



Department of Commerce
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Bond Cap Allocation Program

The 2014 Biennial Policy Report and Activity Summary

February 2014
Report to the Legislature
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Table of Contents

Notes on Reading the Bond Cap Report	i
Executive Summary.....	1
Introduction.....	6
Bond Cap Categories	11
Allocation Procedures and Criteria.....	17
Bond Cap Policy Issues	26
Case Studies of Projects Using Bond Cap	40
Program Activity Summaries.....	43
Public Benefits of Bond Cap	49
Bond Cap Data and Trends.....	53
2014 Initial Allocations	60
Appendix A: Acronyms and Definitions	61
Appendix B: Required Bond Cap Application Documentation	65
Appendix C: Project Lists, 2000-2013	67

Notes on Reading the Bond Cap Report

For the most part, the report subscribes to the standards published in the Associated Press (AP) Stylebook. However, there are a few exceptions, primarily involving technical terms used in the bond industry. For cases in which the accepted industry use of a term does not conform to AP guidelines, the report uses the industry standard. The list below may not be exhaustive, but it will alert the reader to the most frequent variations from AP style in an effort to prevent confusion.

Capitalization of “Bond Cap” – When referring to the Bond Cap Allocation Program, the report capitalizes “Bond Cap” and “Bond Cap Program.” When referring to the federal limit on tax-exempt private activity bonds, the report does not capitalize “bond cap.” Example: The Bond Cap Program authorizes use of the federal bond cap.

Punctuation of technical terms – The report adopts the punctuation as used in the industry. The most common occurrence of this is leaving out hyphens and commas in most technical terms where AP style would have included them. The only technical term routinely hyphenated is the term “tax-exempt.” Most other technical terms are used without hyphens or commas, including:

- Small issue manufacturing bonds; the small issue category
- Exempt capital facilities; the exempt facilities category
- Industrial development bonds; industrial development revenue bonds

Use of the term “Carryforward” – The noun “carryforward” is a one-word, non-hyphenated technical term that refers to bond cap that is unused at the end of the year in which it was first allocated. Federal law allows states to use carryforward for up to three years following the end of the original allocation year. For example, bond cap authority from 2013 that was not used during the year, if allocated by the state as “carryforward,” expires on December 31, 2016. On the other hand, to “carry forward” is a verb for the action of allocating that unused cap (carryforward) at the end of the calendar year. Carry forward as a verb is two words with no hyphen.

Acronyms and definitions – The report defines acronyms on first use in each section for the reader’s convenience. In addition, a complete list of acronyms and definitions for technical terms is included in Appendix A, which begins on page 61.

Bond cap authority – It is important to note the nature of the resource allocated by the Bond Cap Program. The Program authorizes the issuance of bonds under the federal bond volume cap. It does not directly fund or finance projects. Funds used for projects receiving permission to issue tax-exempt private activity bonds come from private investors who purchase the bonds, and not from governmental entities.

Executive Summary

Overview

Since its inception in 1987, the Bond Cap Allocation Program has approved more than \$10.8 billion in tax-exempt private activity bond issuing authority for a variety of economic and industrial development, housing, hydroelectric power, exempt capital facilities projects, and student loans in Washington State. During 2012 and 2013, projects financed with bond cap allocations created 6,217 new jobs and created or rehabilitated 5,191 units of rental housing for the state's low income residents, seniors, and individuals with disabilities.

Because the proceeds benefit businesses or individuals, private activity bonds are ordinarily not eligible for tax-exempt status, according to the federal Tax Reform Act of 1986. However, if issued under the authority of the bond cap allocation, many projects that have public benefits accompanying their private benefits are able to access lower-cost, tax-exempt bond financing. The "cap" is a limitation on the total volume of tax-exempt private activity bonds that may be issued annually in each state.

Administered by the Washington State Department of Commerce (Commerce), the Bond Cap Allocation Program reviews project applications to ensure conformance with federal and state guidelines, approves projects for bond issuance, and monitors the total amount of tax-exempt private activity bond financing permitted under federal law. The Internal Revenue Code allows states to determine how to distribute cap authority among five categories of projects: exempt facilities, housing, public utility district (for specific hydroelectric projects), small issue manufacturing, and student loans. Washington State law sets percentages for each category, criteria for allocation within the categories, and timelines for set-asides in some categories that encourage development in Eastern and distressed areas of the state.

The Bond Cap Allocation Program's authorizing statute, RCW 39.86.190, requires Commerce to report biennially to the Legislature on policy issues affecting the program and on program activities. The report is due on February 1 in even-numbered years. This is the report for 2014.

Key Policy Issues

The report's policy focus is on preparing for updates to the program's statutes and rules that will be needed in response to economic impacts and proposed tax reforms that may affect the Bond Cap Program. Commerce anticipates requesting technical fixes during the 2015 session, and legislation during either 2015 or 2016 in response to federal tax reforms that affect the program. As the next publication date for this biennial report is not until February 2016, this 2014 report is the best opportunity to prepare for and discuss these changes well in advance of taking action on them.

Effects of the recession continue to impact the program. In the past three years, no small issue manufacturing bonds and only two exempt facilities bonds have been issued in the state. In comparison, five exempt facilities bonds and 10 small issue bonds were issued in 2007 alone, the state's last pre-recession year. In addition, fewer affordable housing bonds than usual have been issued since the beginning of the recession – a total of 28 multifamily bonds were issued in 2007 compared with 12 in 2012 and 18 in 2013. In addition to the lost economic development opportunities, the result of the activity slowdown has been an accumulation of a large amount – approximately \$1.7 billion – of unused cap, referred to as “carryforward,” which federal law allows states to continue using for three additional years following the allocation of the annual authority.

The large amount of carryforward creates both problems and opportunities for the Bond Cap Program. Unless demand for cap increases, the state may reach a limit to how much accumulated carryforward it can continue to hold on the books. Some older carryforward might have to be abandoned to make room for more recent carryforward. This would negatively impact program revenues. On the other hand, the existence of a large amount of carryforward designated for housing projects provides a buffer that allows a greater focus on using current year cap for industrial development projects.

In addition to recessionary impacts that directly affect the program, several tax reform proposals aimed at reducing the federal deficit could affect program policy and operations. As with the excess carryforward, proposed tax reforms could either negatively or positively impact the Bond Cap Program. The proposals range from increasing the type of projects eligible for exempt facilities allocations, which could benefit the program, to eliminating all tax-exempt bonds, which could eliminate the need for the program altogether. The policy section of the report covers the program's plans for taking advantage of the benefits while mitigating the negative impacts of these changes.

Increasing Use of Industrial Development Bonds and Public-Private Partnerships

Increasing the visibility and use of small issue and exempt facilities bonds, which directly create jobs for state residents, will be one of the program's priorities over the next few years. It will be accomplished by partnering with the program's stakeholders – both external and internal to Commerce – to market the opportunity to use lower-cost, tax-exempt private activity bond financing. Facilitating public-private partnerships is an important part of that effort. The policy section of this report goes into more detail on the program's marketing strategy and gives examples of using bond cap authority to build partnerships that benefit job creation, environmental protection, and (under specific circumstances) infrastructure construction – particularly in the state's rural areas.

The state's carryforward is all designated for housing projects, a priority for the program in state law because housing project financing viability is dependent on cap allocations in a way that small issue and exempt facilities financing is not. However, the large accumulation of

carryforward should meet the need for housing cap for at least the next few years, presenting an opportunity to focus more of the annual cap on small issue and exempt facilities. An example of how a bond cap allocation helped build sewer and stormwater capacity for four Central Washington cities using a public-private partnership is on page 30. Details on the program's recommendations for increasing use of industrial development bonds begin on page 26, and public-private partnerships on page 28.

Monitoring Federal Tax Reform Issues

Commerce is monitoring tax reform developments at the federal level to be prepared to respond if necessary to policy changes affecting the program. The report's policy section discusses several tax proposals that would impact the program if passed, including reducing or eliminating all tax-exempt bonds, eliminating tax-exempt private activity bonds, or substituting other types of bonds – some of which might be capped – for tax-exempt bonds.

Two federal efforts would enhance use of the cap, particularly for exempt facilities and small issue manufacturing bonds. One proposal would make more clean energy projects eligible for exempt facilities bond cap allocations by clarifying language in federal law. A second proposal would make more small issue manufacturing projects eligible by increasing the total allocation available to individual projects and relaxing the capital expenditures limitation on small issue projects. Details on federal tax reform issues begin on page 31.

Creating Efficiencies in Program Operations

Finally, the policy section covers several technical adjustments to program statutes and rules focused on increasing the program's effectiveness. Several efficiency measures will require adjusting the program's enabling legislation. Others will require a rule adoption process.

Proposed efficiencies include:

- *Adopting a new legislative report date.* The current due date creates logistical challenges for Commerce and OFM, and occurs at the busiest time for legislators to review.
- *Eliminating obsolete references in statute.* These primarily are old references to the Community Economic Revitalization Board that are no longer relevant to the Bond Cap Program.
- *Evaluating job creation and retention criteria.* These criteria in the Bond Cap Program's rules were last reviewed in 1997. It is time to make sure they are updated and still relevant.
- *Reinstating the program's advisory group.* This informal group was active in the past as a valuable means of gathering stakeholder feedback and program advice, but it hasn't met since 2009. Commerce may recommend formalizing the group's functions.

- *Better aligning the program's application fee rate with actual costs.* The program's fee rate has not been adjusted since 2003, and fee revenue has not kept pace with the cost of administering the program.

Details on proposed legislative and rule changes begin on page 34.

Program Activity Highlights

Two aspects of the Bond Cap Program dominated activities during 2012 and 2013: affordable housing bonds issued from previous years' carryforward and Qualified Energy Conservation Bonds (QECBs).

In the affordable housing arena, recessionary impacts have particularly affected local housing authorities, which issued just five bonds for multifamily rental housing projects during 2012 and 2013, compared with 13 in 2007. On the other hand, the Housing Finance Commission, after several slower-than-usual years, began to pick up activity in 2011 and provided the majority of bond cap activity in 2012 and 2013. Of the \$369 million in bond cap bonds issued in 2012, all but \$150,000 was for housing. In 2013, a total of \$548 million in bonds were issued, of which \$522 million was for housing. A summary of 2012 and 2013 activity begins on page 43, with tables of all bond cap activity since 2000 in Appendix C, beginning on page 67.

QECBs were originally allocated to large cities and counties under a formula in federal law, but many of those originally awarded localities found it difficult to develop appropriate projects, identify investors for the bonds, or use the small amounts of authority allocated under the formula. The Housing Finance Commission created a proposal for its State Energy Trust to aggregate into larger, more usable quantities QECB authority that jurisdictions had released back to the state. After several slow years in which QECBs were not selling anywhere in the nation, the Commission's program began to take off. To date, Washington is one of only a handful of states that have used more than 50 percent of their total QECB authority. Interestingly, more small cities and counties have developed viable projects than large originally awarded localities. An activity summary begins on page 45.

Conclusion

Despite impacts of the recession on program activity, the Bond Cap Allocation Program continues to produce significant economic development benefits for the state. Projects financed with bond cap authorized bonds contributed 5,191 new or rehabilitated affordable housing units and 6,212 new or retained jobs to the state's economy during calendar years 2012 and 2013.

No immediate legislative changes are needed for the program. However, adjustments to make the program more efficient and effective or to adapt to changes in federal tax law will be necessary in the near future. Commerce is prepared to implement necessary improvements that are within the program's current authority within the next six months. Should federal or

other changes require legislative action, Commerce will target the 2015 legislative session for submitting proposed actions.

Introduction

What Is the Bond Cap?

In the mid-1980s, federal observers became concerned about revenue shortfalls that were due in part to increasingly large numbers of tax-exempt municipal bond issuances over the previous decade. Congress responded to the concerns by passing the Deficit Reduction Act of 1984, then two years later the Tax Reform Act of 1986. These acts set a limit – the “cap” or “ceiling” – on the total volume of tax-exempt private activity bonds that states may issue annually, and established bond use categories eligible to issue bonds under the cap.

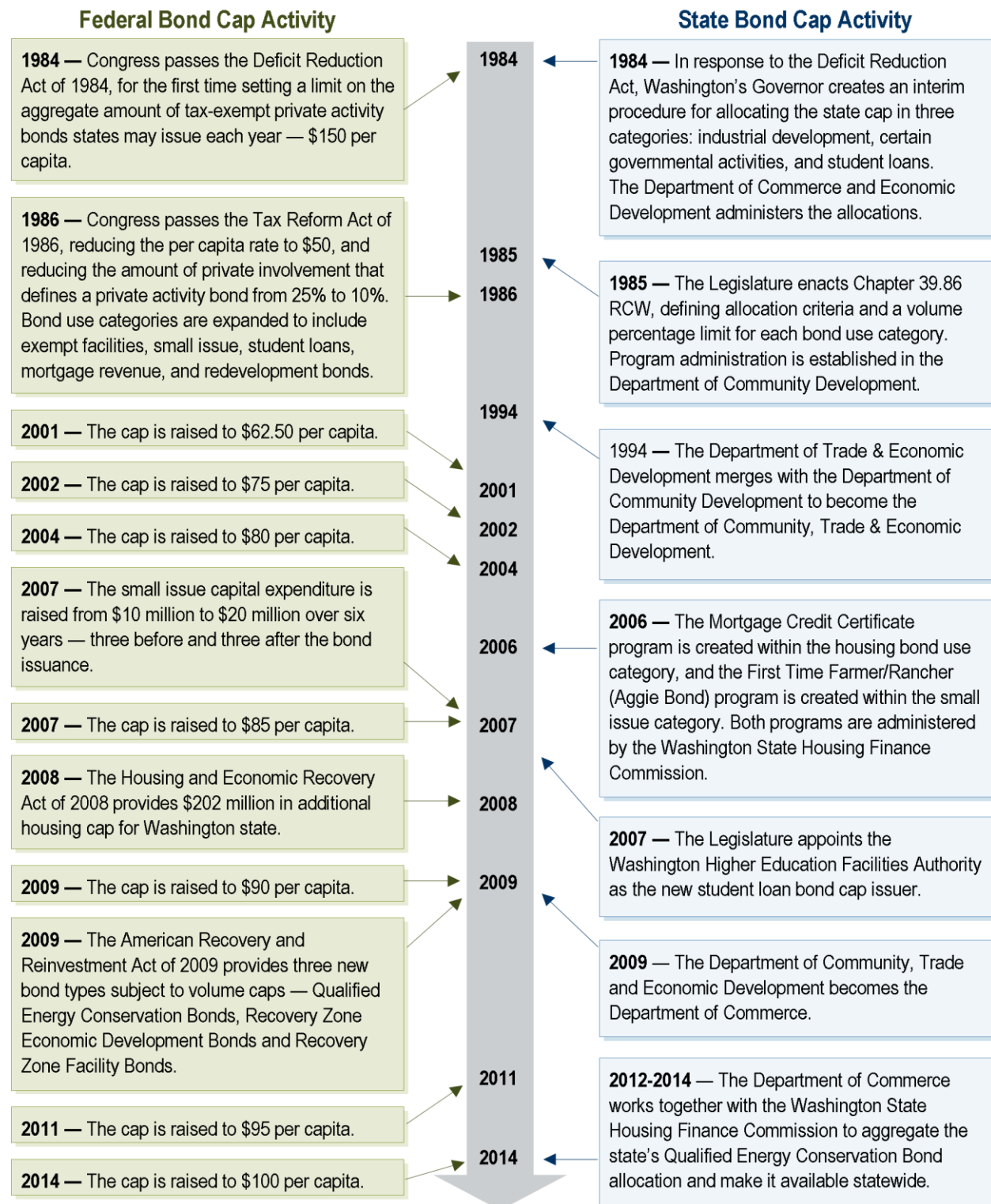
In response, Washington’s Governor, then the Legislature, created procedures for allocating the state cap among the categories and establishing priorities among applicants. Program administration was assigned to the Department of Community Development, which later merged with the Department of Trade and Economic Development to become the Department of Community, Trade and Economic Development (CTED). In 2009, CTED became the Department of Commerce (RCW 39.86).

The Bond Cap Allocation Program has authorized approximately \$10.8 billion in tax-exempt private activity bond issuances since its inception. These bonds have contributed to the development of thousands of housing units and new jobs in Washington’s communities; industry, infrastructure, and clean energy production across the state; and low-cost student loans to educate thousands of Washington’s citizens.

How Much Cap Authority Is Available?

The total amount of tax-exempt private activity bond authority each state is allowed is calculated using a per capita formula. In 1984, the federal Deficit Reduction Act set the volume cap at \$150 per capita. This was reduced to \$50 per capita by the Tax Reform Act of 1986. In 2001, the Internal Revenue Service (IRS) began periodic increases in the per capita volume cap rate to adjust for inflation. In January 1, 2012, the cap was raised to \$95 per capita. Each December, when the U.S. Census Bureau releases its official population figures, the total cap for the following year is calculated. For calendar year 2014, the per capita multiplier will be \$100, resulting in a total of \$697.4 million in bond cap authority available in Washington State. Cap authority is divided among the eligible categories by percentages described in Washington statute (RCW 39.86.120).

Figure 1: Bond Cap History Timeline



What Is a Tax-exempt Private Activity Bond?

A bond is a means for an investor to lend money to a corporate or governmental entity that borrows the funds for a defined period of time at a specified interest rate. Because the bond investor is not required to pay federal taxes on interest earned on tax-exempt bonds, these bonds can qualify for lower interest rates than conventional financing, thus saving the borrower money. For projects with benefits that are considered essentially public – roads and most infrastructure, for example – tax-exempt bonds may be issued without cap authority. Bonds for projects with a high level of private benefit or participation are not tax-exempt unless they meet specific IRS criteria and are issued under the authority of the bond cap allocation. A bond is considered a private activity bond if it meets one of two tests:

1. It meets both of the private business use tests:
 - a. Greater than 10 percent of its proceeds are used for any private business purpose, AND
 - b. Greater than 10 percent of its proceeds are secured by property used for private purposes.
2. Or it meets the private loan financing test:
 - a. Greater than 5 percent (or \$5 million, whichever is less) of its proceeds are used for loans to persons other than governmental entities.

What Kinds of Projects Are Eligible?

The Tax Reform Act of 1986 established five categories of projects eligible to issue bonds under cap authority.

- Exempt Facilities – Certain types of capital transportation, waste management, energy, and environmental facilities as defined in the IRS Code.
- Housing – In Washington, this includes both affordable multifamily rental housing and single family homeownership projects.
- Small Issue – Industrial development projects with less than \$20 million in capital expenditures over six years. Bonds are limited to \$10 million in par value.
- Student Loans – Higher education loans for qualifying students.
- Public Utility District (PUD) – Efficiency and environmental enhancements for certain hydroelectric facilities. The state's public utility district volume cap was further limited in federal law to a lifetime maximum of \$750 million. In 2007, Washington's PUDs used the last of their \$750 million cap, so the public utility district category no longer exists in the state.

How Does a Project Apply for Cap Authority?

In Washington State, bonds may only be issued by authorized governmental entities, so a private business developing a project typically works with either a state or local bond issuer. The bond issuer then applies to Commerce for authorization to issue the bond. In the case of multifamily housing projects, certain exempt facilities, and student loans, the issuer might also be the project developer. Bonds must be issued within the calendar year, typically no later than December 15. Any cap authority that is unused at the end of the year may be carried forward into the next three years. Commerce is responsible for taking applications, evaluating projects, authorizing bond issuances under the cap, and ensuring the state does not exceed its cap authority.

How Does Commerce Decide Which Projects Get Cap Allocations?

Washington's Legislature has established in statute a formula for initial allocations – set-asides of cap authority – for each category. Since the 2007 expiration of the PUD category, the initial allocations have included:

- Exempt facility – 20 percent
- Housing – 32 percent, divided between
 - Housing Finance Commission – 80 percent (25.6 percent of total cap)
 - Local housing authorities – 20 percent (6.4 percent of total cap)
- Small issue – 25 percent
- Student loans – 15 percent
- Remainder – 8 percent

During the calendar year, timelines apply to some of the category set-asides. No exempt facilities projects may receive more than 30 percent of the total exempt facilities set-aside prior to September 1 each year. Prior to June 1, portions of the small issue set-aside are reserved for Eastern distressed counties, Eastern non-distressed counties, and Western distressed counties. After July 1, unused cap from any category may be reallocated to any other category, although 50 percent of any unused cap is prioritized for housing. The authority in the remainder category may be used for any eligible category of project at any time, thus creating flexibility in the program early in the year.

Each category has a set of basic eligibility criteria in the IRS code and in state statute and agency rule that guide allocation decisions. These criteria help Commerce prioritize projects for allocations by assessing the public benefit of each project.

Small issue projects are evaluated based on the number of retained and new jobs created per dollar of cap authority, and by the need in a particular community for industrial development.

Exempt facilities projects are evaluated based on the number of jobs created and the degree to which the project reduces environmental pollution, produces lower cost energy, or diverts solid waste from disposal and remanufactures it into value-added products.

Housing projects are evaluated based on the number of housing units created or rehabilitated per dollar of cap authority, and the degree to which the project meets each community's highest affordable housing needs.

Have Recent Economic Fluctuations Affected Bond Cap Allocations?

For most of the program's history, Commerce has been able to allocate to eligible projects in every category on a first-come, first-served basis. Rarely have projects experienced allocation delays, even in the context of the set-aside structure and various set-asides and timelines for allocations.

A notable exception occurred in 2007, when market factors combined to increase demand for cap authority, particularly for housing cap. Commerce received more applications for housing allocations than there was cap available. The Housing Finance Commission absorbed the worst of the impact of the cap shortfall by curtailing both their Single Family Homeownership and Multifamily Rental Housing programs. This allowed most other issuers to eventually receive the cap they needed that year, although many experienced delays waiting for the release of the category set-asides. The year ended with a record-setting low amount of cap available to be carried forward into future years.

