



**KING COUNTY
HOUSING AUTHORITY**

MAKING TRANSITION WORK

FY 2008 ANNUAL PLAN

AMENDMENT No. 1

AMENDMENT #1

MAKING TRANSITION WORK FISCAL YEAR 2008 ANNUAL PLAN

DESCRIBING THE CAPITAL PLAN AND FINANCING PLAN AND USE OF REPLACEMENT HOUSING FACTOR (RHF) FUNDS IN RELATION TO THE RENOVATION OF SPRINGWOOD APARTMENTS

General Background and Purpose:

KCHA's FY 2008 MTW Annual Plan identified Springwood Apartments as one of its public housing communities with significant capital needs and indicated the opportunity to leverage other (i.e. non-KCHA) resources to accomplish necessary repairs and improvements. This Amendment supplements the description of the renovation project included in KCHA's original 2008 MTW Plan submitted to the Department of Housing and Urban Development (HUD) on April 30, 2007. In particular, the Amendment describes proposed financing using RHF funds and the proposed use of RHF as needed for that financing.

Springwood Apartments Renovation Plan:

In the first quarter of calendar year 2008, KCHA expects to dispose of Springwood Apartments, its largest public housing complex, and lease the property to Soosette Creek LLC, a Washington limited liability company controlled by KCHA. By decommissioning Springwood from the federal public housing program, KCHA can leverage considerably more renovation financing than would otherwise be available through the Capital Fund Program. In the renovated Springwood, public housing subsidies will be replaced with project based vouchers so households will continue to have similar rent burdens, even though Springwood will no longer be a public housing development. HUD approved the disposition of Springwood Apartments on January 10, 2007.

Capital Plan for Renovation:

The renovation work will be financed by a combination of public and private sources: tax-exempt bonds, equity available through the federal Low Income Housing Tax Credit program, loans from KCHA, and other state and county government loans or grants. The work, resulting in at least 260 renovated units, is estimated to cost \$45-\$50 million and take two years to complete. Table 1 identifies the estimated capital funding sources for the renovation.

Financing Using Replacement Housing Factor Funds:

Most of the tax-exempt bond financing will be backed by a pledge of the rents coupled with a first mortgage on the property. KCHA will also utilize 100% of the First Increment and Second Increment (when and if funded) of RHF funds, available from disposition and demolition of public housing units at Springwood and Park Lake Homes, as a source of repayment for a second tax-exempt bond issue to be used for renovations. As indicated on Table 1, the second bond issue is estimated to have a principal amount of approximately \$10 million.

The second bond issue is expected to be secured by the general revenue pledge of KCHA. If RHF funds are insufficient or unavailable for repayment, other KCHA general revenues will be used to service debt on this second bond issue.

KCHA needs no further HUD approval of this financing plan because its MTW Agreement, entered into with HUD in 2003, provides the necessary approval for the plan. (See: *KCHA MTW Agreement, Statement of Authorizations : Sections IV.A.1; IV.A.6 and Section VIII*)

Plan for Use of Replacement Housing Factor Funds:

KCHA has an approved First-Increment RHF Plan dated November 15, 2005, providing for use of all RHF funds in conjunction with Springwood Apartments. KCHA will continue its plans to use RHF awards for renovation of Springwood through their commitment as needed to repay the bonds, including the HUD fiscal 2004 and 2005 awards referenced in the currently approved Plan and subsequent RHF awards. A chart showing use of RHF awards for the bond issue described above is included as Table 2. KCHA anticipates sale of the bonds in March 2008, thus all RHF funds will be obligated and expended in a timely fashion.

The approved RHF Plan stated that RHF funds would be used for replacement public housing at Springwood. However, as indicated, KCHA now expects to replace the public housing subsidies at Springwood with project based vouchers. No public housing units will remain at Springwood. KCHA will use authorization provided under its MTW Agreement to use capital funds to provide affordable housing rather than solely build public housing units. (See: *KCHA MTW Agreement, Statement of Authorizations: Sections IV.A.1(a) and IV.A.1(b)*).

