

REGISTERED LOBBYIST CONTACT DISCLOSURE FORM

This form is to be completed by Executive Branch employees who are contacted by registered lobbyists regarding EESA. This report includes a written description of each contact, the date and time of the contact, and the names of the registered lobbyist(s) and the employee(s) with whom the contact took place. Written materials prepared by registered lobbyists should be attached to this form for posting on the website. The information on this form will be available to the public on Treasury's website.

To be completed by the employee contacted		
Date and time of contact:	Name of the Employee(s) Contacted (Name and Title)	Brief description of the communication: (attach separate sheet if necessary)
October 26, 2009	Michael Tae, Director of Investments Desmond Duncker, Jr. (Desi), Investment Specialist	Meeting with Thompson Smitch and DowLohnes to discuss their clients' (attached) proposal.
Name of the Employee(s) who prepared this form:		Date
Desi Duncker		December 11, 2009

Registered Lobbyist Name:	Title:	Firm or Organization, if applicable	Client
Tim Thompson	President	Thompson Smitch Consulting Group	J.R. Hayes & Sons, Inc.
Liz Burdock	Vice President	DowLohnes Government Strategies	Taylor Development, Inc.

Finnie, Ivory

From: Tae, Michael
Sent: Thursday, October 29, 2009 2:22 PM
To: Duncker, Desmond; Han, Lily
Subject: FW: Hello Michael, thank you for taking time to help see who/what office is the best to vet our WHIP proposal for Washington State
Attachments: Small-Bus Aid Article 10.12.09.pdf; WHIP Propoal.8.31.09.pdf; WHIP Summary Outline.8.31.09.pdf

I think I'm meeting these guys Friday morning, can you come? I'll send you a planner.

-----Original Message-----

From: Robert Thoms [mailto:Robert@thompsoncg.com]
Sent: Monday, October 26, 2009 5:15 PM
To: Tae, Michael
Subject: Hello Michael, thank you for taking time to help see who/what office is the best to vet our WHIP proposal for Washington State

Hello Michael,

Thank you for taking my call and for reviewing the attached summary to see who/what would be the most appropriate office to help us vet this concept further.

Here are three docs to look over if you get a chance, one is the recent story reg. WH providing up to \$30B to help boost credit to small businesses. Also, a summary of our Washington Housing Investment Program (WHIP) that we are proposing here in Washington State. We have met with the congressional delegation and HUD and they suggested we meet with Treasury, FDIC and Commerce to find out who/what office would be best suited to vet this idea. We are meeting with Valerie Jarrett's CoS tomorrow in DC to discuss the potential of meeting with folks from each agency to see if this proposal could be a tool used by the Admin to help address toxic assets, create jobs and strengthen housing market. Secretary Locke's long time economic forecaster Chang MookSohn, a renowned financial analyst is partnering on with us on this effort.

We reached out to HUD, Bill Apgar and Ron Sims and they suggested we meet with Treasury and potentially Commerce to learn what programs, including TARP, PPIP, TALF etc. that might be available to support a project like WHIP.

The job numbers and revenue creation of this proposal are impressive. Even if the scope and price were to be scaled back, it could be an effective pilot for the Administration that would produce tangible results including addressing troubled assets and job creation.

Chang Mook Sohn, Tim Thompson, and Dan Hayes are eager to meet in DC to discuss further.

WHIP Summary:

WHIP is a five-year plan that seeks to create jobs and stability in the housing market by putting "troubled assets" to work for our economy. WHIP would invest directly into targeted markets (in this case the Puget Sound region in Washington State) through the acquisition and development of vacant residential housing lots. In the current market financial institutions have not been able to dispose of these properties which now constitute troubled assets for lenders. WHIP seeks to leverage potential public loan funds of up to \$3B to complete over \$7B in construction. The program would then repay the original public loan value, plus approximately \$346M in interest. The investment will be collateralized by the real estate assets purchased. Purchasing land and building homes on these lots will stimulate the economy, accelerate the recovery of the housing market and also address a large portion of troubled assets currently burdening our financial institutions.

Please let me know if you are the best person for us to discuss this further with in DC.

Robert S. Thoms

Vice President

Thompson Smith Consulting Group

4041 Ruston Way, Ste 200

Tacoma, WA 98402

253-879-1250

robert@thompsoncg.com

From: Buckley, Patricia [mailto:PBuckley@doc.gov]
Sent: Monday, October 26, 2009 12:30 PM
To: Robert Thoms
Subject: RE: Commerce contact for discussing the WHIP program for Washington State

Hi Robert

I'm at my desk for most of the afternoon, if you want to give me a call.

Best

Patricia

Patricia A. Buckley, Ph.D.
Office of Policy and Strategic Planning
Office of the Secretary
US Department of Commerce

PBuckley@doc.gov <blocked::mailto:PBuckley@doc.gov>
202.482.3659

From: Robert Thoms [mailto:Robert@thompsoncg.com]
Sent: Sunday, October 25, 2009 10:25 PM
To: Sullivan, Travis
Cc: Buckley, Patricia; Tim Thompson
Subject: Commerce contact for discussing the WHIP program for Washington State

Thank you Travis, Patricia, we are trying to learn who would be the best person at Commerce to help vet this proposal. HUD is interested in helping and likes this proposal as a way to help with housing needs, however, because of the financing piece and the fact it seeks to remove toxic assets, HUD folks thought we must talk to folks at Treasury and/or Commerce. Patricia, if you have time to chat this week either on phone or in person with Tim Thompson, my boss in DC that would be marvelous.

Thank you again Travis for suggesting we speak with Patricia.

Sincerely,

Robert Thoms

253-879-1250

From: Sullivan, Travis [mailto:TSullivan@doc.gov]
Sent: Sun 10/25/2009 5:17 AM
To: Robert Thoms
Cc: Buckley, Patricia
Subject: Re: Quick question reg. possible commerce contact and/or office that would handle such an issue?

Hey Robert-

Great to hear from you!

Thanks for the note - I'm on travel now, but will connect you to Patricia Buckley (copied above) who is our senior economic advisor and will be a great contact for you.

Look forward to hearing how this takes shape.

Best,
Travis

From: Robert Thoms <Robert@thompsoncg.com>
To: Sullivan, Travis
Sent: Fri Oct 23 16:00:00 2009
Subject: Quick question reg. possible commerce contact and/or office that would handle such an issue?

Hello Travis,

Hope this email finds you doing well, I know you don't have time to read thru all this I am sending, but if you would look at the summary and let me know who, or what office within the dept of commerce would make the most since to reach out to I would be most grateful.

Tim is meeting with Varlerie Jarrett's CoS on Monday and we will be asking him to convene mtg. with all the agencies that have possible jurisdiction over this potential housing and troubled asset project for Washington State. I am trying to find out who would be the best person at commerce to speak about an exciting housing and toxic assets project from Washington state, WHIP (summary attached), that Tim and I are trying to sit them down with the right people in the various agencies with jurisdiction and WH.