At the beginning of 2008, Commerce again received more housing applications than there was cap authority available in the housing and remainder set-asides combined. For the first time, the program had to establish a competitive process with which to prioritize housing applications and allocate cap. The need for additional housing cap remained high for several more months, and in mid-2008, Congress provided \$11 billion nationwide in additional cap authority for housing in the Housing and Economic Recovery Act of 2008 (HERA), of which Washington's share totaled \$202 million. Nevertheless, before the year was out, the national housing crisis began to make itself felt in our state, and many housing developers that had competed for available cap at the beginning of the year were unable to issue their bonds before the annual deadline.

Since then, economic uncertainty and low interest rates on conventional loans have caused demand for bond cap allocations to remain weak. Each year since 2008, large amounts of unused cap have been carried forward into future years. By the end of 2013, \$1.7 billion in carryforward had accumulated unused at the Housing Finance Commission. Commerce has traditionally chosen to allocate most or all of the carryforward each year to the Commission, which may use it on a program basis for its own programs or may reallocate the carryforward to other housing issuers.

Bond Cap Categories

Exempt Facilities – 20 Percent Initial Allocation

Exempt facilities are capital projects that do not qualify for tax-exempt status unless issued under the bond cap because of a high level of private involvement or benefit. Exempt facilities include:

- Solid and hazardous waste disposal
- Wastewater/sewage treatment
- Water facilities
- Mass commuting facilities
- Local district heating and cooling
- Local furnishing of electricity or gas

Over the past several years, tax-exempt private activity bonds have been used to finance innovative recycling, alternative energy, and waste management projects in the exempt facilities category.

Among examples of recent exempt facilities projects are four dairy manure digesters — one in Lynden, two in Yakima, and one in Mesa in Franklin County. These digesters take dairy wastes out of the waste stream, clean up local air and water, compost the wastes at high temperatures to produce electricity to run the dairy and sell back to the grid, and produce value-added garden products from the decontaminated waste.

In addition to removing tons of waste and pollution, creating value-added consumer products, and providing power, sewer, and water facilities, exempt facilities projects have created or retained more than 1,800 jobs for Washington residents since 2007.



Cedar Grove Composting Facility in Maple Valley was a bond cap exempt facilities project from 2004. A unique Gortex fabric cover plus underground aeration and drainage creates faster, hotter composting, reducing odors and pathogens, and allowing more types of waste to be composted.¹

Housing – 32 Percent Initial Allocation

In Washington State, the housing category includes mortgage revenue bonds, mortgage credit certificates, and exempt facility bonds for qualified residential rental projects. Under the IRS Code, 95 percent of mortgage revenue bond allocations must be used to finance residences for first-time homebuyers.

Under state law, 32 percent of the total cap is set-aside for Housing — 80 percent to the Housing Finance Commission (25.6 percent of the total cap) and 20 percent to local housing authorities (6.4 percent of the total cap).

The Housing Finance Commission's allocation is divided between their Single Family Homeownership program and their Multifamily Rental Housing program. The Commission's multi-family program issues bonds for both nonprofit and for-profit affordable housing developers. In addition to issuing mortgage revenue bonds for low-income homebuyer assistance, the Commission also uses portions of their single family program cap authority to issue Mortgage Credit Certificates (MCCs), which provide tax credits for homebuyers who purchase and rehabilitate homes in certain distressed areas of the state.

Local housing authorities in the state issue bonds for their own projects and for nonprofit affordable housing developers. All local housing authority cap is used for multifamily rental projects.

¹ Photo courtesy Cedar Grove Composting. Bond Cap Allocation Program files.

Since 2007, housing category bond cap allocations helped create or rehabilitate more than 15,000 units of low income, senior, and special needs housing statewide.



The New Holly Neighborhood Redevelopment – Before and After. This Seattle Housing Authority project completely revitalized a neighborhood and created a mix of single- and multi-family housing, using a bond cap allocation as part of the financing.²

Small Issue – 25 Percent Initial Allocation

A small issue project, as described in the IRS Code, is an industrial development/manufacturing project with a maximum of \$20 million in capital expenditures over a six-year period – three years prior and three years after the issuance of the tax-exempt private activity bond. An allocation request for a single project in this category may not exceed \$10 million.

In addition to the traditional small issue manufacturing projects, in 2006 the state adopted legislation to create the Beginning Farmer/Rancher or “Aggie Bond” Program, administered by the Housing Finance Commission. Bonds to support new farming operations were first issued in early 2008. Since then, aggie bonds have assisted 23 families to establish new agricultural businesses.

Aside from the Beginning Farmer/Rancher Program, activity in the small issue category has been slower than usual since the beginning of the recession. Nevertheless, since 2007 bonds issued in the small issue category helped create or retain 1,091 jobs in Washington communities.

² Photo courtesy Seattle Housing Authority. Bond Cap Allocation Program files.



Scafco Corporation, Spokane. A 2004 small issue bond financed expansion of this manufacturer of grain processing and storage equipment.³

Student Loans – 15 Percent Initial Allocation

The student loan category is reserved for bonds issued to finance loans for students who are either enrolled in higher education within Washington or are legal residents of the state.

Washington was without a qualified student loan bond issuer for three years after the Student Loan Finance Association (SLFA) assets were sold in late 2004 to a for-profit corporation. During the 2007 legislative session, the Washington Higher Education Facilities Authority (WHEFA) was appointed to be the new authorized student loan bond issuer in the state. The Authority spent the balance of 2007 working to set up the program and identify vendors for the loan services it planned to offer. However, beginning in 2008, changes in federal financial aid procedures have made it difficult or unnecessary for the state to issue student loan bonds. Consequently, no bonds have been issued in this category since 2004.

Depending on student financial aid developments at the federal level, WHEFA expects to be able to offer both federally insured student loans and alternative loans, increasing educational opportunities for students in a wider variety of educational settings and with more diverse economic needs. The approximate \$100 million in annual student loan bond cap capacity is enough to provide access to higher education for between 10,000 and 20,000 Washington students annually.

³ Photo courtesy Scafco Corporation. Bond Cap Allocation Program files.



Students on the Quad at the University of Washington. Bond cap allocations of \$528.6 million have provided higher education loans for Washington students since 1987.⁴

Remainder – 8 Percent Initial Allocation

Remainder is a miscellaneous category that may be allocated to projects eligible under any of the other bond use categories throughout the year if the original allocation in the project's category has been depleted, or if the set-aside structure or timelines limit the availability of cap for a specific project. At the beginning of each year, 8 percent of the state's total bond cap authority is banked in the remainder category, providing flexibility to make more allocations earlier in the year.

In addition, state law provides that if an issuer in a category has received a large carryforward allocation from the previous year, the initial allocation in that category for the next year may be reduced by the carryforward amount. When this occurs, that amount may be reallocated into the remainder category, providing even more flexibility to make allocations to categories with higher needs earlier in the year.

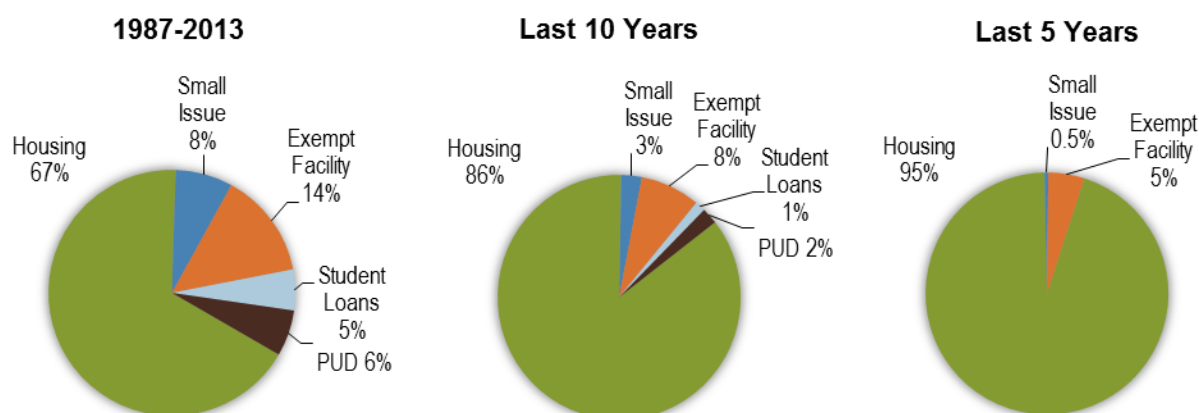
Most often the remainder cap is used for housing category projects, particularly for local housing authority allocations over the initial set-aside. Remainder cap is also used for exempt facilities projects that are larger than the 30 percent of the initial allocation available to any one project early in the year.

⁴ Photo courtesy University of Washington. Used with permission.

Historical Category Use

Over the years of the program's history, the housing category has traditionally used the largest share of the state's total bond cap authority. From the program's start in 1987, housing has used an average 67 percent of the state's total cap. Over the past 10 years, the housing percentage went up to 86 percent. Since 2008, nearly 100 percent of the annual cap has been issued as housing bonds or allocated as carryforward designated for housing purposes.

Figure 2: Category Distribution, 1987-2013, 2004-2013, and 2008-2013



A variety of factors contribute to this use pattern. Prior to 2007, small issue projects were restricted to \$10 million in capital expenditures, which limited the number of qualifying projects more each year since the program's inception in 1987. After Congress raised the capital expenditures limit in 2007, a record number of small issue projects requested allocations. However, once the full effects of the recession began to be felt in the state during 2008, the market for industrial development bonds – for exempt facilities and small issue projects – again dropped off and has remained slow due to economic uncertainty and tighter bond underwriting standards. In addition, with interest rates historically low for the past several years, many credit-worthy industrial projects are able to access conventional financing for competitive rates, and are therefore unlikely to need bond financing with its high up-front costs.

However, the most significant reason demand for bond cap to support affordable housing projects remains strong compared to the other categories, even in tough economic times, is the nature of the financing required. Affordable housing is not market rate by definition, and therefore cannot qualify for conventional financing. A typical affordable multi-family rental housing project requires financing from a combination of sources that might include low-interest loans from the state's Housing Trust Fund, housing authority equity, local grant or loan funds, federal grants, contractor concessions, and 4 percent Low Income Housing Tax Credits (LIHTCs). In order to qualify for this type of LIHTC, the project must have an allocation of bond cap. Few affordable housing projects are feasible without at least a bond cap allocation and LIHTCs.

Allocation Procedures and Criteria

Annual Bond Cap

State law and agency rule provide criteria with which to evaluate individual projects' eligibility for bond cap allocations and to prioritize among eligible projects when there is competition for available cap, such as early in the year when the set-asides are in place, or during times of high demand, such as in 2007 and early 2008.

Under the statute, the bond cap manager has 15 days once the program has received a completed application in which to review an application and approve or deny an allocation. The application review consists of confirming that the application form is filled out completely and that all the required documents plus the application fee are attached. State law also allows the Bond Cap manager to request any additional information necessary to conduct a thorough review of the application.

In addition to ensuring all the required pieces are in place, the Bond Cap manager conducts an assessment of the public benefit of each project using criteria in statute and agency rule. Industrial development projects, which fall in the exempt facilities and small issue categories, are assessed for the number of jobs created and retained, the ratio of bond cap authority to jobs created and retained, the degree to which the project provides jobs to low-income residents, and the need for jobs in the community based on the local unemployment rate compared with state and national averages. Exempt facilities projects are also assessed for the degree to which the project reduces environmental pollution, diverts solid waste into value-added products, or the amount of energy the project will produce.

Housing applications are assessed for the number of affordable housing units constructed or rehabilitated, the ratio of bond cap authority to housing units, the income levels or special needs of the population served, and the need for additional affordable housing units in the local community.

In addition to category-specific criteria, applicants are asked to describe the project's need to issue tax-exempt private activity bonds, and the cost and availability of alternative financing options. State law also states that readiness and likelihood to issue bonds prior to the issuance deadline are important criteria for all categories of applications.

Once eligibility and priority are satisfactorily established, the Bond Cap manager approves the allocation and prepares an official allocation certificate and cover letter. The original documents, signed by a Commerce assistant director, are sent to the applicant, with copies to the bond counsel. Once the bond is issued, the issuer provides Commerce with a *Notification of Issuance* form, and the transaction is complete.

Figure 3: Bond Cap Application Process Flow Chart

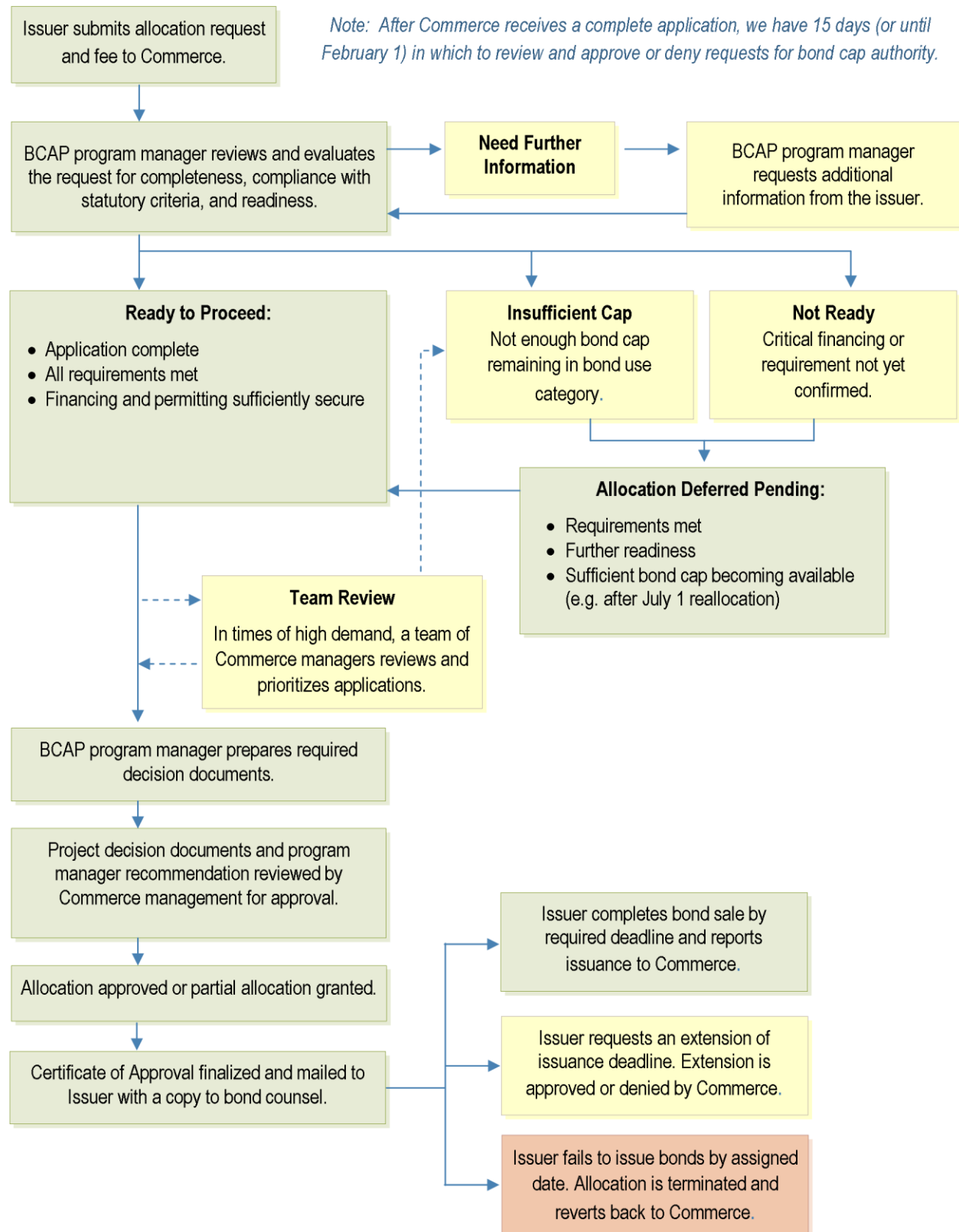
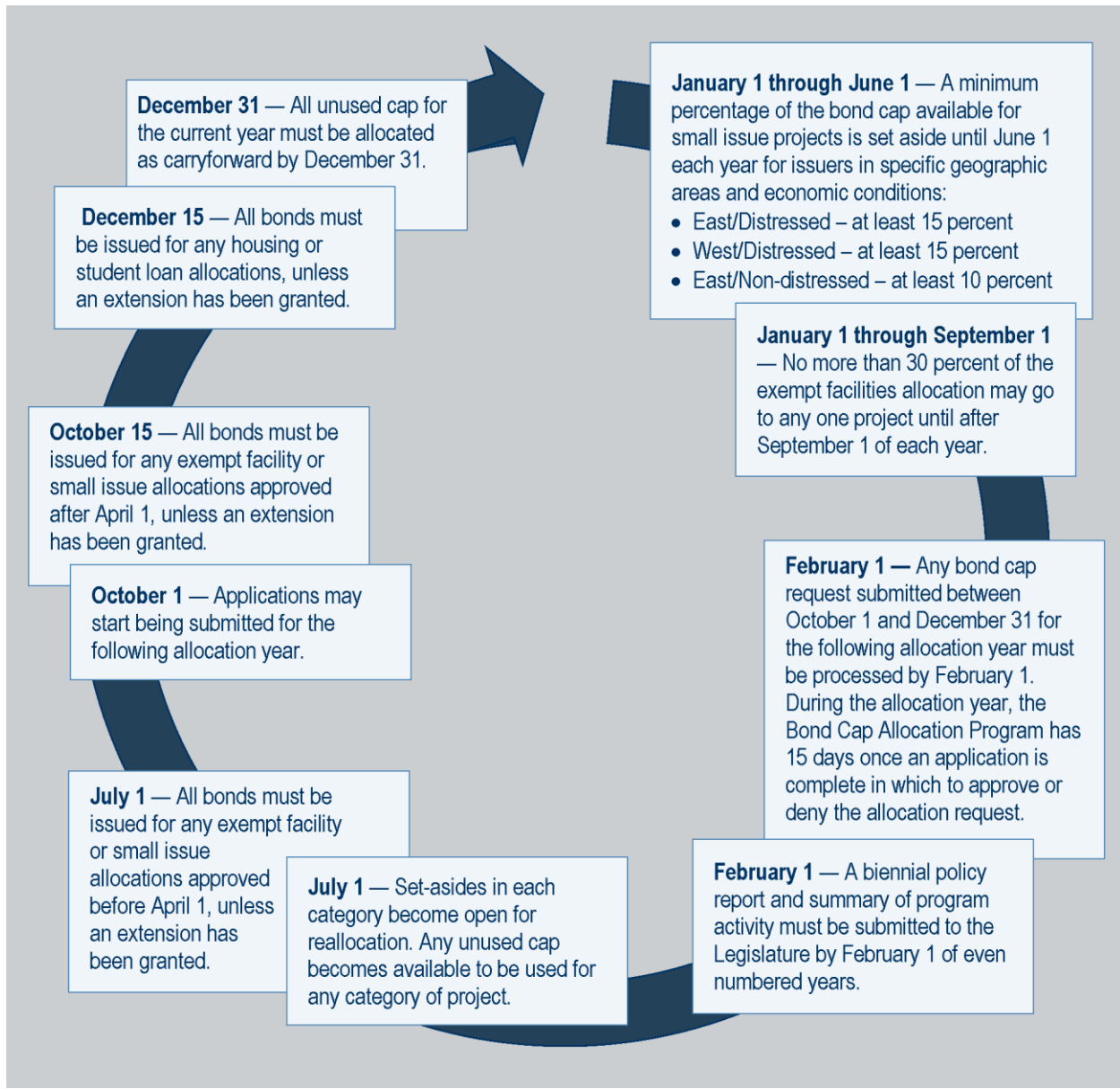


Figure 4: Important Dates in the Bond Cap Allocation Process



Carryforward

“Carryforward” is the term used for allocations of bond cap authority that went unused during the calendar year, but are made available to be “carried forward” to be used in subsequent years. Under the Internal Revenue Code, the state must allocate any carryforward amounts to specific issuers before December 31, or the bond cap authority is no longer available to be used. Carryforward allocations must be used within three calendar years.

Under federal law, carryforward may only be allocated in the housing, student loan, and exempt facility categories. Carryforward must be allocated to a specific project or program, and once allocated, is not transferrable to another project or program.

Allocating Carryforward to Programs Rather than Projects

Allocating carryforward to a specific project carries the risk that the cap will be lost if that project hits a snag and is unable to issue a bond within the time limit. Washington State has chosen to allocate nearly all carryforward on a program- rather than a project-basis in order to avoid the potential loss of cap. Most carryforward amounts in the state have been allocated to the Housing Finance Commission, not only because the Commission is able to use carryforward on a program- rather than a project-basis, but also because the Commission is a sub-allocating agency of Commerce, and therefore may reallocate housing cap to other issuers, such as local housing authorities.

In the past, the state's student loan issuer has also been able to use carryforward amounts. Carryforward was allocated in the exempt facilities category only twice – in 1992 and 1994 – because Washington does not have an exempt facilities issuer able to take a carryforward allocation for a program rather than a specific project.

Timelines for Allocating Carryforward

The Bond Cap manager keeps in close touch with issuers with outstanding allocations to ensure that bonds are issued by the deadline or that allocations are reverted to Commerce to be allocated as carryforward. Final carryforward amounts are calculated after Commerce has received *Notification of Issuance* forms or reversion acknowledgements for all outstanding allocations.

Reducing Initial Allocations by Carryforward Amounts

Under state law, if an issuer has received a carryforward allocation, their initial allocation for the following year may be reduced by the amount of the carryforward received, and those amounts moved into the remainder category. This allows additional flexibility in making allocations outside of the set-aside structure early in the year.

Several times in the history of the program, the Housing Finance Commission's initial allocation has been reduced by carryforward amounts, facilitating local housing authorities and exempt facilities projects to get the cap they need without having to wait for the category set-asides to be released on September 1 (prior to 2010) or July 1 (since 2010).

