front of the Legislature to decide how to handle the re-appropriation, should we not receive applications for the Eastern Washington and Pierce County areas. Housing Trust Fund (HTF) reviewed last year’s awarded units, the unit goals given by the Legislature in the Capital Budget, and the units proposed in this year’s applications. There are three legislative categories that would remain unmet even if we funded all the applications: people with chronic mental illness, homeless youth, and homeless families with children. The 2016 applications will be reviewed after the Housing Washington Conference. There will be no numerical scoring criteria this round. HTF staff plans to use a similar approach as for the last year’s funding round. The criteria evaluated are outlined in the NOFA. HTF hopes to make awards in mid-December 2016.
Policy Advisory Team (PAT) Subcommittee on the Application Scoring Tool	<ul style="list-style-type: none"> A subcommittee was formed and a very successful first meeting was facilitated by Faith Pettis. The committee is made up of HTF members, local funders, with both rural and urban geographic representation. Chris Pegg made a concerted effort to have statewide representation. The subcommittee defined their goals – Commerce would like an objective, predictable, and transparent process to evaluate applications; funders and stakeholders would like to retain past flexibility, while still supporting Commerce in having a process that is objective and defensible. The group will continue to meet and is expected to make great progress. After the subcommittee finishes its work, it will present its proposal to the PAT and the stakeholders. The subcommittee hopes to have it ready for the December 2016 PAT meeting. This process will take time. The hope is to have a final application evaluation process in place by the 2017 NOFA.

	<ul style="list-style-type: none"> • For next year’s Stage 1, Commerce is considering compiling the information to share with legislators and stakeholders, but not evaluate or score the applications. Chris and Lisa noted the value of having a Stage 1 to show what is coming in the pipeline and narrowing the scope of asks for Stage 2. The subcommittee had a very productive discussion about the purpose of the Stage 1. Stage 1 applications demonstrate to legislators the statewide need and give Commerce an idea of what is coming in the pipeline. There was discussion about the value of having a Stage 1 application, when there are so many changes between Stage 1 and Stage 2. • Sharon Lee encouraged the committee to consider the high cost of family housing (i.e., <i>large-family</i> units), and urged them to think about permanent and supportive housing, as well. Chris Pegg added that the cost-effectiveness did come up in the subcommittee, but is back-burnered for now, in the interest of focusing on the scoring tool.
National Housing Trust Fund (NHTF) Update & Landlord Mitigation Program Update	<ul style="list-style-type: none"> • NHTF: HTF submitted a revised allocation plan to HUD, for 2016 only. The allocation plan is available on the Commerce website. HUD gave Commerce verbal approval, we are awaiting for the formal notice and HUD award. • While Commerce plans to start a conversation about the distribution of funds in future years, this year’s funding will go toward new construction. • Commerce asked the group to consider how they would like this to look for future years. Lisa Vatske suggested that moving forward, funding should be used as an operating source, and that be made a core priority. A show of hands suggested that the group largely agreed. (NHTF regulations allow for 30% of a project funding going towards O&M.) • There was discussion about the formation of a stakeholder group to develop NHTF policy and future implementation. • Nathan invited stakeholders to a session at the Housing Washington Conference, to learn more about the NHTF, on Thursday, October 6, 2016. • Please let Chris Pegg or Corina Grigoras know if you are interested in being part of the stakeholder group for the NHTF policy. • Landlord Mitigation Program: If private market landlords have damage from a Section 8 voucher holder, the state can refund them \$500 to \$5,000 per tenant. • We are in the final stages of working out the details of the program and gathering stakeholder comment. The program implementation plan had been sent to various stakeholders for review and the program should be up on and running on our website soon.
WLIHA Legislative Priorities	<ul style="list-style-type: none"> • The 2017 policy priorities were approved by the WLIHA board in late September. • Development of the support agenda will take place in late November or early December.