- * HUD- Deputy Secretary Ron Sims
 - o Bill Apgar, Sr. Advisor to Sec. Donovan
 - o Maura Brueger, CoS to Ron Sims

- * Treasury -
 - o Fred Baldassaro, Office of Business Affairs
 - o Damon Munchus, Deputy Assistant Secretary for Banking and Finance DamonMunchus@do.tres.gov <mailto:DamonMunchus@do.tres.gov> , his asst is Megan Moore, MeganMoore@do.tres.gov <mailto:MeganMoore@do.tres.gov> ,
 - o David Miller, Office of Financial Stability
 - o Mike Tae, Director of Investments

- * White House -
 - o Valerie Jarrett, Senior Advisor and Assistant to the President for Intergovernmental Affairs and Public Engagement
 - o Mike Strautmanis, Chief of Staff to Valerie Jarrett (TSCG has confirmed this is the contact and is mtg with him on 10/26 to ask that the WH convene mtg to settle who within the administration would handle WHIP program)

- * FDIC- Shelia Bair, Chairwoman
 - o Shelia Bair
 - o Paul Nash, Deputy to Chairwoman, External Affairs

- * Dept of Commerce- Gary Locke is Secretary
 - o Travis Sullivan, Director, Office of Policy and Strategic Planning (Robert trying to confirm if he could be point person or who at Commerce would be)

Thank you for giving me your thoughts? Also, does Commerce have anything to do with this \$30B small business proposal?

ATTACHMENT

A

White House Plans Small-Business Aid

BY DAMIAN PALETTA
AND DEBORAH SOLOMON

WASHINGTON—President Barack Obama will announce initiatives Wednesday aimed at boosting credit to small businesses, as the White House tries to address a complicated issue many believe is dragging on the economy.

The White House will move to increase the caps on Small Business Administration loans and to make it easier for small banks to access funds from the Troubled Asset Relief Program, an administration official said.

The move comes as the Obama administration takes steps to end some of the other TARP programs established at the height of the financial crisis to help prop up the banking sector. The Treasury plans to spend no more than \$30 billion on a Federal Reserve program aimed at buying securities backed by consumer loans and will wind down a \$250 billion program to help banks bolster their capital cushions, according to an administration official. The Treasury will also cap a public-private initiative to buy distressed mortgage-

backed securities at \$30 billion.

At the same time, the Obama administration is looking for ways to help bolster the broader economy by targeting weak spots, such as housing and small businesses.

The SBA says small banks and businesses create between 60% and 80% of new jobs. With unemployment expected to top 10%, the administration is looking for ways to create jobs or prevent layoffs.

The Treasury Department is still working out details of the program. The administration wants to make it less expensive for community banks to access TARP funds by reducing the 5% dividend that financial institutions must currently pay the government, according to people familiar with the matter.

Any community bank that wants to participate would have to provide the government with a plan showing how it intends to lend to small businesses.

It is unclear whether community banks would take advantage of the program. One potential stumbling block is a legal requirement that anyone participating in TARP sell warrants to the government giving the U.S. the right to purchase common stock at a set price.

ATTACHMENT

B

WASHINGTON HOUSING INVESTMENT PROGRAM "WHIP"

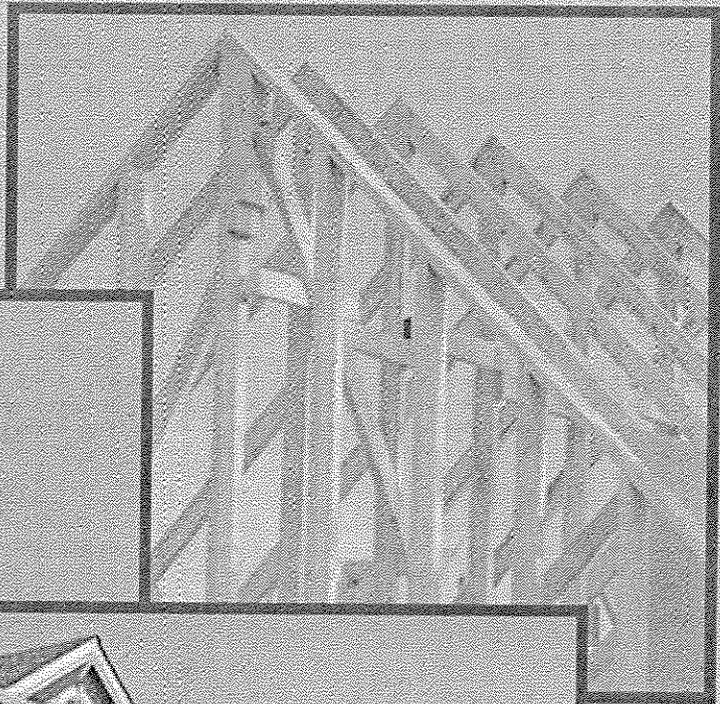
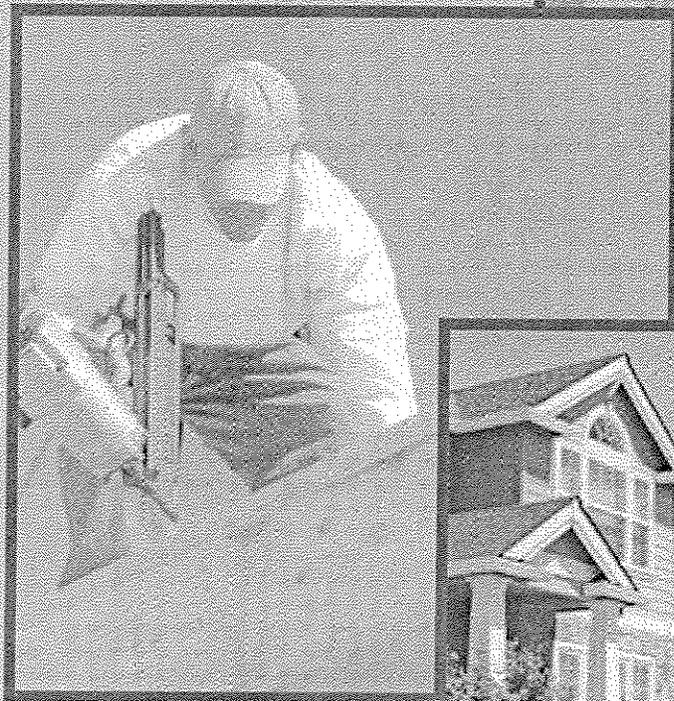
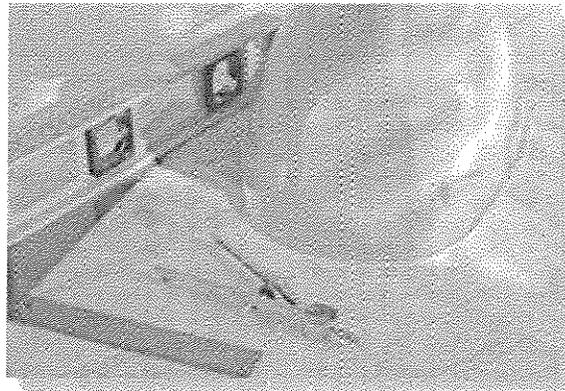


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*For more information about the Washington Housing Investment Program
please contact Dan Hayes at (206) 423-6610 or at dhayes@jrhayes.com.*

Overview: Washington Housing Investment Program

Jobs, Homes, and Economic Recovery for Washington State

The Washington Housing Investment Program (WHIP) is a five-year plan that creates jobs and stability in the Pacific Northwest housing market by putting "troubled assets" to work for Washington's economy.