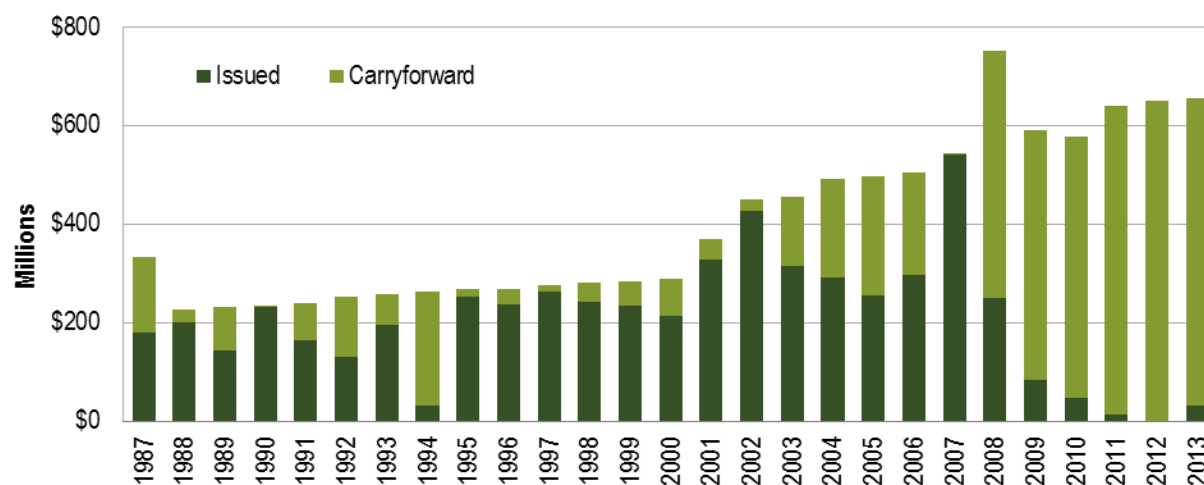
Carryforward Trends

The percentage of the annual bond cap that is used during the year varies depending on market factors such as interest rates and economic growth, as well as changes in federal policy. In slow

economic times, less cap tends to be used during the year, and more is carried forward into future years.

In 2007, demand for cap in all categories was at an all-time high, and more projects became eligible due to the change in federal law that allowed small issue projects to have \$20 million in capital expenditures instead of \$10 million. These factors combined to cause virtually all the annual cap to be used that year. Then in 2008 through 2013, the economic downturn, combined with low interest rates on conventional financing, caused more cap to be carried forward than used during the allocation year. In 2012, only \$150,000 of the annual allocation was issued as bonds during the year – the lowest in program history.

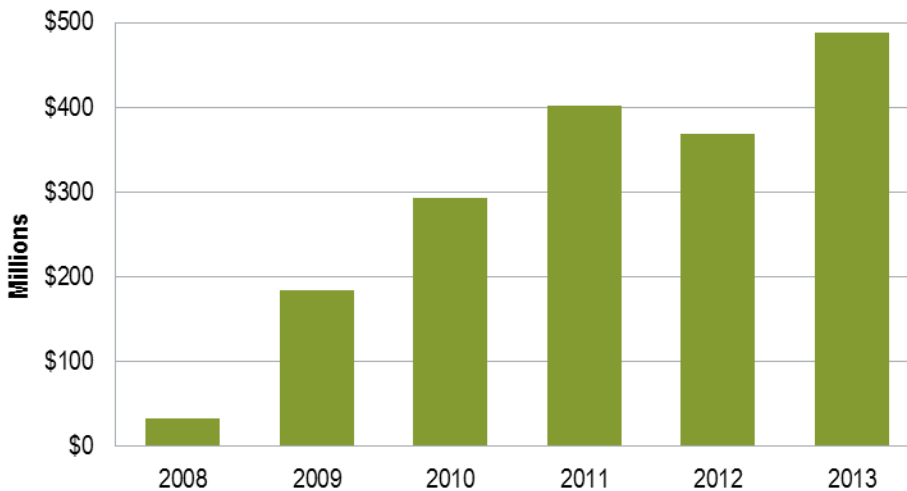
Figure 5: Current Year Allocations Issued and Carried Forward, 1987-2013



Note: 2008 amounts include extra cap for housing under the Housing and Economic Recovery Act of 2008 (HERA)

Although very little of the annual cap has been used during each allocation year over the past six years, nearly \$1.7 billion of bond activity has occurred in the housing category using carryforward cap since 2008. For the past three years, housing bond issuances using carryforward cap have averaged more than \$400 million.

Figure 6: Housing Bonds Using Carryforward, 2008-2013



In spite of the ongoing housing activity, a large amount of unused carryforward has accumulated with the Housing Finance Commission. With the allocation of the 2013 carryforward, there will be nearly \$1.7 billion in unused bond cap authority built up:

- \$409 from 2011, which expires at the end of 2014
- \$649 from 2012, which expires at the end of 2015
- \$629 from 2013, which expires at the end of 2016

Using Carryforward for Local Housing Authority Projects

Because of the large accumulation of carryforward, Commerce has arranged with the Housing Finance Commission to refer local housing authorities to the Commission to receive bond cap authority from carryforward, rather than using current year cap. This arrangement preserves as much cap authority as possible as far into the future as possible, benefitting all state issuers of tax-exempt private activity bonds.

Using the oldest carryforward first – before the current year cap as well as before any other carryforward amounts – allows each year’s carryforward to be added to the pool with an expiration date an additional year into the future. This avoids having to abandon any of the cap authority, and ensures as much as possible against another situation like that of 2007, when there was not enough cap to meet the need.

In addition to preserving as much cap as possible, this arrangement allows the Commission to provide guarantees of cap to housing authorities that are applying for funding from the U.S. Department of Housing and Urban Development (HUD). This agency requires a guaranteed reservation of cap for projects applying to some of its grant programs.

Commerce is unable to guarantee that cap will be available for a specific project on a specific date in a future year for two reasons. The amount of cap authority available in a given year cannot be calculated until after the IRS releases the multiplier, which it does in November, and the U.S. Census Bureau releases the new population estimates, which it does in late December for the following year. Commerce cannot allocate cap it does not yet have and for which it cannot yet calculate the amount.

While a housing authority may need a cap reservation for its HUD application, it may not actually be planning to issue a bond using the cap reservation until two or three years in the future. Under state law, Commerce may not receive applications for bond cap for a specific year earlier than October 1 of the previous year. This statutory timeline does not allow Commerce to promise future year's cap to a project.

Using carryforward allocated to the Commission for future cap reservations solves both the federal and the state timeline issues, and is a routine process that Commerce, the Commission, and the state's local housing authorities have been using for many years.

Qualified Energy Conservation Bonds

Background

Qualified Energy Conservation Bonds (QECBs) were originally created by the Tax Extenders Act in October 2008, with a nationwide cap of \$800 million. Then, in early 2009, the American Recovery and Reinvestment Act (ARRA) increased the QECB cap to \$3.2 million nationwide, to be distributed to states, then to large municipalities (population greater than 100,000) within the states, by a formula based on population. Washington's share of the QECB cap is \$67.9 million, with most of the original allocations under the population formula going to 17 large cities and counties, a small amount to tribes in Washington, and the balance to the state itself.

QECBs may be issued for a variety of energy conservation purposes, such as energy retrofits of government facilities, research, and community education programs. Under the federal law, at least 70 percent of the state's QECB allocation must be used for governmental purposes, and no more than 30 percent may be used for private activities. Unlike other economic stimulus bond authorities, QECBs do not have an issuance deadline in federal law.

Commerce established an application procedure for the state's portion of the QECB cap, and asked cities, counties, and tribes to report their intention to use or waive their allocations to the agency. Early on, most local governments with allocations reported an intention to use their QECB allocations.

QECBs were originally created to be tax-credit bonds; that is, QECB investors received a credit they could apply against their income tax liability. However, because few investors needed tax credits as investment income declined during the recession, the market for QECBs and other tax

credit bonds was virtually non-existent. In addition, for many issuers the formula allocations were so small that they were not particularly useful.

At the same time, Build America Bonds (BABs), another type of economic stimulus bond authority, were being very well received in the market. BABs were also tax-credit bonds, but unlike QECBs, the tax credits on BABs could be converted – at the discretion of the issuer – to a direct interest rate subsidy, payable to the issuer from the U.S. Treasury. With the direct subsidy option, the investor receives the full taxable interest rate, but the issuer’s net interest is significantly reduced by the subsidy. Virtually all BAB issuers elected the direct subsidy option.

In 2010, Congress converted all the economic stimulus tax-credit bonds, including QECBs, to direct subsidy bonds. After the “BABification” of the tax-credit bonds, they became more attractive to investors, and QECBs began to sell, although still slowly.

Aggregating Waived Allocations

Between the unusably small allocations and the slow bond market, many issuers in Washington with original formula allocations decided that they did not have a use for their QECB authority after all, and chose to waive their allocations, returning them to the state for distribution to other issuers. To date, only four of the original formula allocations have been used by a jurisdiction that originally received them, and 13 originally awarded localities have waived some or all of their original allocations. In addition, one county reallocated its QECB authority to a city within the county.

In order to make QECB allocations more usable, the small pieces needed to be aggregated into large enough pieces to attract an investor. The Housing Finance Commission submitted a proposal to Commerce to aggregate QECB authority – both the state’s original allocation and other jurisdiction’s allocations that had been waived – as part of the Commission’s activities under their State Energy Trust.

As a result, when Commerce receives a waived QECB allocation, it reallocates it to the Commission to be combined with other allocations then used for the Commission’s own bond issuances or reallocated to other jurisdictions with active projects that are ready to issue. To date, the Commission has issued one private activity QECB and has reallocated aggregated authority to five additional local government projects.

Local governments with viable QECB projects make a request for a portion of the aggregated authority to the Commission, which then reallocates the needed amount to Commerce for further reallocation to the local government. In the early stages of this collaboration, the Commission anticipated using the QECB authority primarily for their own projects, including as a kick-start for their proposal under Commerce’s Credit Enhancement Program, part of the State Energy Program. However, demand for the Credit Enhancement Program has not developed as expected, and in the meantime, several local governments have developed creative energy conservation projects of their own using QECB authority.

Commerce and the Commission are working together to adapt the QECB authority and allocation procedures to the needs of the still volatile post-recession energy bond market. As of December 2013, all but \$3.8 million in original local government formula allocations has either been used or has been aggregated by the Commission and is available to be used by any issuer in the state. So far, \$36.5 million of the state's QECB authority has been used for bond issuances. See page 45 for more information on QECB projects and use in the state.

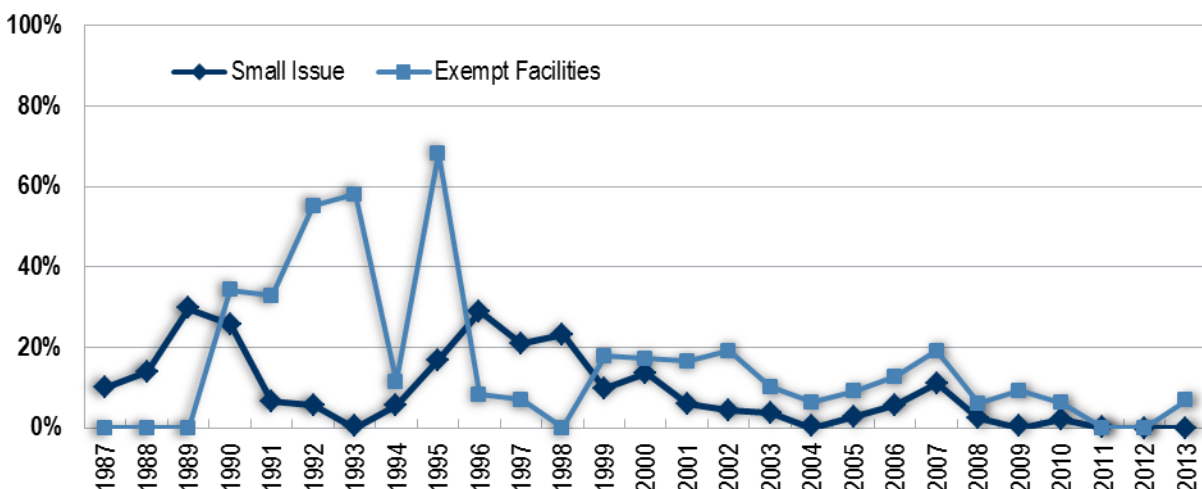
Bond Cap Policy Issues

Increasing Use of Exempt Facilities and Small Issue Bonds

The large accumulation of carryforward available to support financing for affordable housing makes this a perfect time for the bond cap allocation program to concentrate on increasing visibility and use of the other categories – specifically exempt facilities and small issue.

In the early days of the program, both exempt facilities and small issue bonds were more active than they have been for the past several years. Even 2007's activity spike did not come close to the activity that took place in the 1990s (see Figure 7 below). Stricter lending standards, lower interest rates for businesses that qualify for conventional financing, and recession-driven borrower caution have combined to reduce demand for bond cap in the industrial development categories over the past six years.

Figure 7: Small Issue and Exempt Facilities Percent of Cap



The current carryforward situation provides an opportunity for the program to focus on the job-creation and environmental benefits of directing bond cap to exempt facilities and small issue projects. The need for bond cap for housing projects remains high, although the volume is still somewhat less than prior to the recession. A bond cap allocation is required to qualify for 4 percent low-income housing tax credits (LIHTCs), making cap allocations more critical for housing projects than for industrial development projects. In addition, state statute prioritizes allocations for housing after July 1 each year when the category set-asides no longer apply. However, the accumulation of approximately \$1.7 billion in carryforward already designated for housing means that there is enough housing cap to meet the need for several years, leaving more flexibility in the annual cap for allocations to other categories.

Marketing Exempt Facilities and Small Issue Bonds

During a previous slump in exempt facilities and small issue activity prior to 2007, the Bond Cap Program consulted with its advisory committee on how best to increase the visibility of the program and the use of the industrial development categories. Several active issuers, including the Washington Economic Development Finance Authority (WEDFA) and the Tacoma/Pierce County Economic Development Corporation (PCEDC), shared their experiences with marketing their bond programs. The strategy they found most successful was to target local lenders, who already have relationships with businesses in their communities and are in a position to know which businesses might be looking for alternative financing for business expansion.

Making contacts and establishing relationships with lenders in the state's many communities is beyond the current staffing and funding bandwidth of the Bond Cap Program. However, the program could partner with local and statewide economic development organizations by producing a program brochure and marketing materials those organizations can use in their efforts to conduct lender outreach.

In addition to working with program stakeholders to make exempt facilities and small issue bonds more visible, over the next two years the Bond Cap Program will update its marketing plan, which was last updated in early 2007, to include as many outreach activities as it can. Recommended activities include:

- Work with program stakeholders to continue lender outreach.
- Consistent press releases on projects receiving allocations.
- Regular articles in the agency's *Municipal Finance* newsletter.
- Relevant articles for partner publications targeting local governments, such as those from the Association of Washington Cities and the Washington Association of Counties.
- Outreach to industry groups and publications.
- Resumption of letters to legislators when allocations are made to businesses in their districts.
- Partnering with the agency's business development staff.

Participating in National Efforts

Two national-level initiatives focus on bringing the exempt facilities and small issue categories up-to-date with proposed changes to federal law. The Clean Energy Group in partnership with the Council of Development Finance Agencies (CDFA), point out that federal private activity bond law does not clearly address an important category – clean energy. To remedy that situation, the partners have proposed the “Clean Energy + Bond Finance Initiative,” which would add provisions for renewable energy resource facilities, and conservation and efficiency facilities and projects to federal private activity bond law.

Under current law, energy projects are allowed only if the energy produced is distributed in a limited area – a city plus the contiguous county or two contiguous counties. The proposal would eliminate that restriction and increase the number and type of energy facilities eligible for bond cap allocations to include:

- Renewable energy facilities such as solar, wind, geothermal, marine and hydrokinetic renewable energy, incremental hydropower, biomass, and landfill gas facilities.
- Conservation and efficiency facilities and projects such as facilities for conservation or efficient use of energy, retrofitting of existing buildings, efficient storage, transmission or distribution of energy, “smartgrid” technologies, and water conservation facilities.⁵

A second initiative, also spearheaded by CDFA, proposes reforms to the small issue category that would increase the number and size of eligible small issue projects as well as eliminate several restrictions on the use of small issue bond proceeds. CDFA has drafted legislation that would:

- Include intangible properties, such as computer software, in the definition of manufacturing. This was a time-limited provision in the American Recovery and Reinvestment Act of 2009, but it expired at the end of 2011.
- Eliminate restrictions on “functionally related and subordinate facilities.”
- Increase the maximum bond size from \$10 million to \$30 million.
- Increase the capital expenditure limit from \$20 million to \$40 million.
- Allow small issue cap to be carried forward (as housing, exempt facilities, and student loan cap already can be).
- Remove several limitations on investors’ small issue holdings.⁶

If either of the measures are approved, the Bond Cap Program should be prepared to include information about them in marketing exempt facilities and small issues.

Developing Successful Public-Private Partnerships

The Bond Cap Allocation Program offers a unique opportunity to develop public-private partnerships that achieve both private and public benefits in the form of job creation and, in some cases, publicly owned facilities or infrastructure. The three most active bond cap categories – exempt facilities, small issue, and affordable housing – can all take advantage of

⁵ Clean Energy Group and Council of Development Finance Agencies; *Clean Energy Bond Finance Policy Proposal: New Exempt Facilities Categories for Renewable Energy & Energy Efficiency Projects*; February 2013; [http://www.cdfa.net/cdfa/cdfaweb.nsf/pages/cebfinewfacilities2013.html/\\$file/New%20Exempt%20Facilities%20Categories%20for%20Clean%20Energy%20-%20CDFA%20CEG%202013.pdf](http://www.cdfa.net/cdfa/cdfaweb.nsf/pages/cebfinewfacilities2013.html/$file/New%20Exempt%20Facilities%20Categories%20for%20Clean%20Energy%20-%20CDFA%20CEG%202013.pdf)

⁶ Council of Development Finance Agencies; *American Manufacturing Bond Finance Act*; <http://www.cdfa.net/cdfa/cdfaweb.nsf/pages/AMBFAoverview.html>

public-private partnerships. However, most infrastructure-type projects fall into the exempt facilities category.

The National Council for Public-Private Partnerships defines a public-private partnership as:

*A contractual arrangement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.*⁷

Referred to as “PPP” or “P3,” public-private partnerships have been used in the U.S. since before the Revolutionary War. Common examples include contracted concessions services at national parks and client services such as vocational rehabilitation or medical services contracted by the Washington State Department of Labor and Industries.

Recently, public-private partnerships for infrastructure development have been making news across the country. The country’s largest bond offering to date for a public-private partnership involved two states – Kentucky and Indiana – and a consortium of private companies participating together to build a new bridge over the Ohio River.⁸ Other examples include the partnership that rebuilt Washington, D.C.’s Union Station and the U.S. military contracting with private companies to construct housing for enlisted personnel. In the latter example, rents on the housing cover most of the debt service so that development costs had little impact on the defense budget.⁹

Not all such projects require bond cap allocations to be financed with tax-exempt bonds. Many types of infrastructure are considered to be essentially public projects in federal law, including most transportation projects, airports, and docks and wharves. Other types of infrastructure projects, including water, sewer, and electrical power projects may be considered essentially public or private, depending on whether a single private entity uses 10 percent or more of the capacity created by the project, thus making the entire project a private activity under federal law. These kinds of private activities must have an allocation of bond cap in order for the bond financing to be tax-exempt.

An example of a small issue public-private partnership that requires a bond cap allocation is one in which a port district builds a building on port-owned property for a private manufacturing

⁷ The National Council for Public-Private Partnerships; *7 Keys to Success*; <http://www.ncppp.org/ppp-basics/7-keys/>

⁸ The Courier-Journal for Louisville, Kentucky and Southern Indiana; *Indiana Bond Package for Ohio River Bridge Receives National Award*; December 15, 2013; <http://www.courier-journal.com/article/20131214/NEWS01/312140055/Indiana-bond-package-Ohio-River-Bridges-Project-receives-national-award>

⁹ The National Council for Public-Private Partnerships; *Frequently Asked Questions About PPPs*; <http://www.ncppp.org/ppp-basics/frequently-asked-questions/>

business. In that case, the port owns the real estate and the building, and the private business leases the property from the port. Rent paid by the business to the port is used to pay the debt service on the bond.

Occasionally, a public-private partnership is appropriate for infrastructure development using bond financing with a bond cap allocation. A 2003 bond cap project is a perfect example. The cities of Cle Elum, South Cle Elum, Roslyn, and Ronald badly needed additional sewer capacity, but were not able to secure affordable funding sources. Roslyn's sewer system, in particular, was in critical condition, and had been cited by the Department of Ecology for health violations. Among other problems, the city's stormwater system emptied into the sewer system, overloading its capacity.

A new resort project, Suncadia (Trend West at the time), was planning a large construction project in the area, but the lack of available sewer capacity made permitting the resort project impossible. The four cities came together with resort developers and worked out a partnership plan that involved each of the cities providing a portion of the funding toward the project and Suncadia financing the balance with a tax-exempt private activity bond. Because the resort was anticipated to use considerably more than 10 percent of the capacity resulting from the project, a bond cap allocation was required for the bond to be tax exempt. Sewer system revenues provide debt service on the bond, and WEDFA served as bond issuer. The project achieved both public and private benefits – providing the cities with much-needed sewer capacity and allowing the resort to be constructed – without negative impacts on the cities' budgets.



Suncadia Resort Lodge, Cle Elum

The Bond Cap Allocation Program is in the process of teaming with Commerce's Public Works Board, Community Economic Revitalization Board, and business development staff to establish stronger relationships and identify potential projects to facilitate the type of public-private partnerships represented by the Suncadia example. This kind of partnership fits with the program's goal to increase the visibility and use of the exempt facilities and small issue portions of the bond cap allocation.

Building new partnerships within the agency and with program stakeholders is well within the program's statutory authority. However, adding capacity to the program for the robust marketing and program development necessary to facilitate viable public-private partnerships will likely require an adjustment to the current bond cap fee rate and FTE allotment to bring the program back to pre-recession staffing levels (see the Creating Efficiencies in Program Operations section below for more information).