	<ul style="list-style-type: none"> • Medicaid waiver was recently approved and announced. • WLIHA encourages housing stakeholders and providers to meet with legislators to discuss affordable housing needs. Including your board members and residents is a powerful way to demonstrate need. WLIHA has a survey tool that can be used to inform them of your conversations and that will assist them in their lobbying efforts.
<p>HTF Underwriting and Loan Terms</p>	<ul style="list-style-type: none"> • Corina discussed the importance of having a consistent, predictable loaning and underwriting process for the HTF and its stakeholders. Commerce’s goal is to work towards a more consistent underwriting framework and upfront loan terms, and to treat like projects alike. • Jason and the Asset Management Team completed a portfolio review over the last several months in which they assessed current and historic trends of contract revision requests, troubled project restructures, and projects that failed to meet the term of their commitment period. The Asset Management Team’s observations indicate that more consistency is necessary to ensure legislative intent is met and that similar projects receive similar award structures, such that the projects are set up for success, yet are able to make payments back to the state whenever feasible. • Corina proposed that a subcommittee or workgroup be put together to work with HTF staff on creating a consistent underwriting framework and a loans/grants product sheet. • The group discussed the value of flexibility around finance deals. Jason agreed that each deal needs to live on its own and clarified for the group that the aim is to develop consistent output and predictability to stakeholders. • Please let Chris Pegg or Corina Grigoras know if you are interested in participating in a subcommittee to develop a consistent framework for underwriting and loan terms.
<p>Medicaid Waiver Overview Presentation</p>	<ul style="list-style-type: none"> • Elizabeth Prince provided a Medicaid Waiver Overview Presentation and discussed the eligibility for this new funding source.
<p>Portfolio Preservation & Asset Management:</p> <ul style="list-style-type: none"> ▪ Amendments & workouts application ▪ Priority and subordination 	<ul style="list-style-type: none"> • Amendment and workout application: HTF shared a DRAFT Excel application with several public funders at the Combined Monitoring Task Force meeting. Based on that information, the application forms will be updated, and then posted on the Commerce website for general use. • Priority and subordination agreements: Workouts have been getting more complex and time consuming as projects bundle and re-syndicate. Additionally, the HTF has been changing and growing as time goes on. For these reasons, there will be an ongoing effort to work with attorneys, our Assistant Attorney General, and other public funders to look at what information is necessary to establish relative priority positions. • WBARS updates and fall training: WBARS training will take place on November 17, 2016, at the Washington

<p>agreements in workouts</p> <ul style="list-style-type: none"> ▪ WBARS updates and fall training schedule 	<p>State Housing Finance Commission. This will be followed by a webinar that will be recorded and published.</p>
<p>Housing Trust Fund Handbook Updates</p>	<ul style="list-style-type: none"> • The printable, PDF version of the Housing Trust Fund Handbook (created in June) will replace the web-based version on Commerce’s website. Recent edits were sent to PAT and all interested parties before this PAT meeting. The changes made were to the Prevailing Wage Section, based on the memo that was sent by Connie Robins in July 2016, and on the income verification policy that was presented by Jason Davidson at the last PAT meeting. Other updates were only editorial in nature, such as link updates and making the language consistent. • It was asked by a participant to clarify that Labor & Industries is the authorized agency to make changes on the Prevailing Wage rule. Another participant asked that a note be added regarding Section 8 vouchers possibly triggering Davis Bacon. • Dave Stalheim asked about the necessity of the student housing rule. Jason Davidson noted that this is not a new policy. HTF had adopted HUD’s Student Rule years ago. Jason noted that Kim Justice, ED of the Office of Youth Housing inquired about it, as well. The determination was that there are some methods in which a student could still qualify. The group expressed interest in discussing more about the student rule in a future PAT meeting.
<p>Closing Remarks, Next Meetings</p>	<ul style="list-style-type: none"> • 11 applications were received for the PAT memberships that termed out on August 31. They will be reviewed by Chris Pegg and Corina Grigoras and we will let people know who is selected. • Chris Pegg will send out a brief description of the subcommittees discussed. Please let Chris Pegg or Corina Grigoras know if you are interested in participating in these subcommittees. • The next PAT meeting will be at <u>Pacific Tower</u> on December 14, 2016, from 10am-1pm.