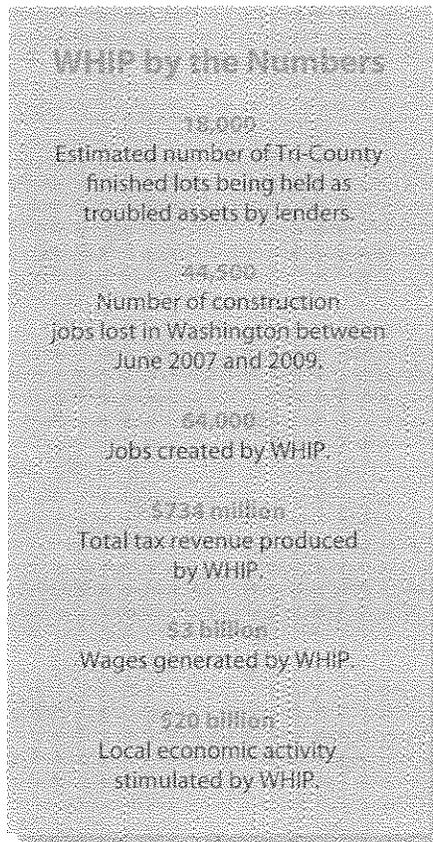
WHIP proposes to invest up to \$3.5 billion of federal stimulus funding directly into the Puget Sound economy through the acquisition and development of vacant residential housing lots. These lots have been platted and/or partially developed and are ready to accommodate home construction. In the current market, however, financial institutions have not been able to dispose of these properties, which now constitute troubled assets for lenders.

WHIP will leverage the federal stimulus loan to complete over \$7 billion dollars in construction. The program will repay the original loan value, plus approximately \$346 million in interest. The investment will be collateralized by the real estate assets purchased.

Purchasing land and building homes on these lots will stimulate the state economy and accelerate the recovery of the housing market.

- **WHIP will create 64,000 living-wage jobs.** Construction of the infrastructure associated with undeveloped lots, along with the construction of homes will create an immediate demand for employees in construction, engineering, real estate, and related construction- and home-supply industries. This translates into the creation of a total of about 64,000 new jobs over five years in the Puget Sound region.

- **WHIP will begin right away to generate \$734 million in state tax revenue** by targeting "shovel-ready" property. In spring 2009 the Washington Legislature slashed funding for education, health care and other critical programs in order to close a \$9-billion budget gap, one of the largest state deficits in the nation. Part of the deficit resulted from a 48-percent drop in revenue from the Real Estate Excise Tax (REET). In 2008, total real estate taxable activities fell to \$40.6 billion from \$77.6 billion collected in 2006. Without the recovery of the construction industry and housing market, state budget writers predict a continued slide in the economy that will require additional cuts to education, health care, and other critical programs before the end of the calendar year.



WHIP will begin generating revenue immediately by targeting "shovel-ready" residential lots that have already received plat approvals. Therefore, the program can begin immediately to replenish starved state coffers by generating tax revenue from the following sources:

- Washington State Sales Tax on construction sales,
- Business & Occupations tax and Use taxes,
- Real Estate Excise Tax (1.78 percent, compounded by raw land sales, finished lot sales, and residential and commercial sales values), and
- Property tax collections based on stabilized or increased home values.

■ **WHIP will help restore the health of financial institutions** by removing toxic assets from lenders' portfolios. The acquisition of troubled assets from lending institutions will increase liquidity and lending capacity. These factors will help stabilize market values, stop the continuing devaluation of personal assets, and decrease the foreclosures and short sales that fuel the housing market decline.

■ **WHIP will stimulate \$20 billion in local economic activity** by directly infusing communities with capital via the construction and development of residential and commercial properties, as well as by generating personal income and consumer spending throughout Washington communities.

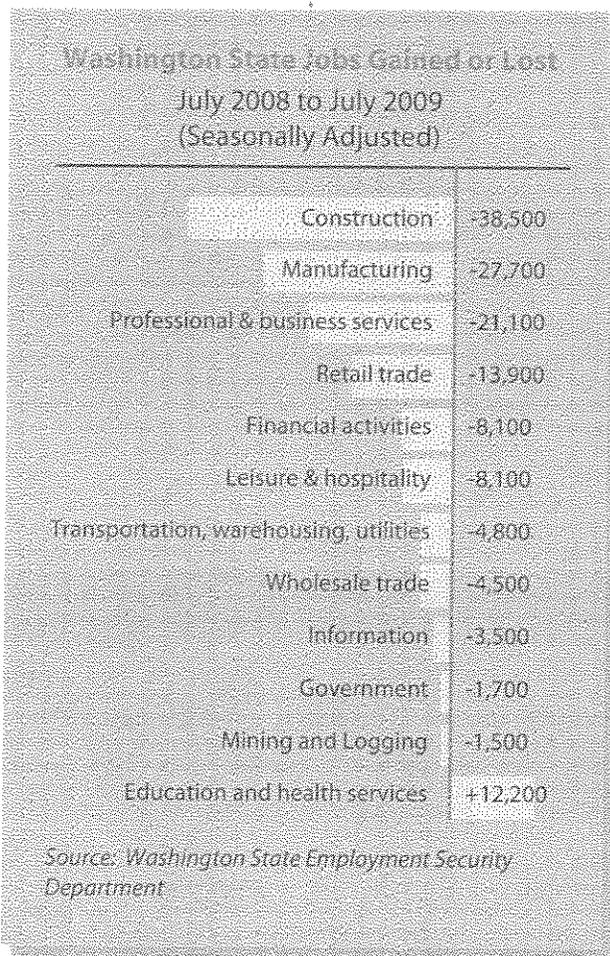
The Puget Sound region is well positioned to maximize a federal investment in the economic stimulus of the region. King, Snohomish, and Pierce counties represent more than 61 percent of the total state economy, based on personal income. These counties also accounted for approximately 55 percent of total state-wide unemployment in June 2009, according to the Washington State Employment Security Department. Targeting these counties will provide the maximum impact for the state economy.

Background

The meltdown of financial markets that began in October 2007 was the result of several forces that combined to strangle the Washington state housing market and send real estate values spiraling below traditional floor values. Chief among these forces were troubled real estate assets held by lending institutions. These so-called "legacy assets" continue to hold down financial institutions' lending

capacity and damage the general health of the financial system in Washington.

Troubled assets have severely limited the availability of financing for purchasing, construction, and development of residential projects. As a result, speculative housing and finished-lot inventories have risen significantly above levels typical of a healthy real estate market. The devaluation of properties coupled with financing restrictions have increased the default rate for construction and development loans and have threatened the viability of a significant numbers of lenders, builders, and developers.