Monitoring Federal Tax Reform Issues

A variety of tax reforms have been proposed as a means of reducing the federal deficit. While there seems to be some agreement at the federal level that deficit reduction via tax reform might be in order, there is little agreement as to how to achieve it. There is also vocal opposition to all the measures that have been proposed thus far, and most analysts argue that it is unlikely Congress will tackle tax reform in 2014. Nevertheless, as it did in 2009 when Congress passed the American Recovery and Reinvestment Act, the Bond Cap Program needs to be prepared to respond quickly should any reforms pass that impact its operations.

Limiting Tax-Exempt Bonds

One proposal from the White House consists of a 28 percent limit on the amount of bond interest income higher-income investors could exempt from federal income tax. Considered one of the more likely proposals to pass in some form, this proposal would indirectly affect the Bond Cap Program.

According to a report prepared by the National Association of Counties, the National League of Cities, and the U.S. Conference of Mayors,¹⁰ capping tax-exempt bonds would have the effect of making them – particularly those with longer maturities – less attractive and more difficult to sell as investors approach the 28 percent limit in their portfolios. The report, *Protecting Bonds to Save Infrastructure and Jobs*, estimates that the 28 percent tax-exempt interest cap would cause an annual loss of 311,000 jobs and \$24 billion in GDP nationwide. In addition, the report calculates that had a 28 percent limit been in effect over the past 10 years, it would have cost states and local governments an additional \$173 billion in interest expenses.

While the report's estimates apply to all tax-exempt bonds, the limitation would impact the Bond Cap Program to at least the same degree. Tax-exempt private activity bonds are based on the credit-worthiness of the ultimate borrower – a private business entity – and therefore carry a higher risk than tax-exempt state and local government bonds based on the full faith and credit of a unit of government. Investors looking to maximize earnings and minimize risks on their tax-exempt 28 percent would be less likely to consider private activity bonds. In addition, the pool of possible investors in tax-exempt private activity bonds would be significantly smaller

¹⁰ National Association of Counties, National League of Cities, and the U.S. Conference of Mayors with the assistance of the Government Finance Officers Association; *Protecting Bonds to Save Infrastructure and Jobs*; 2013; <http://www.munibondsforamerica.org/cms/wp-content/uploads/2013/03/bonds-report.pdf>

than it currently is, even if private activity bonds remained strong in the market. Either way, this proposal would tend to further slow Bond Cap Program activity.

Eliminating Tax-Exempt Bonds

A second federal proposal calls for eliminating tax-exempt bonds altogether. According to the above-mentioned *Protecting Bonds* report, this proposal would cause the loss of 892,000 jobs and \$71 billion in GDP annually. Using the same retrospective analysis as for the 28 percent limitation on tax-exempt bond interest earnings, the report estimates that elimination of the tax exemption would have cost state and local governments \$495 billion over the past 10 years. The report estimates that in typical market conditions, tax exemption can save state and local governments up to two percentage points on their borrowing rates.¹¹

Strong opposition exists to this proposal. Among other arguments, opponents point out that a tax exemption on state and local government bonds has been an integral part of the nation's income tax system since its inception in 1913.¹²

Along with tax-exempt bonds, this proposal would eliminate the need to allocate the authority to issue tax-exempt private activity bonds – the primary business and source of revenue for the Bond Cap Allocation Program. Should this proposal pass in Congress, Bond Cap Program activities and revenues would cease with it. Among other agency impacts, this would leave the Bond Users Clearinghouse, currently funded by Bond Cap Program revenues, requiring other means of funding to continue operations.

However, it is possible that the need for a state-level program that regulates the issuance of bond types limited in federal law might still exist, depending on whether other capped bond types are adopted to replace tax-exempt state and local government bonds.

Replacing Tax-Exempt Bonds with Direct Subsidy Bonds

Replacing tax-exempt bonds with direct subsidy bonds is frequently cited as a companion proposal to eliminating tax-exempt bond. The direct subsidy option is proposed as a means of mitigating the impacts of tax-exempt bond elimination on state and local government issuers. From the passage of the American Recovery and Reinvestment Act of 2009 (ARRA) through the end of 2011, several ARRA-created bond types were very well-received in the market, including Build America Bonds (BABs), Recovery Zone Facility Bonds (RZFBs), Recovery Zone Economic Development Bonds, Qualified Zone Academy Bonds (QZABs), and Qualified School

¹¹ National Association of Counties, National League of Cities, and the U.S. Conference of Mayors with the assistance of the Government Finance Officers Association; *Protecting Bonds to Save Infrastructure and Jobs*; 2013; <http://www.munibondsforamerica.org/cms/wp-content/uploads/2013/03/bonds-report.pdf>

¹² National Association of Bond Lawyers; *Tax-Exempt Bonds: Their Importance to the National Economy and to State and Local Governments*; http://www.nabl.org/uploads/cms/documents/2012_08_02_NABL_Tax_Reform_White_Paper.pdf

Construction Bonds (QSCBs). With the exception of BABs, all of these bond types came with volume caps on them, with the states authorized to administer the caps.

Many of these bond types allowed issuers to elect to sell taxable bonds either with tax credits or as direct subsidy bonds. Tax credits allow bond investors to reduce their tax liability by the amount of the credit. The direct subsidy allows issuers to be reimbursed for a percentage of the interest expenses on their bonds. The U.S. Treasury Department pays the subsidy as a quarterly reimbursement directly to the issuer once the issuer has made interest payments on the bond. Virtually all issuers of these ARRA bond types elected to receive the direct subsidy. Direct subsidy bonds were so successful – for both investors and issuers – that Congress later converted several bond types that were originally straight tax credit bonds to direct subsidy bonds, including Qualified Energy Conservation Bonds (QECBs).

The subsidy percentage varied from one bond type to another. BABs, for example, had a 35 percent subsidy, and RZEDBs – a sub-type of BAB – had a 45 percent subsidy. The new federal proposal would create direct subsidy bonds as a permanent bond type, but with a smaller subsidy than was available on the economic stimulus bonds. The President’s tax reform proposal suggests the subsidy be set at 28 percent.

Initially this proposal generated enthusiasm, but with sequestration came a 7 percent reduction in the subsidy on already-issued ARRA bonds. The uncertainty created by the sequester provisions dampened that enthusiasm, as issuers could no longer count on receiving the amount of subsidy on which they based their project budgets and bond pricing. Nevertheless, direct subsidy bonds are still under consideration.

The impact of this proposal on the Bond Cap Allocation Program would depend on whether any direct subsidy provisions came with volume caps as did most of the ARRA bonds. The program anticipated this possibility and in 2010 requested changes to its authorizing statute and adopted rules to create the necessary flexibility to administer any new volume caps. Should the direct subsidy pass with volume caps, the program could continue without substantial operational changes, although it would likely have to reevaluate revenue estimates and the program budget according to the size of the volume caps.

Eliminating Tax Exemption for Private Activity Bonds

A fourth federal proposal would eliminate tax exemption only for private activity bonds. This proposal would also eliminate the need for the Bond Cap Allocation Program. While this proposal has gained traction among some analysts, the impact on federal revenues would be so small that it would have no significant deficit reduction effects. On the other hand, Toby Ritner, President of the Council of Development Finance Agencies, points out that eliminating tax-exempt private activity bonds would have the effect of dampening job creation and economic development, as many projects that use tax-exempt private activity bond authority would not

have access to conventional financing and would not go forward without the bond financing.¹³ Eliminating tax-exempt private activity bonds would create only negligible federal revenue benefits, but would have significant negative impacts on job creation and economic development.

Creating Efficiencies in Program Operations

If Congress enacts tax reform legislation that impacts tax-exempt bonds in general or tax-exempt private activity bonds in particular, the Bond Cap Program will need to be prepared to respond appropriately with legislative or rule changes. However, even if Congress does not adopt changes affecting the program, there are a handful of small technical changes the program is looking at.

Adopting a More Effective Legislative Report Due Date

The program's original legislation in RCW 39.86.190 called for two separate reports to the Legislature – an annual summary, due on February 1 of each year, and a biennial policy report, due on June 30 of even numbered years. In 2010, in an effort to reduce agency reporting costs, the annual summary report was changed to biennial, with both the summary and policy reports due by February 1 of even numbered years.

The February 1 due date presents logistical challenges for the program, Commerce, and the Office of Financial Management (OFM), which is required to review all legislative reports. Important pieces of data are not available until the last few days of December each year. Those include:

- The Census Bureau population figures, which are essential to calculating the coming year's total bond cap. These are not published until the last few days of December.
- Total of bond issuances for the year. The statutory deadline for bond issuances from the annual cap is December 15, and frequently issuers request extensions for a few additional days. In 2013, for example, the program granted an extension until December 20 for an exempt facility project. For housing projects issuing from carryforward, the only deadline that might apply is December 31, and then only if the carryforward being used is about to expire. Housing projects using carryforward have frequently issued during the last few days of December.
- The carryforward total for the year. Carryforward cannot be calculated and allocated until all outstanding allocations are either issued or reverted to Commerce, which may not happen until the last few days of December. In addition, the Housing Finance Commission must pass a resolution determining the division of the carryforward

¹³ Ritner, Toby; *Private Activity Bonds Support Job Creation and Economic Development – Flawed, Inaccurate New York Times Article Debunked*; March 7, 2013; [http://www.cdfa.net/cdfa/cdfaweb.nsf/pages/nytrebuttmarch2013.html/\\$file/NewYorkTimesRebuttal-CDFA2013Final.pdf](http://www.cdfa.net/cdfa/cdfaweb.nsf/pages/nytrebuttmarch2013.html/$file/NewYorkTimesRebuttal-CDFA2013Final.pdf)

between its Multifamily and Single Family programs. The Commission typically meets the third week of each month. It cannot make a determination until it has a reasonably accurate estimate of the carryforward total, and therefore it does not make the decision until its December meeting (the 2013 meeting occurred on December 19).

Because of these critical timelines, the earliest Commerce can have the report ready for OFM review is the first week of January. Even a quick two-week OFM turn-around does not allow sufficient time for editing in response to OFM comments prior to the February 1 legislative due date. In addition, with the legislative session beginning, OFM is challenged to devote resources to report review and approval during January.

Finally, in order to be ready to forward the report to OFM the first week of January, internal Commerce review must begin in early to mid-December, and therefore the report must be drafted and reviewed internally before complete data is available.

Commerce recommends amending the report due date to June 30 of even numbered years – matching the original due date of the policy report. This will alleviate the logistical problems, will allow the report to be reviewed by OFM and the Legislature at a time other than during the legislative session, and will present any policy recommendations well in advance of the following session.

Eliminating Obsolete References in Statute

Early in the history of the Bond Cap Program, the Community Economic Revitalization Board (CERB) issued small issue bonds and had the authority to review and approve small issue allocation requests from other issuers. CERB has not had the statutory authority to do this for many years. However, references to CERB's authority in the Bond Cap RCW and WAC were not updated at the time CERB's statute was changed. In 2010, the definition for the "board" in the RCW was deleted along with several references to CERB, but one reference was missed in RCW 39.86.140.

This minor technical change would by itself not be a priority for legislative action. However, if federal tax reform or other substantive changes affecting the program dictate statutory changes, Commerce would recommend taking the opportunity to also delete that last reference to CERB in the Bond Cap statute.

Evaluating Job Creation and Retention Criteria

Among the criteria in agency rules (WAC 365-135-060) for small issue allocations, are suggested ratios of bond cap to jobs created and retained for various areas of the state. The criteria include:

- Eastern Washington distressed areas – \$192,200/job
- Eastern Washington non-distressed areas – \$121,600/job

- Western Washington distressed areas – \$146,200/job
- Western Washington non-distressed areas – \$106,600/job
- Statewide – \$116,800/job

Exempt facilities projects also have job creation and retention criteria in WAC, but no specified ratios or set-asides for distressed or Eastern Washington areas. However, in practice, the program tends to use the small issue job ratios as a benchmark for evaluating both small issue and exempt facilities projects.

The last time these ratios were updated was in 1997, and the economy and construction costs have changed significantly in the interim. Looking at the job ratio data from the past seven years, it appears that in 2007, a pre-recession year of high demand in both categories, the average bond cap to job ratio was higher than the criteria. Then, through the worst of the recession, the bond cap cost per job trended much lower than the criteria, until there was no demand at all during 2011 and 2012. It appears – although the available data is for just one exempt facilities project – that the cost per job may be going back up as the economy gets further into recovery.

As recovery continues, the program should continue monitoring the job creation and retention data and to be prepared to review and update the criteria if indicated.

Table 1: Bond Cap per Job Ratios, Small Issue and Exempt Facilities, 2007-2013

Year	Category	Jobs Created or Retained	Total Bond Cap Used	Average Bond Cap/Job
2007	Exempt Facilities	538	\$59,719,365	\$111,003
	Small Issue	252	\$162,919,365	\$646,505
2008	Exempt Facilities	350	\$45,000,000	\$128,571
	Small Issue	460	\$18,408,800	\$40,019
2009	Exempt Facilities	627	\$54,685,000	\$87,217
	Small Issue	53	\$3,472,203	\$65,513
2010	Exempt Facilities	600	\$20,980,000	\$34,967
	Small Issue	40	\$6,891,000	\$172,275
2011		0	\$0	N/A
2012		0	\$0	N/A
2013	Exempt Facilities	39	\$26,500,000	\$679,487
Seven-Year Totals and Average Bond Cap/Job		2,959	\$398,575,733	\$134,699

Aligning Fee Rates with Program Costs

The application fee rate currently in place was adopted into the WAC in 1999 and went into effect in 2001. The fee authority is established in RCW 39.86.170, and is intended to cover “costs actually incurred or expected to be incurred by the agency in its bond allocation and bond users clearinghouse activities.” The Bond Cap Program is fully supported through fee revenue, and does not use any state general funds. At the time of adoption of the current fee rate, revenue generated by the rate times the annual cap amount supported 1.6 FTEs, which allowed for a full-time program manager for the Bond Cap Allocation and Bond Users Clearinghouse programs, plus administrative and management support.

Actual revenue generated by application fees has increased along with the increase in the state’s population and the IRS cost-of-living adjustments in the per capita multiplier used to calculate the total annual cap. However, those built-in increases have not kept pace with the actual cost of operating the program, which includes wages, benefits, overhead, indirect, and other costs such as Attorney General fees. For the past several years, the agency has had to reduce the program’s FTE to 1.0 in lieu of requesting a fee rate increase.

The programs have adopted some efficiencies in the interim – including an online reporting program for the Bond Users Clearinghouse Bond 101s and the Bond Cap notification of issuance submissions. However, the efficiencies have not fully made up for the FTE reduction. This has created challenges for the program, negatively impacting customer response times and publication schedules.

To further complicate the program’s budget picture, it is possible that at some point the Housing Finance Commission may not be able to continue absorbing large amounts of carryforward. Following the allocation of the 2013 carryforward, approximately \$1.7 billion in accumulated carryforward will exist at the Commission. The Bond Cap Program anticipates demand for bond cap returning to a more normal condition with interest rates anticipated to rise over the next couple of years.

However, if demand does not increase, the Commission may need to either limit how much carryforward they receive each year or abandon older carryforward for which they have already paid an application fee. If older carryforward must be abandoned to make room at the Commission for newer carryforward, Commerce may want to consider crediting the Commission with some or all of the fees that were paid on any abandoned cap. Although such a credit would create a significant budget hardship for the program, keeping the expiration date as far into the future as possible for as much carryforward as possible benefits all program stakeholders.

In such a case, fee revenue and the fund balance with which to operate the Bond Cap Program could potentially decrease to a point at which it would not be able to meet its statutory obligations without a substantial increase in the fee rate. Nevertheless, given the uncertain nature of economic recovery, Commerce does not recommend an immediate fee increase.

Raising the fee might deter potential issuers from taking advantage of the program. In addition, because the majority of cap is currently going to the Commission – Commerce’s partner agency that has been a strong supporter of the Bond Cap Program for many years – any fee increase in the near future would inordinately impact the Commission.

Therefore, at this time, Commerce recommends carefully monitoring the revenue, budget, and staffing situation for one more year and considering a fee increase toward the end of the 2014 calendar year. In particular, if 2014 ends with another large amount of carryforward to be allocated and the Commission is not able to absorb it, Commerce will have no choice but to consider a fee increase or request alternative funding to keep essential program activities operational.

Whether or not any carryforward must be abandoned or fee revenue lost, at whatever point in time demand for bond cap returns to normal, Commerce recommends adjusting the fee rate sufficiently to return the program’s FTEs to a level that fully supports customer service, a consistent publication schedule, and necessary administrative and management functions. In addition, Commerce also recommends building several cost-of-living rate increases over time into any rule adoption process. Such a fee rate increase was originally built into the agency’s rules adopted in 1999, when the current fee rate was scheduled to automatically go into effect in 2001.

Reconvening the Bond Cap Advisory Committee

The Bond Cap Program does not have an a statutory advisory committee, but it has traditionally convened a group of volunteer advisors consisting of any active issuers who wanted to participate, the program’s Assistant Attorney General and special bond counsel, the managing director of Commerce’s Housing Trust Fund, a representative from the Association of Washington Cities (AWC), and other interested stakeholders. The most active stakeholder participants have included the executive directors of the Housing Finance Commission, the Washington Economic Development Finance Authority, and the Tacoma/Pierce County Economic Development Corporation, plus representatives from the Association of Washington Housing Authorities and AWC.

The committee typically met in late spring to share information about upcoming bond activities and discuss any emerging policy issues. For several years a housing sub-committee met separately following the larger committee meeting. The sub-committee had initially been created to continue the good relations formed after the resolution of a conflict that arose among housing stakeholders roughly 10 years ago.

The Bond Cap Program and the agency found the advisory committee to be a valuable tool for generating stakeholder feedback on issues that might affect allocation decisions and program planning. However, the last time the committee met was in 2009. Additional program workload created by the economic stimulus bond caps, combined with personnel changes and budget-led

reductions in program staffing, resulted in committee meetings being postponed, then omitted altogether.

However, in the context of other program policy changes along with potential federal tax reforms, a clear mechanism for stakeholder input has become increasingly important. The program recommends reestablishing the advisory committee and considering the possibility of formalizing the committee's advisory functions. Program staff is planning to reconvene the informal advisory group, with a meeting tentatively scheduled for May 2014.

Case Studies of Projects Using Bond Cap

Centralia Coal Mine Clean-up

The Centralia Coal Mine is an open-pit coal mine on 14,500 acres, just north of Centralia in Lewis County. Beginning operations in 1970, the mine averaged production of 4.3 million metric tons of coal annually. All the coal produced in the mine was used to fire an adjacent steam power plant. The mine ceased operations in 2006 when the coal became excessively expensive to continue mining. Instead of local coal, the power plant now burns coal from Wyoming.

At the time of its closure, the mine employed 600 workers. Losing those jobs was a blow to the community, which has been plagued by chronically high unemployment. However, once the mine closed, clean-up and restoration efforts began. In 2013, the mine's owner, TransAlta, stepped up restoration activities. Working with the Washington Economic Development Finance Authority (WEDFA) as bond issuer, the project used a \$30 million bond cap allocation to finance a building for processing waste coal slurry and the purchase and installation of a dredge, which will be used to clean up three specific areas of the mine site.

In addition to creating 24 new jobs, 15 construction jobs, and additional spin-off jobs with TransAlta, the clean-up will recover 3.8 million tons of fine coal plus 18 million tons of additional coal slurry that would otherwise have gone to waste. The entire project is expected to take 12 years to complete.



The Centralia Coal Mine while in operation.¹⁴



Clean-up and grading under way.



At the north end of the mine site, a lake and forest are returning.

¹⁴ Photos courtesy TransAlta,
<https://www.facebook.com/transalta?rf=108001272554044>

Swauk Wind Farm

The Swauk wind farm project represents the state's first – and so far the only – use of a Qualified Energy Conservation Bond (QECB) for a private activity. Federal law allows up to 30 percent of each state's QECB allocation to be used for projects that are considered private activities.

Shortly after passage of the American Recovery and Reinvestment Act of 2009 (ARRA), interest in using QECBs for private activities was high, but since then, with the exception of the Swauk wind farm project, all QECB issuances in the state thus far have been for energy-efficiency measures in government buildings. The Swauk project used \$9 million of the \$20.4 million QECB authority allowable for private activities.

Partnering with McKinstry, an energy services company (ESCO), the Housing Finance Commission facilitated the Swauk project as part of their State Energy Trust program, and served as bond issuer.¹⁵

Project developers installed five wind turbines at Swauk Creek Ranch on 40 of 3,865 ranch-owned acres northwest of Ellensburg. At capacity, the turbines will produce 4.3 megawatts of electricity, most of which is sold to Puget Sound Energy. Each turbine is between 240 and 270 feet tall from the ground to the tip of a vertically extended rotor blade.

Supported by the Yakama Nation and the state Department of Fish and Wildlife, the project was designed to be sensitive to

environmental concerns by using larger than required setbacks. It is not considered a commercial wind farm, but instead is a small, family-owned, distributed power facility, with the electricity produced all being used in the local area. The project is located so that no new transmission lines were needed.



View of three of the Swauk wind turbines as a fourth is being installed.¹⁶



Another view of the Swauk turbines and a portion of Swauk Creek Farm.

