



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

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April 28, 2020

TO: Housing Trust Fund Recipients and Stakeholders

FROM: Corina Grigoras, Managing Director, Housing Finance Unit

SUBJECT: Temporary Policy for Housing Trust Fund Loan and Grant Terms

Dear Housing Trust Fund Recipients and Stakeholders:

Thank you for continuing to provide much needed affordable housing and support to our state's most vulnerable people, while facing such unprecedented challenges. We hope this letter finds you and your loved ones safe and healthy. Here at Department of Commerce, the Housing Trust Fund (HTF) team is working remotely, focused on ensuring our program and projects receive the support they need to move forward and provide safe and decent housing for those who need it the most.

At the last Affordable Housing Advisory Board (AHAB) meeting on March 4, we discussed HB 2849 and announced that on the near term we would work to implement policies that addressed some of the concerns that gave rise to the bill. At the same time, we anticipate continuing to work with our legislative policy and budget leaders in both houses to identify a path forward that addresses the concerns of affordable housing developers, service providers, and legislative and executive budget writers. In the interim, the HTF team plans to apply the following loan and grant terms, effective immediately.

FOR NEW CONTRACTS:

The following terms will be applied to all new contracts that will be either awarded or executed from now through the end of 2020. This will include awards made in 2019 and prior years, and which have not yet been contracted, as well as any awards HTF will make in 2020.

- A. For shelters, homeless youth, homeownership, and portfolio preservation projects:** HTF will offer the award in the form of a recoverable grant. This means the funds will be a grant so long as the terms of the contract are met for the duration of the commitment period. If the contract's terms are unable to be met, the funds are recovered. Recoverable grants will also be offered when required by the budget appropriation/proviso or funding source (e.g., tax-exempt bonds can *only* be granted).

- B. For rental projects dedicating at least half of the units/beds to *extremely low-income people (up to 30% AMI in urban areas or up to 50% AMI in rural areas)*, to homeless-at-entry people, or to permanent supportive housing:** HTF will provide loans with fully deferred payment terms, payable in full, including accrued 1% simple interest, at the end of the commitment period (40 or 50 years) unless otherwise negotiated at maturity, or upon change of use or sale (except when sold to the original project sponsor).
- C. For all other rental projects:** HTF will utilize underwriting standards and analyze the project's pro-forma and financing structure to determine the appropriate loan payments for the project. In most cases, these loans will be made for 40- or 50-year terms, accrue 1-3% interest, and will include annual or quarterly payments. Projects utilizing tax credits may also receive payment deferral terms during the tax credit period, if the pro-forma demonstrates insufficient cash-flow to support the HTF payments.

FOR EXISTING CONTRACTS:

In light of the challenges our contractors are facing due to the COVID-19 outbreak, HTF will temporarily suspend its policy on reviewing loan restructure requests (see 504.3. Loan Restructure in the [HTF Handbook](#)). **For our existing projects in the HTF portfolio, upon request from the contractor, HTF will plan to defer all loan payments due to Commerce between now and December 31, 2022.**

It is important for our contractors and stakeholders to understand that the above policies are temporary. The program has been self-sustaining its administrative expenses primarily with funds from the HTF loan repayment account. Deferring and forgoing loan repayments puts the program at risk of not having the necessary funding to continue its operations, long-term portfolio assistance and monitoring to ensure the long term viability of the program.

Commerce plans to re-engage the Policy Advisory Team, AHAB, and stakeholders to continue the discussion about striking the balance between forgoing loan repayments and sustaining the program operations. We are also considering the recruitment of an affordable housing consultant with a national perspective to analyze the current portfolio, evaluate contract loan terms and policies, and to research similar programs in other states. These efforts will lay the groundwork and preparation of a report and recommendations to the Legislature and the Governor, as was sought in HB 2849.

Once again, thank you for all the work you do to help provide affordable housing in our communities. If you have any questions or need more information, please do not hesitate to call me at (360) 725-4134 or email at Corina.Grigoras@commerce.wa.gov.

cc: Lisa Brown, PhD, Director, Department of Commerce
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Jasmine Vasavada, Legislative and Policy Director, Department of Commerce