Many Puget Sound-area builders are unable to secure the financing needed to purchase, develop, or fund the construction of homes. In many cases, builders cannot secure enough credit to even operate and are at risk of ceasing operations entirely. By hamstringing builders, the restricted supply of credit has significantly reduced the new construction starts for residential homes in our region.

The crash of the home building industry also has taken a severe toll on people who work in the construction industry. According to the Washington State Employment Security Department, construction employment in June 2007 was 210,700; by June 2009 construction employment stood at just 166,200 — a loss of 44,500 jobs. The unemployment rate in the construction sector currently is above 20 percent. The drop in employment in this high-wage industry affects traditional “tradesmen” as well as a significant number of middle- and upper-level managers in Northwest construction companies.

As terrible as construction unemployment numbers are, they do not reflect the loss of manufacturing jobs that are directly related to the production, transportation, and distribution of construction materials. For example, wood products production and supply; truss manufacturing; the manufacturing of appliances and fabricated metal and electrical equipment all are tracked separately from the construction industry, upon which these jobs depend.

Additionally, municipalities engaged in the processing of project permits have experienced significant staff reductions. These highly trained individuals are being forced to leave the industry and will be difficult to replace. Municipalities also will struggle to carry out critical procedural functions without these people, increasing permit processing times dramatically—creating additional obstacles for the housing and construction industries.

The federal government has provided billions of dollars to businesses hardest hit by the meltdown of the housing industries and financial markets. The goal of these loan programs is to create liquidity

and free up the credit market. Two of the government-backed loan programs include the Troubled Asset Relief Program (TARP) and the Term Asset-Backed Securities Loan Facility (TALF).

In addition to the initial investment in the banking system, the U.S. Department of the Treasury created the Public-Private Investment Program (PPIP) in an effort to address the issue of troubled assets.

Under the PPIP, Treasury partners with private investors to purchase troubled assets, including non-performing residential real estate, in order to improve the financial condition of these institutions and, in turn, increase bank liquidity and the flow of available credit.

Although these programs have helped stabilize the overall strength of the financial markets, they have not produced a significant increase in credit availability and do not specifically address the continuing decline in housing and land values or rising unemployment. Federal solutions do not provide the direct stimulus required to affect the overall recovery of the housing market. The PPIP program may not address the diverse mix of troubled real estate assets held by both lenders and private investors in Washington’s heavily populated Puget Sound region. Under PPIP, assets and loans purchased may simply be held indefinitely, providing no economic stimulus or growth.

WHIP goals and objectives are similar to those of the PPIP and, more specifically, of the Legacy Loans Program. Like WHIP, these programs are intended to help relieve lenders of the troubled real estate assets that continue to cripple the free flow of credit.



WHIP Objectives

Overcoming Obstacles To Economic Recovery

Goal 1. Stabilize the Puget Sound-area housing and construction industries. Reduce the existing housing inventory via financing incentives, which will establish a market floor for both home and land values. WHIP will improve the stability and sustainability of the home building industry, and help to generate market momentum and boost buyer and seller confidence.

Goal 2. Create 64,000 well paying jobs in Washington by investing in land development and new home construction. WHIP creates one job for each lot developed and three and a half additional jobs per year per residential unit constructed.

Goal 3. Free up credit markets by acquiring financial institutions' and investors' non-performing residential assets and developing them into homes that are affordable for working families. Thawing credit will help revive the housing markets. Reasonable finance options will bring home buyers back into the housing market.

Goal 4. Promote energy independence and green technology. WHIP will help Washington state achieve the green-jobs goal it set in 2007, when the state adopted a set of climate change goals for reducing greenhouse gas emissions and fuel use. Goals included tripling the number of green jobs in the state to 25,000 by 2020.

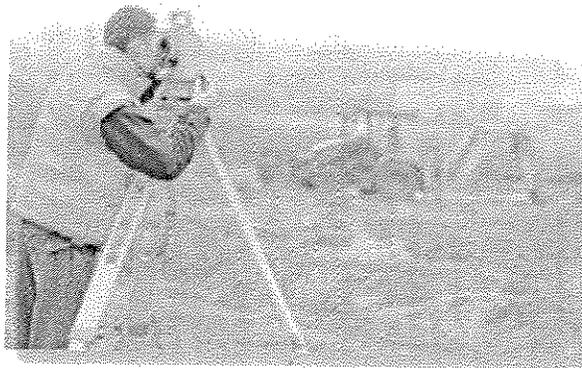
Environmentally responsible land development, building, and construction is a high priority for the WHIP program. Builders in King, Pierce, and Snohomish counties participate in "Built Green," an

environmentally-friendly, non-profit, residential building program. Built Green builders provide sustainable housing in an area of more than 4,000 square miles in the State of Washington, covering King and Snohomish counties. Built Green homes provide home owners with comfortable, durable, environmentally friendly homes that are cost-effective to own and operate. These resource-efficient homes are crafted to exceed building codes and provide home owners with years of healthy, quality living, while protecting the precious environment of the Pacific Northwest.

By working with Built Green participants, WHIP will effectively make lemonade out of lemons. Out of the misery of the recession

WHIP will expand opportunity through green jobs. WHIP also provides both the state and federal governments the opportunity to focus green home construction on the latent supply of lots, which might otherwise be used in a way that is inconsistent with state environmental goals.

Goal 5. Create homes that are affordable for Puget Sound families. Although home prices in the Puget Sound region have fallen over the last year, median home prices are still out of reach of many families. Median prices for new homes are \$422,000 in King County, \$350,000 in Snohomish County, and \$283,000 in Pierce County, according to the May 2009 report published by New Home Trends. WHIP proposes to deliver homes available for prices within a range that working families in the region can afford, from \$190,000 to \$450,000. The range reflects the significant variation by county in property values and construction costs.



Putting Troubled Assets to Work for Washington Families

WHIP will implement an economic-recovery program for the housing sector of Washington's economy through the follow four phases:

1. Acquire Finished and Preliminarily Platted Lots

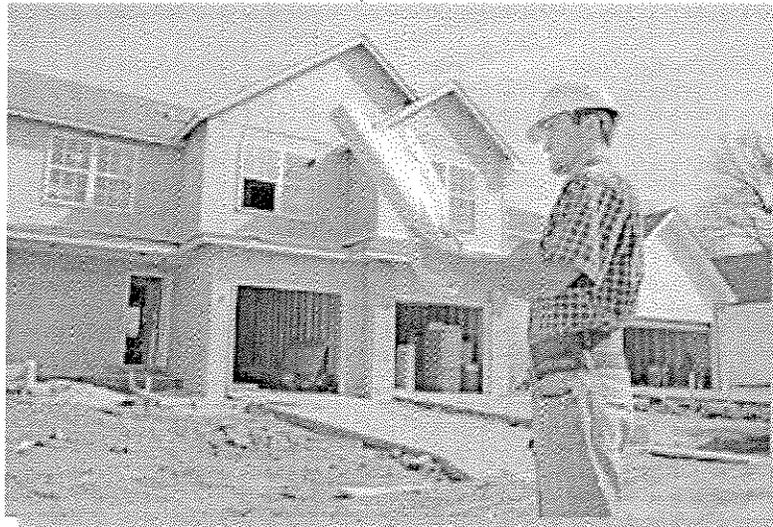
WHIP projects the completion and delivery of 1,200 to 1,500 lots per year in each county for the first three years of the program. The development of the lots and subsequent construction of homes will immediately create jobs, stimulate the local and state economies, and generate tax revenue.