¹⁵ Washington State Housing Finance Commission; *Energy Financing Programs*; <http://wshfc.org/energy/index.htm>

¹⁶ Photos courtesy the National Renewable Energy Laboratory via McKinstry. Used with permission. <http://images.nrel.gov/search.php?searchField=KEYWORD&searchstring=%22wind%20project%22>

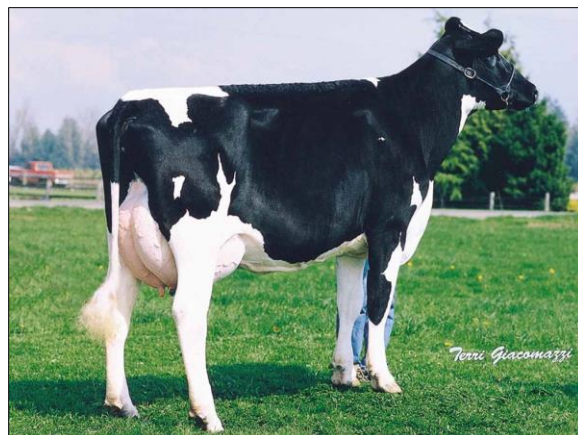
Dairy Digesters

Dairy manure digesters meet more criteria in Bond Cap statute and rules than any other type of projects. In the exempt facilities category, dairy manure digesters fit the criteria for diverting solid waste and remanufacturing it into value-added products, producing electricity, reducing environmental pollution, creating jobs, providing an economic boost to economically distressed (rural) communities, and facilitating investment in new technologies.

The Bond Cap Program has provided allocations to four dairy digesters in its history – the Oord Dairy in Yakima (2004), the Vander Haak Dairy in Lynden (2005), the De Ruyter Dairy in Yakima (2006), and the Mesa Dairy in Franklin County (2007).

Dairy digesters are expensive to build but their economic benefits accrue quickly. The Vander Haak digester, for example, was designed to accommodate not only the dairy's 1,500-cow herd, but it also has the capacity to process manure from other local dairies plus waste from local food processors.

Now in operation, the digester produces enough electricity and heat to run the farm and generates income by selling an annual 161,520 kWh of electricity back to the grid. In addition, the project produces a peat moss substitute, animal bedding, and soil amendments; runs a pilot-scale phosphorous crystallizer for fertilizer; sells carbon tax credits, and collects tipping fees for taking food processing waste.



A member of the Vander Haak herd.¹⁷



The finished digester complex at the Vander Haak dairy.



Sterile, deodorized, composted manure is ready to be manufactured into value-added soil amendments and flower pots.

¹⁷ Photos: Bond Cap Allocation Program files.

Program Activity Summaries

During 2012 and 2013, nearly all bond cap activity took place using previous years' carryforward allocations. All projects were in the housing category but two:

- A small issue Beginning Farmer/Rancher allocation for \$150,000 in 2012
- An exempt facility – the Centralia Coal Mine clean-up – for \$26.5 million in 2013.

Thus, nearly all the state's tax-exempt private activity bond volume cap for the past two years was carried forward for use in future years.

2012 Bond Cap Issuances

In addition to the one Beginning Farmer/Rancher issuance, 12 affordable multifamily rental housing projects issued bonds, and the Housing Finance Commission (WSHFC) issued \$160 million in Mortgage Credit Certificates (MCCs) during 2012. All of the housing bonds and MCCs were issued from 2009 or 2010 carryforward. During the year, all the remaining 2009 carryforward was used for bond issuances, so no carryforward amounts expired unused.

Table 2: 2012 Bond Cap Projects

Date	Issuer	Project	Amount	Allocation Source ¹⁸
3/21/2012	WSHFC	MCCs	\$160,000,000	2009/2010 CF
5/18/2012	WSHFC	Beginning Farmer/ Rancher Program	\$150,000	2012 Current
6/6/2012	WSHFC	GRE Downtowner	\$24,000,000	2009 CF
6/7/2012	WSHFC	North City Family Apartments	\$20,150,000	2009 CF
6/11/2012	WSHFC	Vintage at Urban Center	\$41,400,000	2009 CF
7/22/2012	WSHFC	Interurban Senior Living Apts.	\$14,750,000	2009/2010 CF
7/12/2012	WSHFC	Affinity at Southridge Apartments	\$13,050,000	2010 CF
7/30/2012	WSHFC	Desert Villa Apartments	\$11,100,000	2010 CF
8/2/2012	WSHFC	Tri-Court Apartments	\$15,900,000	2010 CF
9/20/2012	WSHFC	APD Housing/ Christenson Portfolio	\$8,959,428	2010 CF
11/12/2012	WSHFC	Quilceda Creek Apartments	\$21,020,000	2010 CF

¹⁸ Under Allocation Source, "Current" means issued from the current year's (2012 for Table 2) annual allocation during the calendar year; "CF" means issued from a previous year's carryforward allocation.

11/21/2012	WSHFC	Affinity at Olympia Apartments	\$18,600,000	2010 CF
12/21/2012	WSHFC	Alder Ridge Senior Apartments	\$8,000,000	2010 CF
12/28/2012	Capital Hill Housing Improvement Program	12th Avenue Arts	\$12,000,000	2010 CF
Total Issued			\$369,079,428	

2013 Bond Cap Issuances

During 2013, in addition to the one large exempt facility project, 19 affordable multifamily projects issued bonds, and the Housing Finance Commission issued one Single Family Program Bond and \$200 million in MCCs. All of the housing bonds were issued from 2010 and 2011 carryforward. During the year, all the remaining 2010 carryforward was used for bond issuances, so no carryforward amounts expired unused.

Table 3: 2013 Bond Cap Projects

Date	Issuer	Project	Amount	Allocation Source¹⁹
1/11/2013	WSHFC	Ashwood Downs Apartments	\$6,250,000	2010 CF
1/11/2013	WSHFC	Atherton Woods Apartments	\$6,500,000	2010 CF
2/28/2013	WSHFC	MCCs	\$200,000,000	2010/2011 CF
3/22/2013	WSHFC	Villas at Lakewood	\$24,180,000	2010 CF
3/27/2013	WSHFC	Single Family Program Bonds	\$40,020,631	2011 CF
3/28/2013	WSHFC	TRG-Parklane	\$17,420,000	2010 CF
3/28/2013	Tacoma Housing Authority	Hillside Terrace	\$12,000,000	2010 CF
5/6/2013	WSHFC	Appleway Court II	\$2,000,000	2010 CF
5/31/2013	WSHFC	The District	\$32,250,000	2010 CF
7/17/2013	Snohomish Housing Authority	Jackson House at Pacific Crest	\$9,200,000	2010 CF
8/1/2013	Seattle Housing Authority	Leschi House	\$8,400,000	2010 CF
8/8/2013	WSHFC	Rainier Court	\$7,200,000	2010 CF
8/15/2013	WSHFC	Copper Landing	\$11,500,000	2010 CF

¹⁹ Under Allocation Source, “Current” means issued from the current year’s (2013 for Table 3) annual allocation during the calendar year; “CF” means issued from a previous year’s carryforward allocation.

Date	Issuer	Project	Amount	Allocation Source¹⁹
9/13/2013	WSHFC	Sea Mar/Des Moines Community Housing	\$5,850,000	2010 CF
10/3/2013	WSHFC	Copper Trail Apartments	\$26,300,000	2010/2011 CF
11/8/2013	Seattle Housing Authority	Yesler Terrace	\$15,250,000	2011 CF
11/15/13	WSHFC	57th NW/Ballard Senior Apartments	\$7,000,000	2011 CF
12/02/13	WSHFC	Park 16 Apartments	\$32,750,000	2011 CF
12/05/13	WSHFC	Speedway/Vantage Apartments	\$24,300,000	2011 CF
12/12/13	WSHFC	Mercy Housing NW	\$17,225,000	2011 CF
12/12/13	WSHFC	The Reserve at Everett	\$16,350,000	2011 CF
12/20/13	WEDFA	Centralia Coal Mine/Coalview	\$26,500,000	2013 Current
Total Issued			\$548,445,631	

Qualified Energy Conservation Bond Issuances

After getting off to a slow start in the bond market, Qualified Energy Conservation Bonds (QECBs) have finally gained some traction. Among the U.S. states and territories that received allocations of QECB authority in the 2008 Tax Extenders Act and the 2009 American Recovery and Reinvestment Act (ARRA), Washington State has used one of the highest percentages of its QECB authority. As of early December 2013, the Energy Programs Consortium reported a nationwide QECB utilization rate of 30 percent. Nineteen states had not yet issued any QECBs at the time of the report. Only nine states, including Washington, had used more than 50 percent of their original allocations, with Washington's 60 percent ranking eighth highest among the states.²⁰ Since data was gathered for the report, three more QECBs have been issued in Washington, bringing the state's total use of QECB authority to more than \$45 million, or 66 percent of the state's total allocation.

Among the 18 jurisdictions that received original allocations under the formula in federal law, only four have issued QECBs, 11 have reallocated to the state, and three still retain their original allocations. King County has issued two QECBs from their original allocation. Among the 13 QECBs issued in Washington, nine have been issued by smaller jurisdictions from reallocated authority.

²⁰ Energy Programs Consortium, December 2013 QECB Update, <http://www.energyprograms.org/category/qecb-papers/>

The aggregation activities of the Housing Finance Commission are largely responsible for the state's successful QECB implementation. In November 2013, the Commission's sustainable energy coordinator, Avi Jacobson, was recognized at the White House for his clean energy work for the Commission's State Energy Trust, of which the QECB aggregation project is a part.

Table 4: Qualified Energy Conservation Bond Issuances

Date	Issuer	Amount	Project Description
9/22/2010	Yakima County	\$2,433,444	Energy conservation upgrades for the county courthouse
11/9/2010	Thurston County	\$2,040,000	Energy conservation measures for several county buildings, including installation of geothermal and solar energy systems
12/1/2010	King County	\$5,825,000	New HVAC equipment in two county buildings; energy efficient boilers and other energy improvements for the courthouse and correctional facility
12/28/2010	Kitsap County	\$1,110,000	Energy efficiency upgrades for the county's sewer system
4/27/2011	City of Bellingham	\$6,480,000	Energy efficiency upgrades in 20 city buildings
12/19/2012	King County	\$6,020,000	New HVAC equipment for the county correctional facility
12/27/2012	WSHFC	\$9,000,000	McKinstry Swauk wind farm project
4/18/2013	City of Longview	\$3,560,000	Green Communities Program; energy improvements for city facilities, infrastructure, and vehicles
7/1/2013	City of Renton	\$3,200,000	Green Communities Program; streetlight LED conversion
7/30/2013	City of Centralia	\$1,100,000	Energy upgrades for city facilities; streetlight LED conversion; Borst Park lighting; new HVAC equipment in several city buildings
9/5/2013	Okanogan County	\$1,115,000	Energy upgrades for courthouse, jail, and juvenile services buildings; geothermal heat pump installation; new controls and systems to connect heat pump to buildings; replace courthouse windows
10/2/2013	City of Blaine	\$1,670,000	Green Communities Program; energy upgrades for city facilities, including energy efficient streetlights, HVAC, and lighting; energy upgrades for wastewater treatment plant
12/10/2013	Mason County	\$1,620,000	Energy improvements to the county jail utilities, roof, HVAC, and water systems
Total QECBs Issued		\$45,173,444	

Federal law allows up to 30 percent of each state's total allocation to be used for private activities, and in the first few months after passage of the ARRA, most inquiries about QECBs came from the private sector. However, to date, only one private activity QECB has been issued for \$9 million by the Housing Finance Commission for the Swauk wind project in Eastern Washington –19 percent of the QECB volume issued, and only 13 percent of the state's total allocation.

The majority of QECBs have been issued for energy-efficiency measures in government facilities. In particular, upgrades to heating, ventilation, and air conditioning (HVAC) and conversion of streetlights from sodium or mercury vapor lamps to light-emitting diode (LED) lamps have characterized most of the conservation projects. LED lamps are smaller, lighter weight, last several times longer than vapor lamps, and use a fraction of the energy. Conversion to LEDs not only saves the issuer on energy costs, but it also saves on maintenance and replacement costs.

Federal law requires that when QECBs are used for energy upgrades in government buildings, the issuer must be able to document energy savings of at least 20 percent. To ensure the likelihood that planned upgrades will meet that standard, most issuers have worked with Energy Services Companies (ESCOs) that perform careful evaluations of the jurisdiction's properties then make targeted recommendations. When a jurisdiction follows the recommendations, the ESCO is also able to guarantee the amount of energy savings. In many cases the ESCO is also able to guarantee that the energy cost savings will be equal to or greater than the jurisdiction's debt service on the bond. The state Department of Enterprise Services' Energy Savings Performance Contracting program certifies many of the ESCOs and assists state and local governments with contracting for energy services, including when planning a QECB issuance.

The Housing Finance Commission reports having already received applications for most of the approximately \$12 million balance the Commission has currently aggregated. Bond Cap Program staff is working with their counterparts at the Commission to collect several small pieces of QECB authority left over when bonds were issued for less than the amount allocated. In addition, staff will follow up with the jurisdictions that have not yet used their allocations to determine whether those jurisdictions still have plans to use their QECB authority, and if not, whether they would be willing to reallocate to another issuer with an active project.

Table 5: Status of Original QECB Allocations

Jurisdiction	Original Allocation Amount	Status²¹	Most Recent Status Change Date
City of Seattle	\$6,164,528.95	Unused	
City of Bellevue	\$1,258,893.48	Reallocated to state	5/9/2012
King County	\$12,033,825.30	\$11,845,000 issued, balance reallocated to state	6/13/2013
City of Tacoma	\$2,038,762.78	Reallocated to state	3/4/2013
Pierce County	\$6,111,713.25	Reallocated to state	5/17/2012
Snohomish County	\$7,092,460.64	Reallocated to state	7/1/2010
City of Spokane	\$2,084,980.40	Unused	
Spokane County	\$2,714,982.17	Reallocated to state	10/8/2013
Vancouver	\$1,674,789.88	Reallocated to state	12/22/2009
Clark County	\$2,731,529.22	Reallocated to state	5/29/2012
Thurston County	\$2,543,587.91	\$2,040,000 issued, balance unused	11/9/2010
Kitsap County	\$2,487,442.05	\$1,110,000 issued; balance reallocated to state	5/29/2012
Yakima County	\$2,433,443.68	Issued bonds using entire original allocation	9/22/2010
Whatcom County	\$2,038,856.15	Reallocated to state	1/1/2011
Benton County	\$1,691,617.04	Reallocated to state	7/16/2013
Skagit County	\$1,224,170.61	Unused	
Cowlitz County	\$1,050,442.12	Reallocated to state	1/21/2010
Tribes	\$710,081.20	Reallocated to state	7/11/2012
State	\$9,857,893.17	Reallocated to WSHFC	10/09/2013
Total	\$67,944,000.00		

²¹ Amounts reallocated to the state have been further reallocated by Commerce to the Washington State Housing Finance Commission to be aggregated and made available to any issuers in the state.

Public Benefits of Bond Cap

Tax-exempt private activity bond issuances must, by definition, be used for projects with measurable public benefits. State law and agency rules provide Commerce with guidance for evaluating the public benefit of projects applying for cap, and for prioritizing projects in the event that demand for cap exceeds the cap available.

Affordable Housing Units Created or Rehabilitated

In the case of housing projects, the primary public benefit criteria in statute include:

- The amount of housing to be made available.
- The population within the jurisdiction.
- Coordination with other applicable federal and state housing programs.
- The likelihood of implementing the financing during that calendar year.
- Consistency with the plan of the Housing Finance Commission.

Particularly important is the fact that a bond cap issuance is needed to leverage federal 4 percent Low Income Housing Tax Credits. To qualify for these tax credits, 50 percent of the project's financing must come from the tax-exempt bond cap issuance. During 2012 and 2013, a total of 5,191 units of affordable multifamily rental housing were created or rehabilitated with tax-exempt private activity bonds (bond cap) as part of the financing package.

Table 6: Affordable Multifamily Rental Housing Units Created or Rehabilitated, 2012- 2013

Category	Housing Units	Cap Used	Bond Cap/Unit
Local Housing Authorities	450	\$56,850,000	\$126,333
Housing Finance Commission	4,741	\$434,854,428	\$91,722
Totals	5,191	\$490,854,428	\$94,559

Job Creation and Retention

Small issue public benefit criteria include the number and type of new and retained jobs, the level of unemployment in the project community, creation of skilled or semi-skilled jobs, the economic status of the community in which the project is being created, and the ratio of the dollars allocated per job. Until June 1 every year, portions of the small issue cap are set aside for Eastern distressed, Western distressed, and Eastern non-distressed areas of the state.

In addition to economic development criteria similar to those for small issue, exempt facilities projects are evaluated on the degree to which the project reduces environmental pollution, diverts solid waste from disposal and manufactures it into value-added products, produces lower cost energy, and environmentally benefits the community.

Both small issue and exempt facilities bond cap applicants are required to work with the state Employment Security Department to ensure that new jobs are advertised and offered to low income Washington residents whenever possible.

During 2012 and 2013, bond cap activity in the small issue and exempt facilities categories was at an all-time low. From a burst of activity in 2007, the number of small issue and exempt facilities bonds has continued to decline, in spite of other signs of recovery in the economy in general. Based on activity over the past five years, it appears that the low level of activity may be due as much to record low interest rates on conventional loans as it is to the nation's slow recovery from the recession.

For example, the Housing Finance Commission's Beginning Farmer/Rancher Program, which falls under the small issue category, issued 23 bonds since 2008, but only one of them was in 2012, and none at all in 2013. No small issue bonds for manufacturing have been issued since 2010, and exempt facilities bonds had no issuances in 2011 or 2012.

Table 7: Industrial Development Bond Cap Projects, 2007-2013

Year	Farmer/Rancher ²²		Small Issue Manufacturing		Exempt Facilities	
	Number	Par Value	Number	Par Value	Number	Par Value
2007	0	\$0	10	\$59,856,000	5	\$103,200,000
2008	6	\$1,168,800	5	\$16,240,000	3	\$45,000,000
2009	7	\$1,543,603	1	\$1,928,000	2	\$54,685,000
2010	7	\$1,691,000	1	\$5,200,000	1	\$20,980,000
2011	2	\$459,500	0	\$0	0	\$0
2012	1	\$150,000	0	\$0	0	\$0
2013	0	\$0	0	\$0	1	\$26,500,000

As a result of the low level of activity in small issue and exempt facilities, the only jobs created using bond cap for industrial development since 2011 are attributable to 2013's Centralia Coal Mine Clean-up exempt facilities project, which will create 24 new jobs and an additional 15 construction-related jobs, a \$679,487 bond cap per job ratio.

²² The Beginning Farmer/Rancher Program began issuing bonds in 2008.

Estimated Job Creation Impacts of Affordable Multifamily Rental Housing

Affordable housing development serves several functions in economic recovery. Not only does it provide the public benefits of keeping families housed and preventing additional foreclosures by assisting low income homebuyers, but it also provides job creation benefits in the construction, property management, and social services industries.

The U.S. Bureau of Economic Analysis and the National Association of Home Builders (NAHB) have studied the issue and have published data on the estimated job benefits of housing construction. According to the NAHB report, construction of 100 new multifamily rental housing units creates approximately 122 jobs during construction and 32 jobs on an ongoing annual basis due to increased economic activity in the local area. For residential remodeling (rehabilitation in this context), NAHB estimates that 78 jobs are created for each \$10 million in project costs. The study assumes that remodeling only creates construction jobs during year one, and has no ongoing annual job creation impacts.²³

Table 8: Estimated Year One Job Creation Impacts of Construction and Rehabilitation of Affordable Multifamily Housing, 2012-2013

HFC/LHA	New or Rehab	Units	Bond Cap Used	Estimated Total Project Costs ²⁴	Estimated Jobs in First Year	Bond Cap/First Year Job
Housing Finance Commission	New	3,004	\$310,300,000		3,665	\$84,666
Local Housing Authorities	New	261	\$39,250,000		318	\$123,428
Housing Finance Commission	Rehab	1,737	\$123,704,425	\$247,408,850	1,930	\$128,191
Local Housing Authorities	Rehab	189	\$17,600,000	\$35,200,000	275	\$64,000
Totals		5,191	\$490,854,425		6,188	\$79,323

²³ Job creation estimates are based on national averages and are calculated using figures provided by the National Association of Home Builders (NAHB), www.nahb.org. Report prepared by the NAHB Housing Policy Department; *The Local Impact of Homebuilding in a Typical Metro Area*; June 2009,

http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=219188

²⁴ Total rehabilitation project costs are estimates. At least 50 percent of total costs must come from a bond cap allocation in order for the project to qualify for 4 percent Low Income Housing Tax Credits. For this illustration, we have assumed that bond cap constitutes 50 percent of total project costs, but the actual percentage varies from project to project. Final costs will be available three years after the allocation of tax credits, when the developers file their final cost certifications with the Housing Finance Commission's Tax Credit Division.

Table 9: Estimated Ongoing Annual Job Creation Impacts of Construction of New Affordable Multifamily Housing, 2012-2013

HFC/LHA	Units	Bond Cap Used	Estimated Ongoing Jobs	Bond Cap/ Ongoing Job
Housing Finance Commission	3,004	\$310,300,000	961	\$322,893
Local Housing Authorities	261	\$39,250,000	84	\$106,657
Totals	3,265	\$349,550,000	1,045	\$334,497

In addition to job creation benefits, new residential construction contributes \$7.9 million in local income and \$827,000 in new taxes and local government revenue during the first year after construction begins for each 100 new units constructed, and \$2.3 million in local income and \$395,000 in taxes and revenue on an ongoing annual basis after the first year for every 100 units, according to NAHB. Remodeling adds \$6.9 million in income and \$577,000 in taxes and revenue during year one.

Job Creation Data Notes:

- Housing job estimates are based on national rather than local averages, as well as estimated construction costs. On the other hand, jobs created and retained by exempt facility and small issue bond cap projects represent actual jobs created or retained in specific Washington businesses, as indicated on the projects' applications for bond cap authority.
- Bond cap per job created by new construction does not represent actual project costs per job created because there are always additional funding sources that go into each project. The ratio of bond cap used to total project costs varies from project to project.

Bond Cap Data and Trends

Total Annual Bond Cap

Since Congress established the tax-exempt private activity bond ceiling in the mid-1980s, the population of Washington state has increased by 57 percent. With the population increase and the adjustment of the per capita rate for inflation, the total cap available has more than doubled during the program's history. However, use of the cap among the categories – as well as the percentage of the cap used annually – has varied over the years.

