



# Entry Form 2017 Annual Awards for Program Excellence

**Entry Deadline: Thursday, June 15, 2017, Midnight ET**

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email [awards@ncsha.org](mailto:awards@ncsha.org).**

**Entry Title:** Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

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**Category:**

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**Subcategory:**

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**Entry Summary:** A 15-word (max) summary of the program, project, or practice you are entering.

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**HFA:**

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**HFA Staff Contact:**

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**Visual Aids:**

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF?    Yes        No

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## **Washington State Housing Finance Commission Capital Plus! Small Loan Partnership**

### **Overview**

*Capital Plus!*, a partnership between the Housing Finance Commission and WCRA (the Washington Community Reinvestment Association) furthers the housing and community goals of both our organizations by making capital available for projects otherwise unbankable or unable to compete for public subsidies. It has financed critical special-needs and homeless housing throughout Washington state, especially poor and rural communities.

### **Background**

The Low Income Housing Tax Credit and multifamily housing bonds, while vital, are not a good fit for all housing needs. Smaller financial projects may be ignored, leaving that financially small but vital-for-the-community project unrealized. All too often, these projects are supportive housing, special-needs housing or a single home serving developmentally disabled adults. Especially in Washington's more rural communities, even one small special-needs "house" is critical.

The Commission had several tools in its arsenal besides LIHTC and bonds. One of these, the Program Investment Fund, is made up of any revenues generated over expenses and can only be used for investments, funding loans and purchasing loans—no grants or donations. The Commission also issues Section 145 bonds for nonprofit housing (such as nursing homes) and community or cultural facilities.

But even with these tools, staff were concerned for the many smaller vital projects that were not getting financed. With a commitment to finding alternative and innovative financings for projects that lie outside the norm and the comfort zone of many lenders, we began exploring options to respond to the need.

### **Original Program Scope**

The solution proved to be a partnership with the Washington Community Reinvestment Association (WCRA). WCRA is a nonprofit organization founded in 1990 by a group of lenders to create a consortium of community lending for low-income and affordable housing. It is now supported by more than 38 financial institutions doing business in Washington state. WCRA's lending programs, totaling approximately \$130 million, finance the creation and preservation of low-income and special-needs housing, as well as real-estate-based economic development projects in all parts of Washington.

WCRA had long partnered with the Commission on many Low-Income Housing Tax Credit ventures, but had never participated in smaller projects before. Together, the two organizations created Capital Plus!, a revolving loan fund that could free up capital for small projects with no other access to financing.

Thanks to WCRA's underwriting and servicing, Capital Plus! loans could be offered at a lower cost to small and higher-risk borrowers. Meanwhile, WCRA could reach beyond its financing of LIHTC properties to have an impact on other kinds of housing and community needs.

The Commission approved an initial investment of \$3 million and three years to show viability of the program. The key parameters were that most loans would be under \$500,000, and none over \$750,000. All borrowers had to be 501(c)(3) organizations, and of course able to service debt.

The program's goal was and is not just to finance the facility or the housing, but to prepare the organization for future commercial financing. This not only broadens the organizations' horizon of opportunity and ensures continued organizational success, it leads to more stable housing and services for neighborhoods.

### **Successes**

Despite the many difficulties of financing small, financially challenged projects with no or insufficient subsidy dollars, Capital Plus! began to find success in bringing nonprofit and special-needs housing to life. These included:

- A drop-in center for persons with mental illness
- A home and four vehicles to serve developmentally disabled adults
- A 47-unit clean and sober facility that was purchased after its 15<sup>th</sup> tax-credit year
- A senior facility in an extremely remote part of the state
- A shared residence providing integrated care for persons with special needs
- The Abused Deaf Women's Advocacy Center, which occupies the first floor of a 9% LIHTC property sponsored by the same organization. Thus, Capital Plus! helped create a single mixed-use property for a special-needs population.
- A group home and supportive environment for formerly homeless persons with mental illness.
- Transitional units in a small rural town for domestic violence and sexual assault victims.

Most recently, a church in Kennewick, Wash., used a Capital Plus! loan to avoid foreclosure and reestablish good credit, after renovating to add a shelter for homeless youth. Called ANSIL ("a new start in life") Hall, this project fills a critical need for homeless young people, including those ostracized for their sexual/gender orientation.

### **New Issues**

Two recent projects changed the programmatic plan of Capital Plus!, widened its reach, and furthered its success into 2016 and beyond.

One of them was Kneeland Park, a modest 21-unit apartment building in a small town on Washington's Olympic Peninsula. Owned by the Mason County Housing Authority, a tiny organization which administers only 109 units, the property was in dire need of repair, not only to bring it up to code, but to fix water issues that Western Washington's climate wreaks on wood-frame buildings. Unfortunately, as a non-501(c)3, the borrower was ineligible for the Capital Plus! program—and while the bulk of the work would be covered by another loan, the amount needed for takeout financing was well above the program's limit.

Meanwhile, a call came in from the Yakama Nation, in Washington's central area. The tribe had been searching for an adequate response to a growing number of homeless tribal members. A large motel

located near (but not on) the reservation became available and was deemed very appropriate for a homeless shelter. The problem was a quick timeline and the lack of both funds on hand as well as a ready lender to take on the risk. Aside from the need for a fast closing, the tribe needed greater flexibility for tenant stays than the LIHTC program or other federal funding could provide. But because federal funding was required to make the deal work, the tribe needed a payment schedule of annual rather than monthly payments over five years. Capital Plus! was designed to help in these situations—but the amount of the request was three times higher than the program maximum. To top it off, the Yakama Nation is a governmental entity, rather than a 501(c)(3) as the program required.

With these two requests, staff realized that the Capital Plus! model, although successful, needed to be reviewed. In Washington's far-flung rural areas, not only are local resources hard to come by, fewer still are the viable nonprofits that can serve vulnerable populations.

It was deemed well within our mission to find a replicable and innovative solution. The program was modified to allow for the financing of other governmental entities providing necessary or special needs housing, provided that there was no viable financing alternative. Also, the amount of funds would be allowed to fluctuate above its earlier limit depending upon the term of the loan.

Thanks to the changes, both projects were realized. The Kneeland Park Apartments were fully renovated with a new roof and the correction of a host of other issues, and the housing authority now stands on firm credit ground for keeping its properties viable in the long term. The Yakama project, called Pahto Village, now shelters more than 40 homeless tribal members—and the tribe will be paying off their loan in five years.

## **SUMMARY**

Of the 35 Capital Plus loans made to date, 15 have paid off—eight of them well before their terms. Loans have been used on a very short-term basis until other funders could make their funds available. Loans have been part of and facilitated the financings of larger projects. They have stabilized nonprofits and strengthened communities. More than \$9.2 million has been invested in housing projects, creating or preserving 423 units of housing, most for special-needs and homeless individuals.

*Capital Plus!* has proven to be a self-renewing program that empowers Washington's neighborhoods to shelter the homeless, house and treat persons with special needs, provide community support through food banks, classrooms, and diverse cultural centers. It builds neighborhoods—and neighborhoods are more than just single and multifamily housing, they are the fabric that make our communities home.