✓ **Finished lots.** In order to stabilize land and lot values, the inventory of available lots needs to be dramatically reduced. WHIP has already begun working with financial institutions, builders, and developers to identify about 18,000 finished lots in King, Pierce, and Snohomish counties. These lots have been platted and, in some cases, partially developed; some are connected to sewer, water, and other utilities. However, financial institutions have been unable to sell these properties and the value of lots has declined. Lot values vary depending on their size and the market in which they are located. New home values will vary accordingly. The purchase of these lots by the Washington Housing Investment Program will help to stabilize market supply, establish a market floor, and stop further erosion of land values.

Initially WHIP will acquire up to 50 percent of existing finished-lot inventory, or about 9,100 lots, in King, Pierce, and Snohomish counties. WHIP will

work with the lenders and builders to restructure or eliminate existing loans, reduce lenders' troubled-assets portfolios, limit additional foreclosures, and allow builders to continue operating. This inventory of lots will be metered back into the market as demand dictates. Acquisition of these lots will reduce inventory from the current 78-month supply to a stabilized 12- to 15-month supply.

✓ **Preliminarily platted lots.** WHIP plans to acquire up to 50 percent of the 27,000 lots that



have preliminary approval for development. These projects already have been reviewed by the appropriate jurisdictions and regulatory agencies. They have earned preliminary approval required under the State Environmental Policy Act (SEPA) and have cleared

county and municipal code requirements.

Completion of the preliminarily platted lots will begin almost immediately in order to deliver finished lots to the market as soon as possible. This will begin in mid-2010 when the supply of finished lots has been reduced through absorption and acquisition. Once the preliminarily approved lots have earned final approval they will be returned to the market over the initial three years of the program. The gradual addition of these lots to inventory will maintain the 12- to 15-month supply of lots typical of a "normal" supply. Development of the new plats will be carefully monitored to ensure that delivery matches current market demand.

2. Begin Residential Construction

WHIP proposes to construct and deliver homes to market within 13 months of the acquisition of inactive residential lots. Construction of residential units on some finished lots could begin while the preliminarily platted lots are being completed. As the preliminarily platted lots are brought on line, construction of units will begin on them as well. With the federal economic stimulus loan as a fund source, WHIP will be able to build and hold new properties until they are absorbed, avoiding having to discount pricing and cause further devaluation.



Construction will be completed using existing regional builders and their associated trade forces. WHIP will establish a combination of reasonable financing options to enable builders to acquire lots. Options will include contracting with builders on a fee development basis, joint-venture projects with builders and providing interim construction financing. This range of options will promote and preserve the viability of the Puget Sound region's diverse workforce and the industry as a whole.

3. Provide Safe, Reasonable Home-Buyer Financing Options

WHIP will require buyers to meet the minimum guidelines and criteria of the Federal Housing Administration (FHA). WHIP will work with the FHA, the Washington State Housing Finance Commission (HFC), and the Washington State Department of Financial Institutions to identify safe and affordable financing options for home buyers.

Many potential buyers can qualify for home loans and are able to make monthly payments, but simply do not have the savings or resources to meet down-payment requirements. Therefore, WHIP will make it a priority to expand homebuyers' down-payment capacity and peace of mind through the following strategies:

- **Housing Finance Commission Programs** provide down-payment assistance and below-market-rate home loans for low- and middle-income Washington residents, as well as veterans, the disabled, and other qualified applicants. "House Key" and "Home Choice" are examples of HFC programs that help Washington residents with down-payments and closing costs.
- **"Lease-to-own" down-payment assistance.** WHIP proposes to provide a down-payment assistance option for people who are employed and demonstrate that they can make monthly mortgage payments, but who lack funds for a down payment. WHIP will allow home buyers to build equity through the first six home payments. The program then will hold the payments until the buyer meets equity requirements, at which time funds could be applied as a down payment on a traditional mortgage.
- **Offer buy-back options** in the event of buyers' job loss and provide additional job-loss payment insurance to promote buyer confidence.

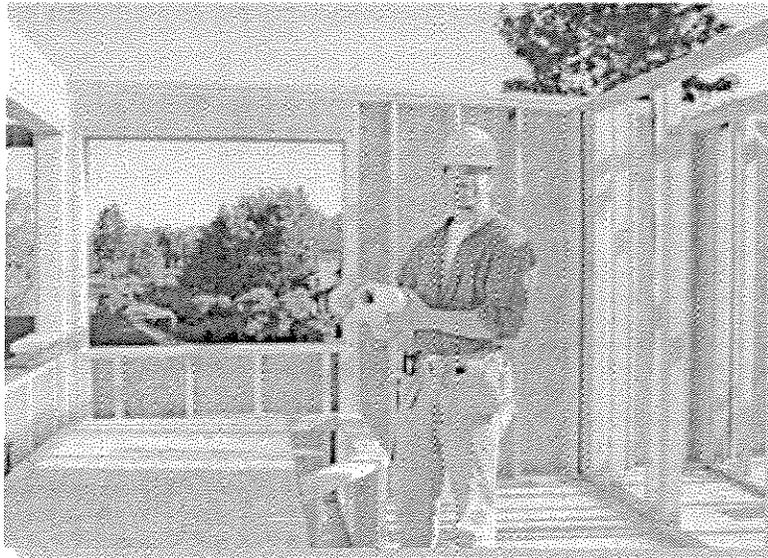
4. Guarantee Accountability and Responsible Program Management

Guaranteeing full accountability and responsible program management is critical to the success of WHIP. Toward that end, WHIP will work with the U.S. Department of the Treasury and other regulatory entities to develop a management structure that guarantees transparent and efficient use of federal funds.

One element of accountable and effective program management will be the establishment of a single-purpose Limited Liability Company (LLC), in partnership with the Department of the Treasury. The LLC will provide the financial oversight and manage day-to-day program operations. It will be managed by a board of directors consisting of the following:

- Two individuals with expertise in the economy of Washington state
- One representative each from King, Pierce, and Snohomish counties
- One representative of J.R. Hayes & Sons
- One representative of Taylor Development
- One professional from the mortgage banking industry
- One real estate attorney with expertise in federal contracting and housing regulatory issues
- One real estate professional

Additional oversight could include representatives of the U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, and/or an approved independent accounting/auditing firm. The development LLC will be subject to all rules, regulations, and guidelines established by the Treasury Department under the financial stability plan to insure complete transparency and accountability for the funding received.