Because it was the first full year after both the federal regulations and the Washington State bond cap codes were adopted, 1987 was very different from subsequent years. The per capita multiplier was \$75 rather than \$50, in accordance with the federal Tax Reform Act, and the housing category was initially allocated only 5 percent of the cap under state law. Beginning in 1988, the per capita rate was established at \$50, where it remained until 2000, and the division of the cap among the categories became closer to the current configuration.

Table 10: Annual Bond Cap Calculation

Year	Washington State Population	Per Capita Multiplier	State Private Activity Bond Cap
1987 ²⁵	4,444,333	\$75.00	\$333,325,000
1988	4,538,000	\$50.00	\$226,900,000
1989	4,619,000	\$50.00	\$230,950,000
1990	4,660,700	\$50.00	\$233,035,000
1991	4,761,000	\$50.00	\$238,050,000
1992	5,018,000	\$50.00	\$250,900,000
1993	5,136,000	\$50.00	\$256,800,000
1994	5,255,000	\$50.00	\$262,750,000
1995	5,343,000	\$50.00	\$267,150,000
1996 ²⁶	5,343,000	\$50.00	\$267,150,000
1997	5,532,939	\$50.00	\$276,646,950
1998	5,610,362	\$50.00	\$280,518,100
1999	5,689,263	\$50.00	\$284,463,150
2000	5,756,361	\$50.00	\$287,818,050
2001	5,894,121	\$62.50	\$368,382,563
2002	5,987,973	\$75.00	\$449,097,975
2003	6,068,996	\$75.00	\$455,174,700
2004	6,138,183	\$75.00	\$460,363,692
2005	6,213,682	\$75.00	\$466,026,165
2006	6,294,460	\$80.00	\$503,020,720
2007	6,395,798	\$85.00	\$543,642,830
2008	6,468,424	\$85.00	\$549,816,040
2008 HERA ²⁷			\$202,541,072
2009	6,549,224	\$90.00	\$589,430,160
2010	6,664,195	\$90.00	\$599,777,550
2011	6,724,540	\$90.00	\$638,831,300
2012	6,830,038	\$95.00	\$648,853,610
2013	6,897,012	\$95.00	\$655,216,140
2014	6,971,406	\$100.00	\$697,140,600
Total		\$10,826,630,767	\$11,523,771,367

²⁵ In 1987, the cap was calculated using \$75 instead of \$50, as directed by the Federal Tax Reform Act of 1986.

²⁶ Due to the shutdown of the federal government in December of 1995, the Census Bureau was on furlough and new population figures were unavailable to calculate the 1996 cap. According to the Internal Revenue Code, the population figure from the previous year had to be used.

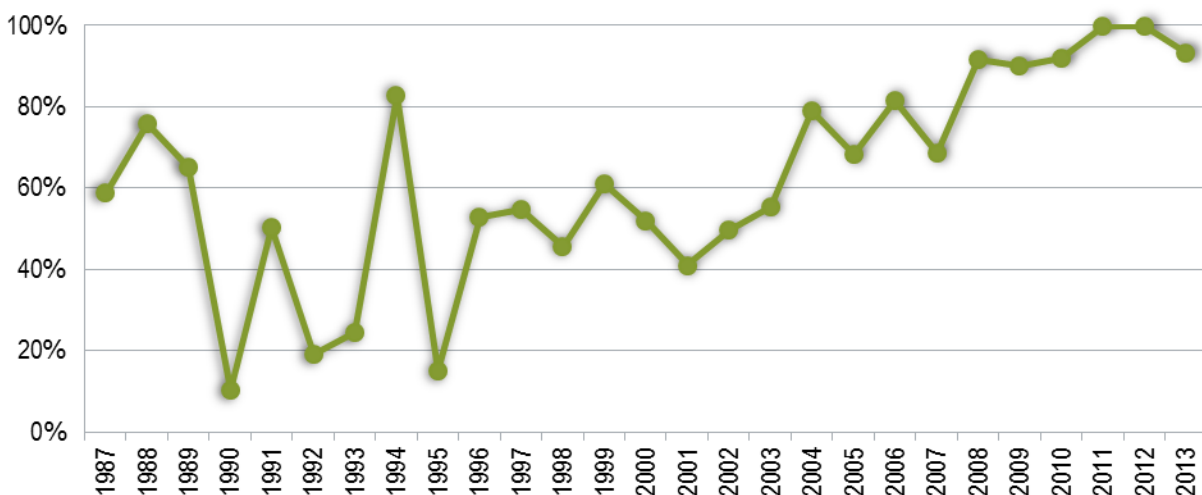
²⁷ In mid-2008, Congress passed the Housing and Economic Recovery Act (HERA), which provided additional bond cap for housing.

Category Distribution

Housing has consistently been the most-used category. Only in 1990, when just \$24 million in housing bonds were issued, has the housing category trailed behind other the categories. In addition, the percent of total cap used for housing has increased over the years. Housing has averaged:

- 48.0 percent between 1987 and 2000
- 70.0 percent between 1987 and 2013
- 88.1 percent over the past ten years
- 96.3 percent over the past five years
- 99.98 percent in 2012 – the most ever

Figure 7: Housing Percent of Total Annual Cap



The trend toward more cap going to housing projects in the years since the Great Recession has skewed the ratio of initial allocations to actual usage for all the categories. Although every category has had individual years in which more cap was used than the initial allocation, in the history of the program, all the categories except housing have gone underused.

According to the most recent Council of Development Finance Agencies' analysis of bond cap trends, issuances have been down nationwide. In 2010, states used only 21 percent of their available capacity²⁸ and 48 percent of the 2010 annual allocation. In 2011, the most recent year for which nationwide data is available, states used only 20.6 percent of the total capacity and 41 percent of the 2011 annual allocation. This trend represents a substantial drop from 2007's pre-recession high usage of 58 percent of total capacity nationwide and 100 percent of the

²⁸ Available capacity equals the current year's annual allocation plus any unused carryforward from previous years.

2007 annual allocation. Washington's pattern of using a larger percent of the cap for housing, followed by exempt facilities as the second highest use, is consistent with the trend nationwide. In 2011, states used 12.2 percent of their available capacity for housing, 6.7 percent for exempt facilities, 1.2 percent for student loans, and 0.5 percent for small issue.²⁹

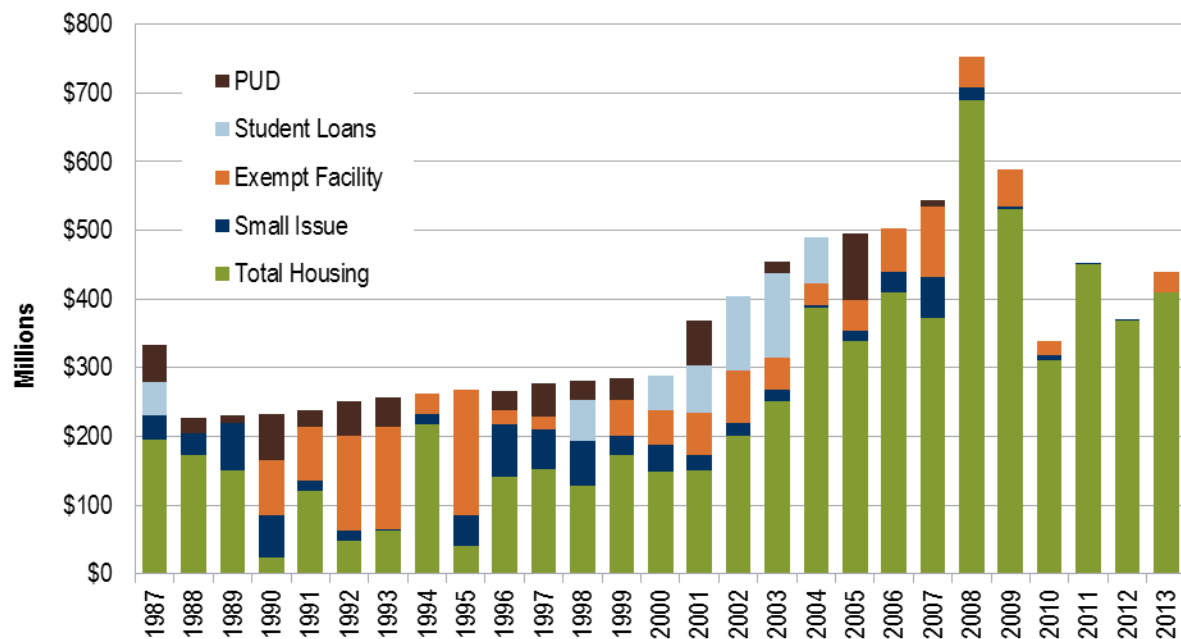
As of the end of 2013, in Washington, exempt facilities had averaged 12.7 percent, 64 percent of its 20 percent initial allocation, nevertheless closer to its initial allocation than most other categories. Up through its expiration in 2007, the PUD category averaged 8.1 percent of the total cap issued since 1987, also relatively close to its 10 percent initial allocation.

The student loan category has not always had an authorized issuer, and between 1988 and 1997 then again since 2004, student loans had no issuances at all. It has nevertheless averaged 4.89 percent of the total cap, slightly less than one-third of its 15 percent initial allocation percentage. During years in which there was an official student loan issuer prior to 2007, the category averaged 18.2 percent, a little more than its 16 percent initial allocation. During the 2007 legislative session, the Washington Higher Education Facilities Authority was appointed as the new student loan bond issuer, but federal student loan changes have altered the viability of the student loan category and have thus far prevented an issuance of student loan bonds in the state.

Only in 1990 and 1996 did the small issue category exceed its 25 percent initial allocation. Overall, small issue has used only 7.5 percent of the total cap, less than one third of the category's initial allocation. The increase in the capital expenditures allowance for small issue projects from \$10 million to \$20 million over six years, which made more projects eligible for allocations, caused a surge in small issue bonds in 2007 before the recession again reduced the demand. Even with the increase in the capital expenditures allowance, the relatively small capital expenditures restriction, and in particular the small \$10 million bond size, limit the number of industrial projects that can take advantage of bond cap financing. The American Recovery and Reinvestment Act of 2009 (ARRA) added intangible properties – items such as computer software – to the definition of manufacturing for the purpose of small issue bonds for two years, but even that did not positively impact the use of small issue bond authority.

²⁹ Council of Development Finance Agencies; *Original Research: CDFA 2011 National Volume Cap Report*; <http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=2011volumeacapreport.html>

Figure 8: Category Activity, 1987-2013



Note: Issuance amounts include bonds issued from current year cap and carryforward.

Table 11: Bond Cap Category Allocations, 1987-2013

Year	Housing ³⁰ (HFC + LHA) ³¹	Small Issue	Exempt Facility	Student Loans	PUD	Annual Total Allocated
1987	\$195,755,000	\$34,100,000	\$0	\$50,000,000	\$53,470,000	\$333,325,000
1988	\$172,000,000	\$31,900,000	\$0	\$0	\$23,000,000	\$226,900,000
1989	\$150,200,000	\$68,800,000	\$0	\$0	\$12,000,000	\$231,000,000
1990	\$24,465,000	\$60,350,000	\$79,875,000	\$0	\$68,345,000	\$233,035,000
1991	\$120,045,000	\$15,660,000	\$77,910,000	\$0	\$24,435,000	\$238,050,000
1992	\$47,725,000	\$14,350,000	\$138,455,000	\$0	\$50,370,000	\$250,900,000
1993	\$62,965,000	\$1,800,000	\$149,355,000	\$0	\$42,680,000	\$256,800,000
1994	\$217,325,000	\$15,125,000	\$30,300,000	\$0	\$0	\$262,750,000
1995	\$40,061,000	\$44,680,000	\$182,409,000	\$0	\$0	\$267,150,000
1996	\$140,483,000	\$76,852,000	\$21,600,000	\$0	\$26,715,000	\$265,650,000
1997	\$151,602,000	\$58,385,000	\$19,000,000	\$0	\$47,660,000	\$276,647,000
1998	\$127,682,000	\$64,786,000	\$0	\$60,000,000	\$28,050,000	\$280,518,000

³⁰ Exempt facilities, housing (Housing Finance Commission), and student loan amounts may represent bonds issued plus carryforward allocated.

³¹ HFC=Housing Finance Commission; LHA=Local Housing Authorities.

Year	Housing ³⁰ (HFC + LHA) ³¹	Small Issue	Exempt Facility	Student Loans	PUD	Annual Total Allocated
1999	\$173,368,000	\$28,100,000	\$50,850,000	\$0	\$32,145,000	\$284,463,000
2000	\$149,034,000	\$39,425,000	\$49,359,000	\$50,000,000	\$0	\$287,818,000
2001	\$151,252,563	\$22,195,000	\$60,915,000	\$68,400,000	\$65,620,000	\$368,382,563
2002	\$201,347,975	\$17,520,000	\$77,475,000	\$107,850,000	\$0	\$404,192,975
2003	\$251,609,700	\$16,820,000	\$46,365,000	\$123,700,000	\$16,680,000	\$455,174,700
2004	\$387,739,400	\$3,191,141	\$30,935,000	\$68,650,000	\$0	\$490,515,541
2005	\$338,374,187	\$14,400,000	\$44,850,000	\$0	\$98,678,853	\$496,303,040
2006	\$410,445,720	\$28,290,000	\$64,285,000	\$0	\$0	\$503,020,720
2007	\$372,581,129	\$59,719,365	\$103,200,000	\$0	\$8,142,336	\$543,642,830
2008 ³²	\$688,948,312 ³	\$18,408,800	\$45,000,000	\$0	\$0	\$752,357,112
2009	\$531,272,957	\$3,472,203	\$54,685,000	\$0	\$0	\$589,430,160
2010 ³³	\$549,635,224	\$6,891,000	\$20,980,000	\$0	\$0	\$577,506,224
2011	\$638,371,800	\$459,500	\$0	\$0	\$0	\$638,831,300
2012	\$648,703,610	\$150,000	\$0	\$0	\$0	\$648,853,610
2013	\$628,716,140	\$0	\$26,500,000	\$0	\$0	\$655,216,140
Totals	\$7,568,208,776	\$745,830,009	\$1,374,303,000	\$528,600,000	\$597,991,189	\$10,818,432,974
Percent	69.99%	6.89%	12.70%	4.89%	5.53%	100.00%

Unused Bond Cap

Over the past 22 years, Washington State has almost always succeeded in using its entire cap allocation, whether issued during the year or as carryforward within three years of allocation. Only very small amounts of cap have ever been lost, and no cap has been lost through expiration since the state began allocating all carryforward on a program basis, primarily to the Housing Finance Commission.

³² Housing totals from 2008 include an additional \$202,541,072 in cap authorized by the Housing and Economic Recovery Act of 2008 (HERA).

³³ The 2010 annual total allocated is reduced due to the abandonment of \$9,020,000 caused by a reverted partial exempt facilities allocation that was not reallocated as carryforward. That year's total bond cap was actually \$599,777,550.

The Commission has thus far expressed the intention to continue to absorb whatever carryforward becomes available. At the current annual rate of carryforward use – \$522 million in 2013 – it will not take much of an increase in use to begin to reduce the accumulation of carryforward. However, it will likely take several years before carryforward totals go down to their pre-recession levels. With the 2013 carryforward allocation, the Commission will have approximately \$1.7 billion in accumulated carryforward, all of which must be used within three years after the year in which it was allocated. See page 19 for more details on carryforward history and use.

2014 Initial Allocations

The IRS increased the per capita bond cap multiplier to \$100 for 2014. According to official U.S. Census Bureau population estimates, Washington's population increased by 1 percent to 6,971,406 between 2013 and 2014, increasing the total cap available to the state to \$697,140,600. The category percentages used to divide the 2014 cap are set out in RCW 39.86.120.

Table 12: 2014 Bond Cap Initial Allocations (Total Bond Cap: 6,971,406 (population) x \$100 (per capita) = \$697,140,600)

Category	Percentage Allocation (per RCW 39.86.120) ³⁴	Initial Allocation
Exempt Facility	20.0%	\$139,428,120.00
Housing – Housing Finance Commission ³⁵	25.6%	\$178,467,993.60
Housing – Local Housing Authorities	6.4%	\$44,616,998.40
Small Issue	25.0%	\$174,285,150.00
Student Loans	15.0%	\$104,571,090.00
Remainder	8.0%	\$55,771,248.00
For 2014	100%	\$697,140,600.00

³⁴ State law (RCW 39.86.120) allows Commerce to reduce the initial allocation of a category up to the amount of carryforward that category received from the previous year. When a category's initial allocation is reduced because of a carryforward allocation, the initial allocation is moved into the remainder category. Although the Housing Finance Commission received a large amount of carryforward from 2013, due to the overall low amount of activity in the bond market at the beginning of 2014, Commerce had not yet moved any of the Commission's initial allocation at the time of publication. If demand for remainder cap increases beyond the supply, Commerce will meet the need by moving some or all of the Commission's initial allocation into the remainder category.

³⁵ The bond cap statute (RCW 39.86.120) sets the initial allocation for the housing category at 32% of the total cap. The housing initial allocation is further divided between the Housing Finance Commission at 80% (25.6% of the total cap), and local housing authorities at 20% (6.4% of the total cap) under the Commission's statute (RCW 43.180.200).

Appendix A: Acronyms and Definitions

Acronyms

No government report would be complete without at least a few acronyms to save time and space. We've tried to define these in the text when possible. In case space dictates prevailed, we've missed some, or you are looking for a handy quick reference, here is a list of acronyms common to the Bond Cap Program.

ARRA – American Recovery and Reinvestment Act of 2009

BAB – Build America Bond

BCAP – Bond Cap Allocation Program

CERB – Community Economic Revitalization Board

CFR – Code of Federal Regulations

EDC – Economic Development Corporation

ESCO – Energy Services Company

FTE – Full Time Equivalent (2,080 staff hours per year)

HERA – Housing and Economic Recovery Act of 2008

HFC – Housing Finance Commission

IDB – Industrial Development Bond

IDC – Industrial Development Corporation

IRB or IDRB – Industrial (Development) Revenue Bond

IRC – Internal Revenue Code

IRS – Internal Revenue Service

LHA – Local Housing Authority

LIHTC – Low Income Housing Tax Credits

LLC – Limited Liability Company

LP – Limited Partnership

PAB – Private Activity Bond

PUD – Public Utility District

QECB – Qualified Energy Conservation Bond

RCW – Revised Code of Washington

WAC – Washington Administrative Code

WEDFA – Washington Economic Development Finance Authority

WHEFA – Washington Higher Education Facilities Authority

WSHFC – Washington State Housing Finance Commission (also HFC or the Commission)

Definitions

Allocation – For bond cap purposes, the total dollar amount of bond issuing authority available to the state during a calendar year for any bond types limited or “capped” under federal law; or the amount available in a specific bond use category, awarded to a specific project, or awarded to a specific issuer.

Bond Counsel – An attorney specializing in advising clients on bond issuances, especially on the Internal Revenue Code (IRC) and tax implications of bond issuances. The bond counsel provides a legal opinion on whether a particular project meets the criteria in federal law for a specific type of bond issuance as established in the IRC and the Revised Code of Washington (RCW).

Bond Use Category – There are four categories of activities that may use tax-exempt private activity bond financing, plus a “remainder” category that may be used if the initial allocation in another category is depleted. The four categories are housing, student loans, small issue, and exempt facility. A fifth category, public utility district, was officially retired after 2007.

Cap – The ceiling, or limit, on the total dollar amount of specific bond types that may be issued in the state during a calendar year as defined in federal law.

Carryforward – Any portion of the cap that is not used during the allocation year, but instead is “carried forward” into subsequent years. Carryforward amounts expire after three years, or as specified for the bond type in federal law. Once expired, carryforward cap is no longer available for use.

Code – The federal Internal Revenue Code, especially the Tax Reform Act of 1986.

Exempt Facilities – Certain types of transportation, solid waste management, energy, and environmental facilities as described in the IRC. Some exempt facilities must be owned by a governmental entity in order to qualify for tax-exempt private activity bonds.

Housing – In Washington State for the purposes of the bond cap allocation, housing includes mortgage revenue bonds for homebuyer assistance, mortgage credit certificates (a type of tax credit), and exempt facilities bonds for multifamily rental housing.

Initial Allocation – The percentage of the state’s total annual tax-exempt private activity bond cap set aside for each bond use category at the beginning of the calendar year.

Issuer – The state, any agency of the state, any political subdivision, or any other public entity authorized to issue private activity bonds under state law.

Original Allocation – An allocation granted by formula in federal law to a specific city or county for Recovery Zone Economic Development Bonds, Recovery Zone Facility Bonds, or Qualified Energy Conservation Bonds.

Originally Awarded Locality – A unit of local government granted an allocation by a formula in federal law for Recovery Zone Economic Development Bonds, Recovery Zone Facility Bonds, or Qualified Energy Conservation Bonds.

Private Activity – Any activity that has significant private involvement. The Internal Revenue Code describes three tests to determine if a project has significant private involvement for the purpose of a tax-exempt bond issuance. A project only needs to meet one of the two tests to be considered a private activity:

1. It meets both of the private business use tests:
 - a. Greater than 10 percent of its proceeds are used for any private business purpose, AND
 - b. Greater than 10 percent of its proceeds are secured by property used for private purposes.
2. Or it meets the private loan financing test:
 - a. Greater than 5 percent (or \$5 million, whichever is less) of its proceeds are used for loans to persons other than governmental entities.

Reallocation – When an initial allocation goes unused or an original allocation has been returned to Commerce, and Commerce has distributed it to another issuer.

Small Issue Aggie – Also known as the Beginning Farmer/Rancher Loan Program. Created by the state Legislature in 2006, this program provides loans for first-time farmers and ranchers to establish their businesses. Bonds in this category are issued by the Housing Finance Commission, and individual farmers or ranchers apply to the Commission for financing. Aggie bonds are in the small issue category. Federal law limits individual loans under the program to \$470,100 per family.

Small Issue Manufacturing – Industrial development projects that have capital expenditures of \$20 million or less during a six year period – three years prior to and three years after the issuance of the tax-exempt private activity bond. Small Issue allocations are limited to \$10 million per project.