Households Served and Changes in Housing Stock:

The renovation of Springwood Apartments will decrease the public housing inventory by 333 units. However, a like number will be added to the number of households served by the Housing Choice Voucher Program. Earlier this year HUD provided 324 Section 8 vouchers in connection with the disposition of Springwood. The change from public housing to Section 8 at Springwood is not expected to change the demographic make-up of the community.

Another result will be the permanent displacement of as many as 50 households. Some households are ineligible under federal tax credit regulations due to income or student household status. Others must move because of the planned demolition of up to 64 units to reduce the high density on the site and remove units located too close to Soosette Creek or the new Family and Recreation Centers. All low-income units will be replaced on a one-for-one basis. All displaced households will be offered comparable units at other KCHA communities or receive Section 8 vouchers as well as other financial assistance (payment of moving expenses, utility connection charges, etc.) under the federal Uniform Relocation Act as applicable. As necessary, KCHA will assist families in finding and moving to their new homes.

All remaining households at Springwood will be relocated at least one time. Some will move directly to a permanent new home (renovated unit at Springwood) and some will be temporarily relocated until a permanent new home is available. All households will be assisted in the moves according to the guidelines of KCHA's Temporary Relocation Policy.

Table 1 -- Capital Funding Sources (Springwood Apartments)

SOURCE	USE	TYPE	
		Interim	Permanent
Tax-Exempt Financing			
Loan Financed by RHF	Renovation		\$ 10,000,000
Section 8 Bonds	Renovation		\$ 20,050,000
Bridge Financing	Renovation, Other Costs	\$ 14,950,000	
Other Loan and Grant Proceeds			
Housing Trust Fund + King County	Renovation		\$ 3,000,000
Bridge Financing	Renovation, Other Costs	\$ 9,300,000	
Tax Credit Equity	Renovation, Other Costs		\$ 26,236,408
KCHA Loan	Reserves		\$ 1,600,000
Financing Lease (Repayment from Cash Flow)	Acquisition		\$ 20,300,000
Deferred Developer Fee	Developer Services		\$ 4,900,000
Totals (Bonds, Loans, Grants and Equity)		\$ 24,250,000	\$ 86,086,408

Table 2 -- Uses and Amounts of RHF Funding (Springwood Apartments)

PROJECTED REVENUES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Replacement Housing Factor Funds															
Springwood (Family Center units)	\$ 28,791	\$ 32,484	\$ 29,206	\$ 30,356	\$ 30,356	\$ 30,356	\$ 30,356	\$ 30,356	\$ 30,356	\$ 30,356	\$ 822,745	\$ 822,745	\$ 543,104	\$ 543,104	
Greenbridge Demolition			377,991	279,641	822,745	842,388	842,388	842,388	842,388	842,388	842,388	842,388	842,388	842,388	842,388
Springwood Disposition															
Total Revenues	\$ 28,791	\$ 32,484	\$ 407,197	\$ 309,597	\$ 853,101	\$ 1,695,488	\$ 1,695,488	\$ 1,695,488	\$ 1,695,488	\$ 1,695,488	\$ 1,665,132	\$ 1,665,132	\$ 1,385,491	\$ 1,385,491	\$ 842,388
Federal Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018

Notes:

Years identified in top row of table refer to KCHA fiscal years. The federal fiscal years from which the funds are available are indicated in the bottom row of the table. Totals for KCHA FYs 2005-2008 reflect amounts received. Totals for KCHA FYs 2009-2019 are estimated and assume the same level of funding as KCHA FY 2008. Actual amounts received may be more or less than shown. KCHA intends to use 100% of the RHF funds received to service debt. Funds will be used by KCHA to make payments of principal and interest on new 11-year tax-exempt debt. The proceeds will be used for the renovation of Springwood. The funds for KCHA FYs 2005-2009 (some \$1.6 million) will be used to make the first loan payment. The funds for KCHA FY 2010 will be used to make the second payment. The funds for KCHA FY 2011 will be used to make the third payment, etc.