WHIP by the Numbers:

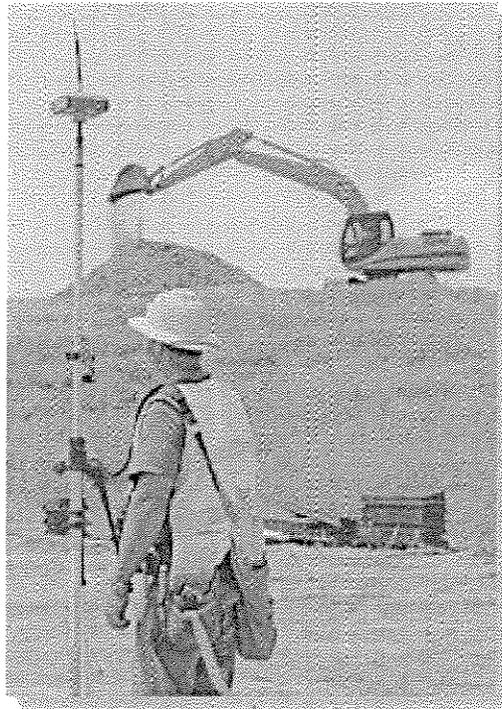
How WHIP Creates Jobs, Stabilizes Markets, and Generates Revenue

The current recession vividly demonstrates that housing construction is a critical component of the economy. Economists generally agree that a sustained economic recovery will not be possible until the housing market is stabilized. Stabilizing the housing market, however, requires more than just lower interest rates. Healthy financial institutions are a prerequisite for a stable housing market. WHIP seeks to address both of these critical factors through support from the federal Public Private Investment Program (PPIP). This is the main reason that WHIP is proposing to be a part of the PPIP in the State of Washington.

To estimate the economic impacts of the proposal, WHIP called upon the expertise of Dr. ChangMook Sohn. Dr. Sohn was the respected executive director of the Washington State Economic and Revenue Forecast Council for nearly 25 years, serving under four governors. During that time, Dr. Sohn's impartial and detailed analyses of the state economy earned a record of remarkable accuracy. Since retiring from state employment, Dr. Sohn has continued to exercise his considerable expertise in public-sector economics for numerous clients. Dr. Sohn is the foremost authority in economic forecasting in the State of Washington.

To analyze the economic effects of WHIP, Dr. Sohn used the Input-Output Model developed by the University of Washington and the Washington

State Office of Financial Management specifically for the Washington state economy. Most typical measures of economic activity examine only the total output or employment of an industry. The use of an input-output model provides a much more comprehensive view of the interrelated economic impacts.



Throughout the state economy new housing construction directly creates employment and "output," the value of the goods and services generated by construction and related business activity. The economic benefits, however, do not end with these construction activities, because they cause subsequent and related economic activities to ripple throughout the economy. The ripple effect generates further benefits through the purchase of goods and services in addition to employee consumption activities.

The sum of all the direct and indirect economic effects of WHIP could surpass 3 percent of the total of the state's economic activities. The total economic impacts from WHIP come from three different sources:

1. The impacts from construction and development costs,
2. The effects of freeing financial institutions of troubled assets, and
3. The effects of stabilizing real estate values.

The five-year cumulative impacts of construction and development costs on output, employment, and employee compensation are \$10.3 billion — almost 64,000 jobs, and \$3 billion, respectively. The last two economic effects are not easily quantifiable even though these effects are easy to conceive.

Erasing Troubled Assets from Financial Institutions' Ledgers

Freeing financial institutions of \$1.2 billion in troubled assets will increase potential commercial and mortgage lending capacity. Credit ease enables financial institutions to make more development and construction loans as well as loans to home buyers. That, in turn, will help to revive the housing industry and boost consumer confidence. These are critical elements of sustained economic recovery. The economy cannot grow if credit continues to contract.

Applying an average leverage ratio of 14:1, lending will be increased by \$16.73 billion, the influence of which will have a direct effect on the state's economy. In addition to this, by lowering their reserves, banks will be able to finance residential and commercial construction, as well as home loans. The combined impacts could reach well over \$20 billion.

Stabilizing real estate values by reducing the inventory of vacant lots will provide the state's housing market the shot in the arm it so desperately needs. Washington's real estate excise tax data indicates that taxable activity was \$40.6 billion in 2008, down from \$77.6 billion in 2006, totaling a decline of 48 percent. The lost wealth in housing amounts to \$60 billion from its peak. Assuming a 5-percent wealth multiplier, this loss equals \$3 billion of potential consumer spending.

**Table 1:
Economic Impacts of WHIP in State of Washington**

	Year 1	5-Year Cumulative	2008 WA Total	% Share
<i>Output (in millions)</i>				
	\$2,054	\$10,271	\$323,000	3.2%
<i>Employment</i>				
Total	12,782	63,910	2,958,600	2.2%
Construction	5,594	27,970	200,500	14.0%
<i>Employee Compensation (in millions)</i>				
	\$605.1	\$3,025.3	\$151,600	2.0%

Notes:

- Economic impacts are estimated based on construction and development costs (\$5.386 billion for the five-year period only.)
- The units are in 2008 dollars in final demand in the construction sector. The Input-Output study automatically converts that to 2002 dollars, does the impact analysis, and then converts to 2008 dollars again where necessary.

King, Snohomish, and Pierce counties generated 61.3 percent of the state's personal income in 2007: 40.2 percent, 10.2 percent and 10.9 percent respectively. However, to allocate the statewide economic impacts of WHIP, which targets these three counties, the distribution factors should be applied as follows: King County, 65.6 percent; Snohomish County, 16.6 percent; and Pierce County, 17.8 percent.

WHIP Generates \$279 Million in Real Estate Excise Tax

WHIP calls for \$1.2 billion in lot acquisition from banks in Washington in the first year of the program. The land transactions will generate \$15.4 million in REET revenue for the state and \$6 million for the three counties (King \$3.9 million, Snohomish \$1 million, and Pierce \$1.1 million). The eventual sale of homes on these lots also will generate tax revenue — as much as \$185.5 million in Real Estate Excise Tax over the program's five-year tenure.

The Washington Center for Real Estate Research (WCRER) at Washington State University shows that 65 percent of those who sell their home to first-time buyers subsequently buy another house in the state. The people from whom they bought their home also purchase a new residence, and so on. In fact, WCRER research indicates that four rounds of sales will occur within approximately nine months following the initial group of sales.

After the first year of the program, WHIP projects the sale of 4,534 new homes per year, generating \$17.9 million in REET. Based on the WCRER research, the ripple effect of these sales will generate another 4,874 transactions and an additional \$19.2 million in REET collections. Together initial sales and the subsequent rounds trigger a total of 9,408 sales and \$37.1 million in state REET collections.

**Table 2:
Economic Impacts of WHIP in King,
Snohomish, & Pierce Counties**

	Year 1	5-Year Cumulative
<i>Output (in millions)</i>		
King	\$1,347	\$6,738
Snohomish	\$341	\$1,705
Pierce	\$366	\$1,828
Total	\$2,054	\$10,271
<i>Employment</i>		
King	8,385	41,925
Snohomish	2,221	10,609
Pierce	2,275	11,376
Total	12,782	63,910
<i>Compensation (in millions)</i>		
King	\$396.9	\$1,984.6
Snohomish	\$100.4	\$502.2
Pierce	\$107.7	\$538.5
Total	\$605.1	\$3,025.3

Over the five-year life of the program, an estimated 22,672 sales could generate a total of 47,044 sales and \$185.5 million in state REET collections. When \$15.4 million in REET revenue from the sales of lots is added to \$185.5 million from the home sales, total state REET collections become \$200.9 million.