Tax-exempt – Bond investors are not required to pay federal taxes on interest earned on the bonds. Tax-exempt bonds are more attractive to investors, and can therefore be easier to sell. Because of this, tax-exempt bonds can qualify for lower interest rates, which means lower costs for the issuer and user.

Underwriter – A financial or investment institution, usually a large bank, that guarantees the purchase of a full issue of bonds.

User – The governmental entity, business, or individual who is the primary beneficiary of the bond proceeds.

Appendix B: Required Bond Cap Application Documentation

Applications to the Bond Cap Program are intended to provide Commerce with the information needed to apply the criteria in statute and agency rule, assess the public benefit of each project, compare relative merits of competing projects, and ensure projects are ready to issue bonds. Each category has its own application form that provides guidance for applicants to address the specific criteria that pertains to their project type.

In addition, several attachments to the application are required, primarily to document the involvement of financing team members (underwriter, bond counsel, etc.) and readiness of the project to issue. Finally, the Bond Cap manager is authorized in statute to request any additional information that may be needed to thoroughly evaluate an application and make an allocation decision.

Application Form Contents

Allocation application forms include questions designed to provide a detailed description of each project, including:

- Primary project contacts
- Project location
- Legislative district
- Detailed project budget, including sources of financing and total project costs
- List of permits with dates, or anticipated dates, of issue
- Project development timeline
- For exempt facilities and small issue applications:
 - Local unemployment rate
 - Job creation and retention information, including type of positions and pay range
 - Estimated number and type of spin-off jobs (such as construction jobs)
- For exempt facilities applications, the extent to which the project:
 - Removes solid waste from the waste stream
 - Manufactures waste into value-added products
 - Provides locally distributed heat or electricity
 - Has environmental benefits
 - Provides water or sewer service
- For housing applications:

- Site control information
- Information on the relationships among the developing parties

Required Attachments

A completed application includes, in addition to the filled out application form:

- An allocation fee of 0.000277 times the requested allocation amount (or \$500, whichever is greater)
- A signed Bond Counsel Statement of Intent form
- A signed Underwriter Statement of Intent form
- An *Employment Form* signed by at least the employer, and preferably both the employer and a representative from the Employment Security Department
- An official copy of an inducement resolution from the issuer's governing board
- A copy of an Environmental Impact Statement or Mitigated Determination of Non-Significance (new construction only)
- A statement of the local government priority (if submitting more than one application)
- A letter from the local planning jurisdiction indicating consistency with the local comprehensive plan
- An architect's certification (new construction only)
- Anything else the Bond Cap manager needs to make an eligibility determination.

Appendix C: Bond Cap Projects 2000-2013

Exempt Facility

2000

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
City of Cashmere	Tree Top Inc	\$4,500,000	\$4,230,000	5/22/2000
EDC of Port of Benton	ATG Inc	\$7,100,000	\$0	
IDC of Port of Centralia	Centralia Steam Plant	\$36,648,000	\$0	
IDC of Port of Grays Harbor	Boise Cascade Corp	\$17,269,083	\$0	
King Co Economic Enterprise Corp	Cedar Grove Composting Inc	\$2,500,000	\$0	
State of Washington	Stadium & Exhibition Center	\$4,694,427	\$4,694,427	8/11/2000
WEDFA	Earth Tech Inc	\$7,000,000	\$5,900,000	12/7/2000
WEDFA	Waste Connections Inc	\$6,720,000	\$0	
WEDFA	Waste Management Inc	\$34,535,000	\$34,535,000	10/5/2000
Annual Total		\$120,966,510	\$49,359,427	

2001

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Port of Benton	ATG Inc	\$7,100,000	\$0	
IDC of Port of Bellingham	Atlantic Richfield Company	\$23,000,000	\$23,000,000	12/19/2001
IDC of Port of Grays Harbor	Boise Cascade Corporation	\$17,730,917	\$0	
WEDFA	Art Mensonides	\$2,240,000	\$2,240,000	10/10/2001
WEDFA	Earth Tech Inc	\$3,000,000	\$3,000,000	5/1/2001
WEDFA	Smith Brothers Farms Inc	\$4,000,000	\$3,300,000	9/25/2001
WEDFA	Waste Management Inc	\$22,000,000	\$22,000,000	2/28/2001
WEDFA	WestFarm Foods	\$10,000,000	\$7,375,000	8/16/2001
Annual Total		\$89,070,917	\$60,915,000	

2002

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of City of Everett	Kimberly-Clark Corporation	\$16,000,000	\$15,300,000	6/5/2002
IDC of Port of Bellingham	BP West Coast Products LLC	\$22,000,000	\$22,000,000	3/26/2002
Port of Sunnyside	Port of Sunnyside	\$175,000	\$175,000	9/12/2002
WEDFA	Waste Management Inc	\$20,000,000	\$20,000,000	10/4/2002
WEDFA	Waste Management Inc	\$20,000,000	\$20,000,000	7/24/2002

Exempt Facility

Annual Total **\$78,175,000** **\$77,475,000**

2003

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Port of Bellingham	BP West Coast Products LLC	\$24,000,000	\$24,000,000	3/19/2003
Port of Sunnyside	Port of Sunnyside	\$4,520,000	\$4,470,000	9/17/2003
WEDFA	Trendwest/MountainStar Resort	\$17,895,260	\$17,895,000	10/1/2003
Annual Total		\$46,415,260	\$46,365,000	

2004

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
WEDFA	Cedar Grove Composting Inc	\$27,610,000	\$23,610,000	7/15/2004
Whatcom County PUD #1	Whatcom County PUD No 1	\$3,000,000	\$2,910,000	2/10/2004
Yakima County Public Corporation	Oord Dairy	\$4,415,000	\$4,415,000	9/9/2004
Annual Total		\$35,025,000	\$30,935,000	

2005

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Port of Bellingham	FPE Renewables LLC	\$850,000	\$850,000	12/13/2005
WEDFA	Harold LeMay Enterprises Inc	\$17,000,000	\$17,000,000	4/6/2005
WEDFA	Waste Management Inc	\$27,000,000	\$27,000,000	11/17/2005
Annual Total		\$44,850,000	\$44,850,000	

2006

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Port of Bellingham	BP West Coast Increase	\$10,000,000	\$10,000,000	12/7/2006
IDC of Port of Bellingham	BP West Coast Products LLC	\$40,000,000	\$40,000,000	12/7/2006
WEDFA	Waste Control Increase	\$5,755,000	\$5,755,000	12/14/2006
WEDFA	Waste Control Recycling	\$6,030,000	\$6,030,000	12/14/2006
Yakima County Public Corporation	George DeRuyter & Son Dairy	\$2,700,000	\$2,500,000	8/17/2006
Annual Total		\$64,485,000	\$64,285,000	

Exempt Facility

2007

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Port of Bellingham	BP West Coast Products	\$32,129,801	\$32,129,801	11/7/2007
IDC of Port of Bellingham	BP West Coast Products Increase	\$28,870,199	\$28,870,199	11/7/2007
Pend Oreille County PUD #1	Box Canyon Production System	\$10,000,000	\$10,000,000	12/3/2007
WEDFA	Mesa Dairy LLC	\$4,200,000	\$4,200,000	9/12/2007
WEDFA	Specialty Chemical Products	\$28,000,000	\$28,000,000	12/6/2007
Annual Total		\$103,200,000	\$103,200,000	

2008

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Pend Oreille County PUD #1	The Ponderay Newsprint Company	\$10,000,000	\$10,000,000	12/18/2008
Port of Sunnyside	Industrial Wastewater Treatment Syst	\$5,000,000	\$5,000,000	8/6/2008
WEDFA	Waste Management	\$30,000,000	\$30,000,000	6/12/2008
Annual Total		\$45,000,000	\$45,000,000	

2009

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Port of Bellingham	BP West Coast Products	\$26,000,000	\$26,000,000	12/3/2009
Pend Oreille County PUD #1	The Ponderay Newsprint Co.	\$40,000,000	\$0	
Pend Oreille County PUD #1	The Ponderay Newsprint INC	\$15,000,000	\$0	
WEDFA	Clean Scapes, Inc.	\$32,000,000	\$28,685,000	2/19/2009
Annual Total		\$113,000,000	\$54,685,000	

2010

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Whatcom County PUD #1	PUD Customers	\$30,000,000	\$20,980,000	12/30/2010
Annual Total		\$30,000,000	\$20,980,000	

2013

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
WEDFA	Coalview Centralia	\$30,000,000	\$26,500,000	12/20/2013

Exempt Facility

<i>Annual Total</i>	\$30,000,000	\$26,500,000
<i>Category Total 2000-2013</i>	\$800,187,687	\$624,549,427

Housing-HFC

2000

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$42,000,000	\$42,000,000	12/31/2003
Housing Finance Commission	Carryforward - Single Family	\$33,731,888	\$33,731,888	12/31/2003
Housing Finance Commission	Multifamily Program	\$14,761,814	\$14,761,814	11/1/2000
Housing Finance Commission	Single Family Program	\$14,250,921	\$14,250,921	11/17/2000
<i>Annual Total</i>		\$104,744,623	\$104,744,623	

2001

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$20,855,000	\$20,855,000	12/31/2004
Housing Finance Commission	Carryforward - Single Family	\$19,243,287	\$19,243,287	12/31/2004
Housing Finance Commission	Single & Multifamily Programs	\$83,637,276	\$60,857,276	12/28/2001
<i>Annual Total</i>		\$123,735,563	\$100,955,563	

2002

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$21,614,461	\$21,614,461	12/31/2005
Housing Finance Commission	Multifamily Program	\$62,000,000	\$62,000,000	12/15/2002
Housing Finance Commission	Single Family Program	\$25,783,514	\$25,783,514	5/30/2002
<i>Annual Total</i>		\$109,397,975	\$109,397,975	

2003

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$81,647,059	\$81,647,059	12/31/2006
Housing Finance Commission	Multifamily Program	\$33,050,000	\$24,635,174	12/15/2003
Housing Finance Commission	Multifamily Program	\$53,006,503	\$53,006,503	12/15/2003
Housing Finance Commission	Single Family Program	\$34,620,964	\$34,620,964	12/15/2003

Housing-HFC

Annual Total **\$202,324,526** **\$193,909,700**

2004

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$180,000,000	\$180,000,000	12/31/2007
Housing Finance Commission	Carryforward - Single Family	\$18,549,975	\$18,549,975	12/31/2007
Housing Finance Commission	Multifamily Program	\$18,352,941	\$18,352,941	5/26/2004
Housing Finance Commission	Multifamily program	\$53,600,000	\$53,600,000	12/17/2004
Housing Finance Commission	Multifamily Program	\$28,350,000	\$28,350,000	12/1/2004
Housing Finance Commission	Multifamily Program	\$32,160,000	\$32,160,000	9/30/2004
Housing Finance Commission	Single Family Program	\$37,723,744	\$37,723,744	3/19/2004
Annual Total		\$368,736,660	\$368,736,659	

2005

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$147,784,087	\$147,784,087	12/31/2008
Housing Finance Commission	Carryforward - Single Family	\$95,000,000	\$95,000,000	12/31/2008
Housing Finance Commission	Multifamily Program	\$28,800,000	\$28,800,000	8/12/2005
Annual Total		\$271,584,087	\$271,584,087	

2006

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$107,644,169	\$107,664,169	12/31/2009
Housing Finance Commission	Carryforward - Single Family	\$100,000,000	\$100,000,000	12/31/2009
Housing Finance Commission	Multifamily Program	\$30,200,000	\$30,200,000	12/7/2006
Housing Finance Commission	Multifamily Program	\$17,300,000	\$17,300,000	11/30/2006
Housing Finance Commission	Single Family Program	\$55,000,000	\$55,000,000	8/23/2006
Housing Finance Commission	Single Family Program	\$55,000,000	\$55,000,000	10/12/2006
Annual Total		\$365,144,169	\$365,164,169	

2007

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$3,164,023	\$3,164,023	12/31/2010
Housing Finance Commission	Multifamily Program	\$41,250,000	\$41,250,000	11/9/2007
Housing Finance Commission	Multifamily Program	\$4,255,000	\$4,255,000	10/4/2007

Housing-HFC

Housing Finance Commission	Multifamily Program	\$1,000,000	\$1,000,000	10/4/2007
Housing Finance Commission	Multifamily Program	\$34,745,000	\$34,745,000	10/4/2007
Housing Finance Commission	Multifamily Program	\$23,000,000	\$23,000,000	10/4/2007
Housing Finance Commission	Multifamily Program	\$11,000,000	\$11,000,000	10/4/2007
Housing Finance Commission	Single Family Program	\$25,000,000	\$25,000,000	4/17/2007
Housing Finance Commission	Single Family Program	\$3,664,567	\$3,664,567	10/4/2007
Housing Finance Commission	Single Family Program	\$10,000,000	\$10,000,000	4/17/2007
Housing Finance Commission	Single Family Program	\$76,335,433	\$76,335,433	10/25/2007
Annual Total		\$233,414,023	\$233,414,023	

2008

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$156,149,644	\$156,149,644	12/31/2011
Housing Finance Commission	Carryforward - Single Family	\$156,149,644	\$156,149,644	12/31/2011
Housing Finance Commission	Multifamily	\$10,323,510	\$0	
Housing Finance Commission	Multifamily Program	\$82,340,450	\$52,485,000	12/15/2008
Housing Finance Commission	Single Family Program	\$58,412,456	\$58,117,952	12/23/2015
Annual Total		\$463,375,704	\$422,902,240	

2009

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$106,142,957	\$106,142,957	12/31/2012
Housing Finance Commission	Carryforward - Single Family	\$400,000,000	\$400,000,000	12/31/2012
Annual Total		\$506,142,957	\$506,142,957	

2010

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$265,567,612	\$265,567,612	12/31/2013
Housing Finance Commission	Carryforward - Single Family	\$265,567,612	\$265,567,612	12/31/2013
Annual Total		\$531,135,224	\$531,135,224	

2011

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$312,935,900	\$312,935,900	12/31/2013
Housing Finance Commission	Carryforward - Single Family	\$312,935,900	\$312,935,900	12/31/2013

Housing-HFC

Annual Total **\$625,871,800** **\$625,871,800**

2012

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$548,703,610	\$0	
Housing Finance Commission	Carryforward - Single Family	\$100,000,000	\$0	
<i>Annual Total</i>		\$648,703,610	\$0	

2013

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Carryforward - Multifamily	\$328,716,140	\$0	
Housing Finance Commission	Carryforward - Single Family	\$300,000,000	\$0	
<i>Annual Total</i>		\$628,716,140	\$0	

Category Total 2000-2013 **\$5,183,027,060** **\$3,833,959,019**

Housing-LHA

2000

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Capital Hill Hsg Improvement Program	El Nor House Apartments	\$2,250,000	\$0	
Capital Hill Hsg Improvement Program	Harrison Family Housing LP	\$259,000	\$259,000	12/15/2000
Capital Hill Hsg Improvement Program	Oleta Apts LP	\$1,500,000	\$1,500,000	12/14/2000
Grays Harbor Housing Authority	Monte Cove Apts	\$1,800,000	\$0	
King County Housing Authority	Overlake Park & Ride	\$28,000,000	\$21,525,000	7/27/2000
Kitsap Consolidated Housing Authority	Heritage Apartments	\$2,220,000	\$2,220,000	12/1/2000
Kitsap Consolidated Housing Authority	Viewmont Apartments	\$2,785,000	\$2,785,000	12/1/2000
Pierce County Housing Authority	Hidden Hills Apts	\$8,600,000	\$0	
Seattle Chinatown Intl Dist PDA	Village Square II	\$6,000,000	\$6,000,000	12/8/2000
Seattle Housing Authority	Delridge Mutual Housing LP	\$2,000,000	\$0	
Seattle Housing Authority	Stewart Court	\$6,000,000	\$6,000,000	12/21/2000
Seattle Housing Authority	Third & Pine Building	\$4,000,000	\$0	
Tacoma Housing Authority	South Hill Associates LP	\$0	\$0	
Vancouver Housing Authority	Hazel Dell Assisted Living	\$4,000,000	\$4,000,000	12/22/2000

Housing-LHA

Annual Total **\$69,414,000** **\$44,289,000**

2001

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Bellingham Housing Authority	Varsity Village	\$4,370,000	\$0	
Capital Hill Hsg Improvement Program	Helen V Apts LLC	\$2,410,000	\$2,410,000	12/19/2001
King County Housing Authority	Eastwood Square Apts	\$4,000,000	\$4,000,000	10/18/2001
King County Housing Authority	Overlake Park & Ride	\$6,475,000	\$6,475,000	6/29/2001
King County Housing Authority	Southwood Square Apts	\$5,200,000	\$5,200,000	10/4/2001
King County Housing Authority	The Cone Apts	\$0	\$0	
King County Housing Authority	Washington Court Apts	\$6,937,000	\$6,900,000	12/27/2001
Pierce County Housing Authority	Hidden Hills Apts Assoc LLC	\$8,600,000	\$0	
Seattle Housing Authority	Delridge Mutual Housing LP	\$2,000,000	\$1,571,000	7/31/2001
Seattle Housing Authority	NewHolly Phase III	\$0	\$0	
Seattle Housing Authority	Plymouth Housing Group	\$4,750,000	\$0	
Seattle Housing Authority	Third & Pine Building	\$5,000,000	\$5,000,000	12/24/2001
Seattle Housing Authority	YWCA Opportunity Place	\$8,500,000	\$0	
Tacoma Housing Authority	Sunset Apartments	\$13,250,000	\$13,250,000	5/17/2001
Vancouver Housing Authority	Hazel Dell Assisted Living	\$475,000	\$475,000	7/17/2001
Vancouver Housing Authority	Lewis and Clark Plaza	\$4,600,000	\$0	
Vancouver Housing Authority	Uptown Village	\$5,016,000	\$5,016,000	12/14/2001
Annual Total		\$81,583,000	\$50,297,000	

2002

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Anacortes Housing Authority	Bayview Apartments	\$1,450,000	\$1,450,000	9/26/2002
King County Housing Authority	Angle Lake Senior Housing	\$5,500,000	\$5,000,000	12/30/2002
Pierce County Housing Authority	Hidden Hills Apts	\$8,600,000	\$8,100,000	1/30/2002
Pierce County Housing Authority	Sumner Commons Housing LP	\$2,000,000	\$1,750,000	12/20/2002
Seattle Chinatown Intl Dist PDA	Village Square 2	\$1,700,000	\$1,700,000	12/12/2002
Seattle Housing Authority	NewHolly Phase III	\$22,500,000	\$22,500,000	12/4/2002
Seattle Housing Authority	Rainier Vista	\$22,500,000	\$22,500,000	12/19/2002
Seattle Housing Authority	YWCA Opportunity Place	\$9,700,000	\$9,700,000	12/19/2002
Tacoma Housing Authority	Golden Hemlock Apts	\$0	\$0	
Tacoma Housing Authority	Hillside Terrace Apts	\$2,500,000	\$2,250,000	12/19/2002
Vancouver Housing Authority	Esther Short Apts	\$12,000,000	\$12,000,000	12/13/2002
Vancouver Housing Authority	Teal Point Apts	\$5,000,000	\$5,000,000	9/30/2002

Housing-LHA

Annual Total **\$93,450,000** **\$91,950,000**

2003

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Kitsap Consolidated Housing Authority	Hostmark Apartments	\$4,300,000	\$4,300,000	6/30/2003
Seattle Housing Authority	Alder Court	\$0	\$0	
Seattle Housing Authority	Arts & Lofts Apts LP	\$9,500,000	\$0	
Seattle Housing Authority	Croft Place Townhomes	\$0	\$0	
Seattle Housing Authority	Genesee Housing	\$0	\$0	
Seattle Housing Authority	High Point	\$32,000,000	\$32,000,000	12/18/2003
Seattle Housing Authority	Ritz Apartments	\$0	\$0	
Tacoma Housing Authority	Conifer Apartments Projects LP	\$10,400,000	\$10,400,000	12/23/2003
Vancouver Housing Authority	Four Seasons Apartments	\$0	\$0	
Vancouver Housing Authority	Plum Meadows	\$11,000,000	\$11,000,000	8/29/2003
Annual Total		\$67,200,000	\$57,700,000	

2004

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Bellingham Housing Authority	Meadow Wood Townhouses	\$5,030,000	\$0	
King County Housing Authority	MSC-Radcliffe Place LLC	\$8,616,000	\$8,616,000	12/22/2004
King County Housing Authority	MSC-Radcliffe Place LLC Increase	\$1,481,800	\$1,481,800	12/22/2004
Seattle Housing Authority	DNDA-Cooper School	\$0	\$0	
Seattle Housing Authority	DNDA-Croft Place Townhomes	\$2,860,000	\$2,805,000	7/30/2004
Seattle Housing Authority	HRG-Genesee Housing	\$4,200,000	\$4,200,000	12/21/2004
Seattle Housing Authority	HRG-Genesee Housing Increase	\$800,000	\$400,000	12/21/2004
Seattle Housing Authority	HRG-Stone Way Apts	\$0	\$0	
Seattle Housing Authority	SHA-Ritz Apartments	\$1,500,000	\$1,500,000	8/12/2004
Annual Total		\$24,487,800	\$19,002,800	

2005

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Capital Hill Hsg Improvement Program	CHIPP-Silvian Apartments LLC	\$2,000,000	\$2,000,000	12/14/2005
King County Housing Authority	DASH-Bellevue Portfolio	\$7,600,000	\$7,320,000	8/1/2005
King County Housing Authority	Eernisse Apartments	\$3,800,000	\$3,550,000	12/20/2005
Renton Housing Authority	DASH-Renton Fifth & Williams	\$7,600,000	\$0	
Seattle Housing Authority	DNDA-Cooper School	\$3,600,000	\$3,600,000	6/21/2005