At the average local REET rate of 0.5 percent, these transactions also will generate \$72.5 million for the three targeted counties: King county \$30.7 million, Snohomish County \$23.3 million, and Pierce County \$18.5 million.



WHIP Generates \$455 Million in Retail Sales/Business Occupation Taxes

WHIP will generate an estimated \$246 million in retail sales tax revenue for the state and \$89 million in B&O tax revenue over the program's five-year schedule. This calculation is based on two factors:

1. The historical ratio of sales and B&O taxes to output, and
2. The estimated increase in output that the input/output analysis ascribes to WHIP (construction and development costs).

The sales tax rates for the three counties are 3 percent for King, 2.7 percent for Snohomish, and 2.8

percent for Pierce. Based on the traditional ratios of sales taxes to output, the county portion of sales tax revenue from WHIP's construction and development costs will be \$74.5 million in King County; \$17.0 million in Snohomish County; and \$18.9 million in Pierce County. Using the average ratio between state and local B&O receipts, King County B&O revenue will be \$6 million, Snohomish \$1.5 million, and Pierce \$1.6 million.

Since WHIP will be federally funded all the revenue shown will be a net gain to the state and counties. The revenue impacts of the construction and development activities associated with WHIP are summarized in Table 3.

Table 3:
Revenue Impacts of WHIP
(in millions)

Tax	Total	State	King	Snohomish	Pierce
REET	\$279.4	\$200.9	\$34.6	\$24.3	\$19.6
Sales	\$356.4	\$246.0	\$74.5	\$17.0	\$18.9
B&O	\$98.1	\$89.0	\$6.0	\$1.5	\$1.6
Total	\$733.9	\$535.9	\$115.1	\$42.8	\$40.1



About the WHIP Team

WHIP is a joint venture between two Washington family businesses: J.R. Hayes & Sons Inc./DMH Land Development LLC, located in Maple Valley, and Taylor Development Inc., located in Bellevue.

J.R. Hayes & Sons was established in 1970 and is a second-generation, family-owned, site-development general contractor specializing in plat development, master-planned communities, and commercial-industrial site development. DMH Land Development, a subsidiary of Hayes & Sons, was formed by its president, Dan Hayes, as an investment company for the acquisition and development of residential and commercial properties in the area. These companies have been involved in construction and development of over 10,000 residential lots and millions of square feet of commercial land development.

Taylor Development Inc., established in 1993, is a family-owned development company headquartered in Bellevue, Washington. Since its inception, Taylor Development has acquired, entitled, and developed over 7,500 residential lots in the Puget Sound region. In addition, Taylor Development also completed the construction and development of numerous residential, office, and commercial projects.

Both firms have worked extensively in all facets of the real estate development in the Puget Sound region. As business owners and long-time residents of the area, their experience, local market knowledge, and industry contacts uniquely qualify them to lead the effort to revitalize Washington's ailing construction industry and housing market.

The firms have more than 50 qualified personnel with varied experience in all phases of acquisition, entitlement, financing, development and construction, and management of residential and commercial

properties. Each company takes great pride in its professional reputation and has worked with most of the major county, city, and state regulatory agencies, local and national banking institutions, and a majority of the residential and commercial builders throughout the region. Our relationships and our successes are our greatest references.

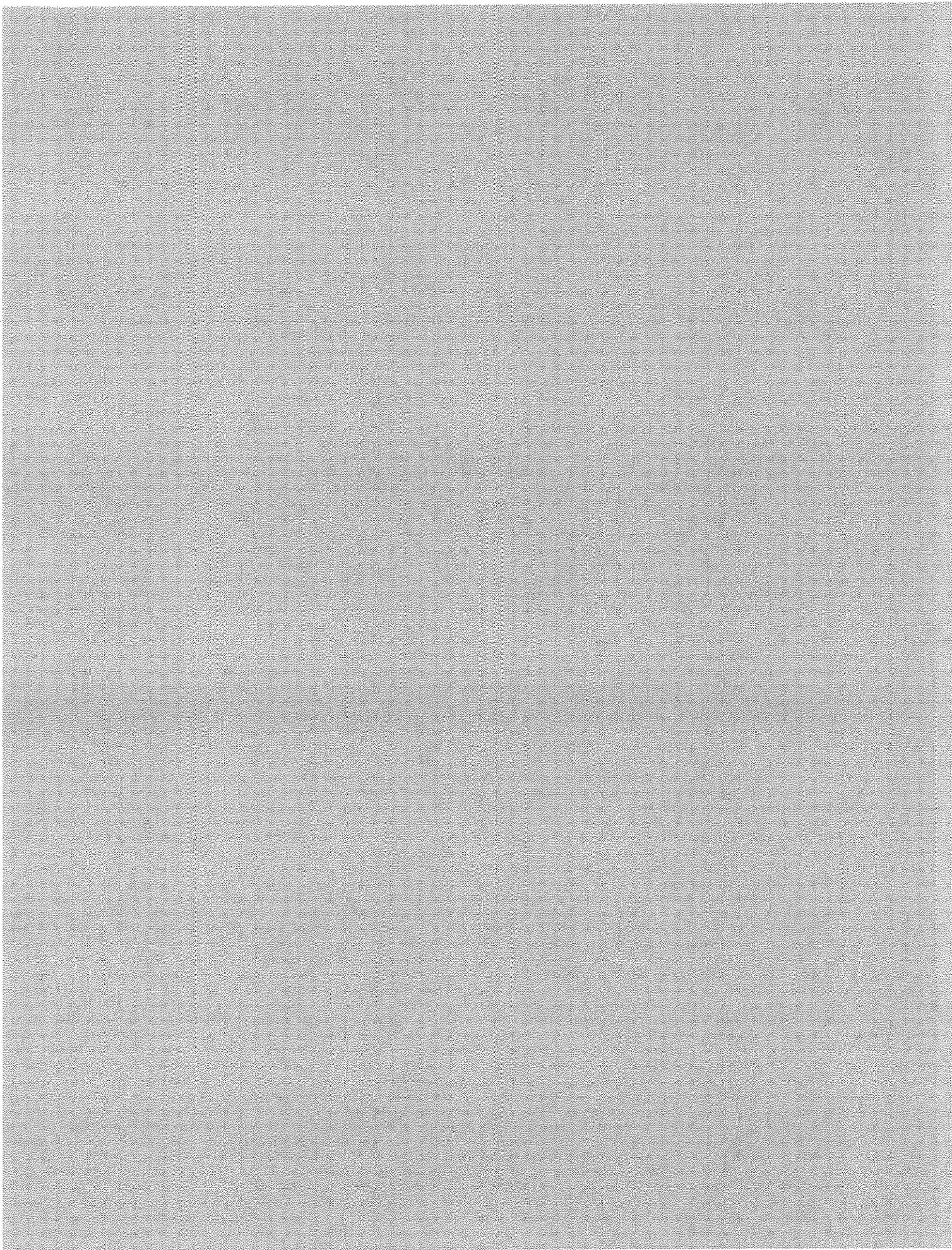
J.R. Hayes & Sons and Taylor Development are case studies of the effects of the recession on employment and economic activity in the construction sector of the Washington state economy. The family-owned Washington firms are well established in the Puget Sound area as specialists in all facets of the acquisition and development of residential and commercial properties. But even the depth and breadth of experience of these firms could not withstand the devastating effects of the recession.

From the eye of the economic storm in construction, the firms saw revenue fall by 75 percent. J.R. Hayes & Sons's employment fell from 180 employees to just 30. In one division alone Taylor's employment fell from 160 employees to 40.

As their own business fell off, Taylor and Hayes watched the demise of many other long-standing associates in the construction and development businesses. Understanding the interrelated nature of the industry they knew they were watching the dissolution of the industry; as such they decided to do something about it. Taking a cue from federal assistance to the banking and automotive industries, Taylor Development and J.R. Hayes & Sons identified the most powerful damper on activity in the construction and real estate industry — troubled assets owned by financial institutions — and created a solution to the problem. That solution is the Washington Housing Investment Program.

For more information about the Washington Housing Investment Program please contact Dan Hayes at (206) 423-6610 or at dhayes@jrhayes.com.





ATTACHMENT

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The Washington Housing Investment Program

Jobs, Homes, and Economic Recovery for Washington State

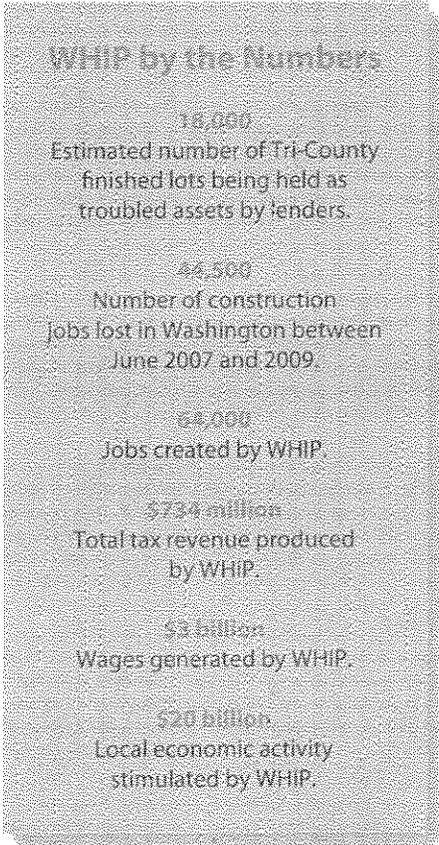
The Washington Housing Investment Program (WHIP) is a five-year plan that proposes to create jobs and stabilize the local housing market by putting “troubled assets” to work for Washington’s economy. WHIP will invest \$3.5 billion of federal stimulus funding directly into the Puget Sound economy through the purchase and development of residential housing lots that have been platted and zoned. The lots are ready for construction, but banks have not been able to sell the lots and the properties now constitute troubled assets for lenders.

WHIP targets King, Pierce, and Snohomish Counties, which account for 61 percent of the total state economy, based on personal income. These counties also account for approximately 55 percent of total state-wide unemployment, according to the Washington State Employment Security Department. Focusing on these counties allows federal funds to have the maximum impact on the state economy and enables WHIP to stimulate the economy and accelerate the housing market recovery in the following ways.

- Create 64,000 well paying jobs in the construction, engineering, real estate, and construction- and home-supply industries.
- Begin immediately to generate \$734 million in state tax revenue by targeting “shovel-ready” residential lots that have been platted and zoned.
- Help restore the health of financial institutions by removing toxic assets from lenders’ portfolios, increasing their liquidity and lending capacity, and helping stabilize market values.
- Stimulate \$20 billion in local economic activity by infusing communities with construction capital and by generating personal income and consumer spending.

- Promote energy independence and green technology by working with firms that embrace “Built Green” standards.

- Create homes that Puget Sound families can afford, in the range of \$190,000 to \$450,000.



WHIP will put troubled assets to work for Washington through the following four steps:

1. Acquire finished and preliminarily platted lots now held by banks as troubled assets. The acquired finished lots will be taken out of circulation to reduce current inventory from a 78-month supply to a healthier 12-15 month supply and will be released back into the market incrementally over the 5-year program. Simultaneously, WHIP will begin construction and completion of the preliminarily platted lots and deliver into the market, 1,200 to 1,500 lots per year in each county over the first three years of the program. The development of these lots will immediately create jobs and stimulate the local and state economies.

2. **Begin residential construction.** WHIP will construct and deliver homes to market within 13 months of the purchase of inactive residential lots. WHIP will help promote and preserve the viability of the Puget Sound region's diverse workforce and the industry as a whole by offering a combination of innovative financing options:

- + Contracting with builders on a fee-development basis
- + Joint-venture projects with builders
- + Provide interim construction financing options

3. **Provide safe, reasonable, financing options for home buyers.** WHIP would work with the Federal Housing Administration, the Washington State Housing Finance Commission, and the Washington State Department of Financial Institutions to identify safe and affordable financing options for home buyers.

WHIP proposes a "lease-to-own" down-payment assistance option for people who are employed and demonstrate that they can make monthly mortgage payments, but who lack funds for a down payment. WHIP also will offer buy-back options in the event of buyers' job loss and provide additional job-loss payment insurance to promote buyer confidence.

4. **Guarantee accountable and efficient program management.** Guaranteeing full accountability is critical to the success of the program. WHIP will work with the U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, and other regulatory entities to develop a management structure that guarantees

transparent and efficient use of federal funds. The entity will be managed by a board of directors with broad representation from the banking industry, county government, and others in the Tri-county area.

Distinguished economist, Dr. ChangMook Sohn, conducted the economic analysis for this proposal. Dr. Sohn served as the respected executive director of the Washington State Economic and Revenue Forecast Council for nearly 25 years. His work is widely respected and has earned him a reputation for impartiality, thoroughness, and accuracy.

WHIP is a joint venture between two family-owned businesses with

deep roots in Washington state: J.R. Hayes & Sons Inc./ DMH Land Development LLC, located in Maple Valley Washington, and Taylor Development Inc., located in Bellevue Washington. Both firms have worked extensively over the last 20 years in all facets of the real estate development industry throughout the Puget Sound region. Their experience, local market knowledge, and industry contacts uniquely qualify them to lead the effort to revitalize Washington's ailing real estate market.

WHIP Economic Impact Summary

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Snohomish	\$100.40	\$ 502.20
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Total	\$605.10	\$3,025.30

For more information or to receive a complete description of the Washington Housing Investment Program, please contact

Dan Hayes: (206) 423-6610
email: dhayes@jrhayes.com