Housing-LHA

Seattle Housing Authority	High Rise Increase	\$8,000,000	\$5,800,000	12/22/2005
Seattle Housing Authority	High Rise Increase	\$5,000,000	\$5,000,000	12/22/2005
Seattle Housing Authority	High Rise Renovation Phase I	\$12,000,000	\$12,000,000	12/22/2005
Seattle Housing Authority	HRG-Stone Way Apts	\$8,600,000	\$8,600,000	7/28/2005
Seattle Housing Authority	HRG-Stone Way Apts Increase	\$300,000	\$300,000	7/28/2005
Snohomish Co Housing Authority	HASCO-Whispering Pines LP	\$1,690,000	\$1,593,279	12/21/2005
Snohomish Co Housing Authority	Housing Hope/Avondale Village	\$1,450,000	\$1,450,000	11/4/2005
Tacoma Housing Authority	Conifer Portfolio	\$12,200,000	\$12,175,000	3/18/2005
Tacoma Housing Authority	Parkland Family Vista LLC	\$3,400,000	\$3,400,000	12/14/2005
Vancouver Housing Authority	Mill Creek Projects	\$6,900,000	\$0	
Annual Total		\$84,140,000	\$66,788,279	

2006

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
King County Housing Authority	Nia Apartments HOPE VI	\$3,000,000	\$3,000,000	12/12/2006
Renton Housing Authority	DASH/Fifth & Williams Project	\$7,600,000	\$0	
Seattle Housing Authority	HomeWorks LP	\$25,000,000	\$25,000,000	12/21/2006
Seattle Housing Authority	HomeWorks LP 2nd Increase	\$52,000	\$51,551	12/21/2006
Seattle Housing Authority	HomeWorks LP Increase	\$3,000,000	\$3,000,000	12/21/2006
Seattle Housing Authority	Urban League Increase	\$750,000	\$750,000	12/11/2006
Seattle Housing Authority	Urban League/Colman School	\$5,000,000	\$5,000,000	12/11/2006
Vancouver Housing Authority	Mill Creek Projects	\$6,900,000	\$6,900,000	6/23/2006
Vancouver Housing Authority	Mill Creek Projects Increase	\$1,600,000	\$1,600,000	6/23/2006
Annual Total		\$52,902,000	\$45,301,551	

2007

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Bellingham Housing Authority	Meadow Wood Associates II LLC	\$2,500,000	\$2,400,000	11/9/2007
Capital Hill Hsg Improvement Program	Woodland Park Avenue LLC	\$2,500,000	\$2,500,000	8/31/2007
Capital Hill Hsg Improvement Program	Woodland Park Increase	\$200,000	\$200,000	8/31/2007
Capital Hill Hsg Improvement Program	Woodland Park Increase 2	\$250,000	\$238,000	8/31/2007
King County Housing Authority	Capital Fund Partnership	\$35,000,000	\$35,000,000	9/6/2007
King County Housing Authority	Capital Fund Partnership Inc #2	\$100,000	\$100,000	9/6/2007
King County Housing Authority	Capital Fund Partnership Increase	\$5,000,000	\$5,000,000	9/6/2007
King County Housing Authority	Salmon Creek HOPE VI	\$3,500,000	\$3,500,000	12/6/2007
King County Housing Authority	Salmon Creek HOPE VI Inc	\$500,000	\$500,000	12/6/2007
King County Housing Authority	Salmon Creek HOPE VI Inc #2	\$250,000	\$250,000	12/6/2007
King County Housing Authority	St. Andrew's Housing Group	\$300,000	\$300,000	11/1/2007

Housing-LHA

King County Housing Authority	St. Andrew's Housing Group	\$4,000,000	\$4,000,000	11/1/2007
King County Housing Authority	St. Andrew's Housing Group	\$200,000	\$200,000	11/1/2007
Kitsap Consolidated Housing Authority	Kitsap Apartments 2006 LP	\$16,100,000	\$11,845,000	6/29/2007
Kitsap Consolidated Housing Authority	Poplars Apartments LP	\$3,400,000	\$0	
Renton Housing Authority	DASH - Fifth & Williams	\$9,000,000	\$9,000,000	3/19/2007
Seattle Housing Authority	High Point South HOPE VI	\$36,000,000	\$36,000,000	3/6/2007
Seattle Housing Authority	Housing Resources Group	\$1,200,000	\$1,200,000	11/7/2007
Seattle Housing Authority	Seattle High Rise LP	\$20,000,000	\$19,950,000	12/19/2007
Snohomish Co Housing Authority	HASCO-Cedar Street LP	\$515,000	\$484,106	5/1/2007
Snohomish Co Housing Authority	Olympic & Sound View Apts	\$5,800,000	\$5,800,000	10/31/2007
Snohomish Co Housing Authority	Olympic & Sound View Increase	\$700,000	\$700,000	10/31/2007
Annual Total		\$147,015,000	\$139,167,106	

2008

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Capital Hill Hsg Improvement Program	Holiday Apartments	\$3,300,000	\$3,300,000	4/15/2008
King County Housing Authority	Eastbridge HOPE VI	\$8,500,000	\$7,120,000	11/26/2008
King County Housing Authority	Springwood Apartments	\$45,000,000	\$0	
King County Housing Authority	Springwood Apartments	\$45,000,000	\$45,000,000	8/28/2008
Okanogan County Housing Authority	DeCamp Portfolio	\$3,150,000	\$0	
Seattle Housing Authority	Chubby & Tubby Project	\$11,220,000	\$0	
Seattle Housing Authority	Douglas Apartments LP	\$7,000,000	\$5,700,000	12/19/2008
Tacoma Housing Authority	Hillsdale Heights	\$7,000,000	\$0	
Vancouver Housing Authority	Burton Ridge at Four Seasons	\$14,200,000	\$0	
Vancouver Housing Authority	Camas Ridge	\$5,200,000	\$0	
Walla Walla Housing Authority	Galbraith Gardens LLC	\$3,200,000	\$2,385,000	12/24/2008
Walla Walla Housing Authority	Workforce Housing (Galbraith II)	\$0	\$0	
Annual Total		\$152,770,000	\$63,505,000	

2009

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Bremerton Housing Authority	Bay Vista South HOPE VI	\$21,000,000	\$0	
Everett Housing Authority	Broadway, Rucker, Oakes Apts	\$14,500,000	\$0	
Island County Housing Authority	Bayview Green LLC	\$3,500,000	\$0	
King County Housing Authority	Park Lakes, Phase I, Family	\$5,500,000	\$5,500,000	
King County Housing Authority	Park Lakes, Phase II, Senior	\$11,250,000	\$0	
King County Housing Authority	YWCA - Issaquah Highlands I	\$7,000,000	\$7,000,000	12/29/2009
King County Housing Authority	YWCA - Issaquah Highlands I INC	\$1,750,000	\$1,750,000	12/29/2009

Housing-LHA

King County Housing Authority	YWCA - Issaquah Highlands II	\$12,500,000	\$0	
Seattle Housing Authority	Phase II North Rental Housing	\$16,000,000	\$0	
Seattle Housing Authority	SEED - Chubby & Tubby Project	\$11,220,000	\$0	
Seattle Housing Authority	Tamarack Place LP	\$12,000,000	\$10,880,000	9/17/2009
Snohomish Co Housing Authority	2009 Pooled Tax Credit Project	\$15,000,000	\$0	
Tacoma Housing Authority	Hillsdale Heights	\$7,000,000	\$0	
Vancouver Housing Authority	Burton Ridge at Four Seasons	\$14,200,000	\$0	
Vancouver Housing Authority	Burton Ridge Increase	\$6,400,000	\$0	
Vancouver Housing Authority	Camas Ridge	\$5,200,000	\$0	
Walla Walla Housing Authority	Workforce Housing (Galbraith II)	\$3,000,000	\$0	
Annual Total		\$167,020,000	\$25,130,000	

2010

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Everett Housing Authority	Broadway Plaza, Rucker, Oakes Apts	\$14,500,000	\$0	
Island County Housing Authority	Sunny View Village/Bayview Greens	\$3,500,000	\$0	
King County Housing Authority	Greenbridge Sixth Place Apartments	\$5,500,000	\$5,500,000	4/30/2010
King County Housing Authority	Zephyr Apartments	\$4,450,000	\$0	
Seattle Housing Authority	Rainier Vista Phase III (HOPE VI)	\$16,000,000	\$13,000,000	7/16/2010
Seattle Housing Authority	SHA - Tamarack Place	\$8,801,326	\$0	
Snohomish Co Housing Authority	2010 Pooled Tax Credit Projects	\$15,000,000	\$0	
Tacoma Housing Authority	Hillsdale Heights	\$7,000,000	\$0	
Vancouver Housing Authority	Battle Ground Village Apartments	\$10,000,000	\$0	
Vancouver Housing Authority	Burton Ridge	\$20,600,000	\$0	
Annual Total		\$105,351,326	\$18,500,000	

2011

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Everett Housing Authority	Broadway Plaza	\$13,000,000	\$12,500,000	6/29/2011
Seattle Housing Authority	Yesler Terrace	\$20,000,000	\$0	
Annual Total		\$33,000,000	\$12,500,000	

2013

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Seattle Housing Authority	Leshi Housing Rehab & Addition	\$10,000,000	\$0	

Housing-LHA

<i>Annual Total</i>	\$10,000,000	\$0
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<i>Category Total 2000-2013</i>	\$1,088,333,126	\$634,130,736
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PUD

2000

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Chelan County PUD #1	Rocky Reach & Rock Island	\$28,781,805	\$0	
	<i>Annual Total</i>	\$28,781,805	\$0	

2001

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Chelan County PUD #1	Rocky Reach & Rock Island	\$65,620,061	\$65,620,000	3/15/2001
	<i>Annual Total</i>	\$65,620,061	\$65,620,000	

2002

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Chelan County PUD #1	Chelan County PUD	\$44,909,797	\$44,905,000	12/12/2002
	<i>Annual Total</i>	\$44,909,797	\$44,905,000	

2003

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Grant County PUD #2	Wanapum Hydroelectric	\$16,680,000	\$16,680,000	2/13/2003
	<i>Annual Total</i>	\$16,680,000	\$16,680,000	

2005

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Douglas County PUD #1	Wells Hydroelectric Project	\$43,232,989	\$43,232,989	7/27/2005
Grant County PUD #2	Priest Rapids Hydroelectric	\$8,333,774	\$8,330,763	12/13/2005
Grant County PUD #2	Wanapum Hydroelectric	\$51,000,000	\$47,115,102	2/1/2005

PUD

<i>Annual Total</i>	\$102,566,763	\$98,678,853
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2007

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Chelan County PUD #1	Rock Island Hydro Project/ PSE	\$8,146,147	\$8,142,336	5/31/2007
	<i>Annual Total</i>	\$8,146,147	\$8,142,336	

<i>Category Total 2000-2013</i>	\$266,704,573	\$234,026,189
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Small Issue

2000

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Adams County Port District No.1	SVZ USA Washington Inc	\$5,000,000	\$0	
IDC of Port of Chehalis	Cascade Hardwoods Inc	\$8,000,000	\$8,000,000	11/16/2000
IDC of Spokane County	Mackay Manufacturing Inc	\$2,000,000	\$2,000,000	10/4/2000
WEDFA	Canam Steel Corp	\$7,000,000	\$7,000,000	7/17/2000
WEDFA	Clabag Services LLC	\$1,100,000	\$1,000,000	5/5/2000
WEDFA	Garco Building Systems	\$1,400,000	\$1,400,000	8/1/2000
WEDFA	GRK LLC	\$3,000,000	\$0	
WEDFA	Houk Brooklyn LLC	\$2,400,000	\$2,400,000	3/24/2000
WEDFA	Pacific Coast Feather Co	\$2,850,000	\$1,000,000	12/8/2000
WEDFA	Ronald E Leuning	\$4,200,000	\$4,125,000	5/16/2000
Yakima County Public Corporation	Columbia Ready-Mix Inc	\$1,300,000	\$1,300,000	11/22/2000
Yakima County Public Corporation	Michelsen Packaging Co	\$4,200,000	\$4,200,000	11/9/2000
Yakima County Public Corporation	Printing Press Inc	\$4,500,000	\$2,500,000	6/29/2000
Yakima County Public Corporation	Valley Processing Inc	\$4,500,000	\$4,500,000	2/3/2000
	<i>Annual Total</i>	\$51,450,000	\$39,425,000	

2001

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Port of Chehalis	JR Braun Northwest Inc	\$3,200,000	\$0	
Pilchuck Development Public Corp	HCI Steel Building Systems Inc	\$2,500,000	\$2,440,000	5/10/2001
Port of Douglas County	Berglin Corporation	\$1,200,000	\$1,200,000	12/20/2001
WEDFA	GRK LLC	\$3,000,000	\$0	

Small Issue

WEDFA	Half Diamond JL LLC	\$1,275,000	\$1,275,000	2/1/2001
WEDFA	Proto Manufacturing Inc	\$1,125,000	\$1,125,000	2/1/2001
WEDFA	RMI Investors LLC	\$5,000,000	\$5,000,000	8/30/2001
WEDFA	Royal Ridge Fruit & Cold Storage	\$4,955,000	\$4,955,000	4/4/2001
WEDFA	Vectra LLC	\$2,400,000	\$0	
WEDFA	WestFarm Foods	\$1,000,000	\$1,000,000	11/5/2001
Yakima County Public Corporation	Seneca Foods Corporation	\$3,200,000	\$3,200,000	5/16/2001
Yakima County Public Corporation	Valley Processing Inc	\$2,000,000	\$2,000,000	7/9/2001
Annual Total		\$30,855,000	\$22,195,000	

2002

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	True World Foods International Inc	\$8,100,000	\$6,930,000	6/21/2002
IDC of Port of Chehalis	JR Braun Northwest Inc	\$3,200,000	\$0	
IDC of Spokane County	Ecolite Manufacturing Co	\$2,500,000	\$2,500,000	3/28/2002
Port of Port Angeles	Port of Port Angeles	\$500,000	\$500,000	3/26/2002
WEDFA	Absorption Corporation	\$7,288,500	\$0	
WEDFA	Hillstrom LLC	\$4,000,000	\$3,265,000	12/10/2002
WEDFA	Mountlake LLC	\$2,250,000	\$2,225,000	10/1/2002
WEDFA	Nature's Path Foods USA Inc	\$2,040,364	\$0	
WEDFA	U.S. Pies Realty LLC	\$2,100,000	\$2,100,000	4/25/2002
Annual Total		\$31,978,864	\$17,520,000	

2003

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	SeaTac Packaging Mfg Corp	\$6,500,000	\$5,300,000	8/5/2003
IDC of Kitsap County	CARA Land Co LLC	\$2,000,000	\$2,000,000	3/19/2003
IDC of Port of Chehalis	JR Braun Northwest Inc	\$3,200,000	\$3,200,000	3/11/2003
Port of Shelton	Port of Shelton	\$1,100,000	\$1,085,000	10/14/2003
WEDFA	Absorption Corporation	\$2,900,000	\$2,335,000	3/19/2003
WEDFA	Belina Interiors Inc	\$1,800,000	\$1,110,000	10/28/2003
WEDFA	Jacoshop LLC	\$2,000,000	\$1,790,000	11/14/2003
Annual Total		\$19,500,000	\$16,820,000	

2004

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
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Small Issue

WEDFA	Lawrence B. Stone Properties LLC	\$2,631,000	\$2,512,500	8/13/2004
WEDFA	Posey Properties/Lamiglas Inc	\$678,641	\$678,641	11/4/2004
WEDFA	PSPL Inc	\$2,800,000	\$0	
Annual Total		\$6,109,641	\$3,191,141	

2005

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
IDC of Spokane County	Sonderer Packaging Inc	\$2,000,000	\$2,000,000	12/20/2005
WEDFA	Four Corners Capital LLC	\$7,500,000	\$7,500,000	12/22/2005
WEDFA	PSPL Inc	\$2,000,000	\$2,000,000	5/25/2005
WEDFA	Sumner Bldg LLC/Sound Sleep	\$2,900,000	\$2,900,000	12/20/2002
Annual Total		\$14,400,000	\$14,400,000	

2006

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	JNB Enterprises/Print NW	\$3,000,000	\$2,200,000	12/13/2006
EDC of Pierce County	Quality Stamping & Machining	\$2,250,000	\$2,225,000	12/7/2006
EDC of Pierce County	SeaTac Packaging Mfg Corp	\$5,800,000	\$0	
Housing Finance Commission	Beginning Farmer/Rancher	\$2,000,000	\$0	
IDC of Kitsap County	CARA Land Co LLC	\$5,000,000	\$5,000,000	6/8/2006
IDC of Port of Bellingham	Hempler Foods Group LLC	\$6,125,000	\$6,125,000	7/27/2006
IDC of Port of Bellingham	Wood Stone Corporation	\$3,400,000	\$3,400,000	8/17/2006
IDC of Spokane County	MacKay Manufacturing Inc	\$1,300,000	\$1,300,000	4/13/2006
WEDFA	Absorption Corporation	\$1,600,000	\$1,600,000	9/14/2006
WEDFA	DVF LLC/Wesmar Company	\$2,745,000	\$2,745,000	7/26/2006
WEDFA	Green Garden Food Products	\$4,295,000	\$3,695,000	7/13/2006
Annual Total		\$37,515,000	\$28,290,000	

2007

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	P&J Machining Inc (TPLM)	\$0	\$0	
EDC of Pierce County	SeaTac Packaging Mfg. Corp.	\$5,800,000	\$5,590,000	2/1/2007
Housing Finance Commission	Beginning Farmer/Rancher Program	\$2,000,000	\$0	
IDC Port of Grays Harbor	Murphy Company	\$10,000,000	\$10,000,000	10/31/2007
IDC Spokane County	Sonderer Packaging Inc.	\$1,000,000	\$1,000,000	9/12/2007
WEDFA	Coeur d'Alene Fiber Fuels	\$9,000,000	\$8,710,000	9/27/2007

Small Issue

WEDFA	Delta Marine Industries, Inc.	\$10,000,000	\$10,000,000	3/8/2007
WEDFA	Novelty Hill Winery	\$8,210,000	\$8,210,000	5/10/2007
WEDFA	Ocean Gold Seafoods	\$5,250,000	\$4,500,000	11/20/2007
WEDFA	Pacific Crest Properties	\$10,000,000	\$0	
WEDFA	Plitt Kent LLC	\$4,250,000	\$4,250,000	7/19/2007
WEDFA	S.S. Steiner	\$5,050,000	\$5,050,000	9/17/2007
WEDFA	VPI Quality Windows	\$3,296,000	\$2,409,365	12/21/2007
Annual Total		\$73,856,000	\$59,719,365	

2008

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	South Hill Industrial Properties LLC	\$4,000,000	\$0	
Housing Finance Commission	Beginning Farmer/Rancher Increase	\$518,800	\$0	
Housing Finance Commission	Beginning Farmer/Rancher Program	\$2,000,000	\$1,168,800	9/3/2008
IDC of Spokane County	Egg Enterprises, LLC	\$1,755,000	\$1,755,000	7/24/2008
IDC of Spokane County	Mackay Manufacturing, Inc.	\$1,800,000	\$1,800,000	6/16/2008
WEDFA	Belina Interiors Inc/BELCO LLC	\$1,540,000	\$1,400,000	8/10/2008
WEDFA	Commencement Bay Corrugated, Inc.	\$4,285,000	\$4,285,000	4/17/2008
WEDFA	Reese Real Estate/Standard Plastic	\$1,000,000	\$1,000,000	10/31/2008
WEDFA	Royell Manufacturing, Inc.	\$7,000,000	\$0	
WEDFA	Wood Realty/Skagit Printing	\$7,000,000	\$7,000,000	3/20/2008
Annual Total		\$30,898,800	\$18,408,800	

2009

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	South Hill Industrial Properties LLC	\$4,000,000	\$0	
Housing Finance Commission	Beginning Farmer/Rancher Program	\$820,610	\$0	
Housing Finance Commission	Beginning Farmer/Rancher Program	\$2,000,000	\$1,543,603	9/22/2009
WEDFA	Hill Stamping/Airborne LLC	\$1,928,600	\$1,928,600	1/29/2008
WEDFA	Royell Manufacturing, Inc.	\$7,000,000	\$0	
Annual Total		\$15,749,210	\$3,472,203	

2010

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
EDC of Pierce County	Frederico Enterprises I, LLC	\$5,280,000	\$5,200,000	10/27/2010
Housing Finance Commission	Beginning Farmer/Rancher INC	\$1,691,000	\$0	

Small Issue

Housing Finance Commission	Beginning Farmer/Rancher Program	\$2,250,000	\$1,691,000	8/6/2010
Annual Total		\$9,221,000	\$6,891,000	

2011

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Ranchers and Farmers	\$2,000,000	\$459,500	11/30/2011
Annual Total		\$2,000,000	\$459,500	

2012

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Housing Finance Commission	Beginning Farmer/Rancher Program	\$2,000,000	\$150,000	5/18/2012
Annual Total		\$2,000,000	\$150,000	

Category Total 2000-2013 **\$325,533,515** **\$230,942,009**

Student Loans

2000

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Student Loan Finance Association	Student Loan Finance Association	\$50,000,000	\$50,000,000	7/26/2000
Annual Total		\$50,000,000	\$50,000,000	

2001

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Student Loan Finance Association	Student Loan Finance Association	\$68,415,472	\$68,400,000	11/28/2001
Annual Total		\$68,415,472	\$68,400,000	

2002

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Student Loan Finance Association	Student Loan Finance Association	\$107,873,717	\$107,850,000	11/19/2002

Student Loans

<i>Annual Total</i>	\$107,873,717	\$107,850,000
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2003

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Student Loan Finance Association	Carryforward - SLFA	\$60,000,000	\$60,000,000	3/23/2004
Student Loan Finance Association	Student Loan Finance Association	\$63,724,458	\$63,700,000	7/24/2003
<i>Annual Total</i>		\$123,724,458	\$123,700,000	

2004

<i>Issuer Name</i>	<i>Principal User</i>	<i>Authorized</i>	<i>Issued</i>	<i>Issuance Date</i>
Student Loan Finance Association	Student Loan Finance Association	\$68,672,184	\$68,650,000	3/23/2004
<i>Annual Total</i>		\$68,672,184	\$68,650,000	

<i>Category Total 2000-2013</i>	\$418,685,830	\$418,600,000
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