



**KING COUNTY  
HOUSING AUTHORITY**

**MAKING TRANSITION WORK**

**FY 2008 ANNUAL PLAN**

**AMENDMENT No. 2**

## **AMENDMENT #2**

### **MAKING TRANSITION WORK FISCAL YEAR 2008 ANNUAL PLAN**

#### **CLARIFYING THE INTENT TO SUBMIT A HOPE VI APPLICATION FOR REDEVELOPMENT OF PARK LAKE HOMES II AND DESCRIBING THE FINANCING PLAN AND USE OF REPLACEMENT HOUSING FACTOR (RHF) FUNDS IN RELATION TO THE REDEVELOPMENT**

##### **General Background and Purpose:**

KCHA's FY 2008 MTW Annual Plan identified Park Lake II as one of its public housing communities with significant capital needs and indicated the intent to investigate opportunities leading to a HOPE VI-like redevelopment of the 31 acre parcel. 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 details KCHA's intent to submit a HOPE VI application to HUD for redevelopment of the site. In addition, the Amendment describes the proposed use of Replacement Housing Factor (RHF) funds as a component of project financing.

##### **Park Lake Homes II Redevelopment Plan:**

In 2008, KCHA will apply for funding from the HOPE VI program that will, in part, pay the costs of demolishing Park Lake Homes II and redeveloping the site. Park Lake Homes II is a 165-unit public housing community located in the White Center area of unincorporated King County. In addition to the housing units, the development includes a 4,500 square foot building that houses the Highline Head Start Program. The development was constructed in 1963 on the site of former WW II defense-worker housing.

KCHA plans to demolish all of the residential buildings, subdivide the land, construct rental housing, and sell land parcel to builders for construction of for-sale housing. When completed, there will be between 275 and 306 new rental and for-sale housing units affordable to households with a mix of incomes. Of the new units, 165 rental units will receive either public housing or Section 8 project based subsidies so that the 165 demolished units will be replaced on-site and will remain affordable to public housing residents. Approximately 12 units of work force rental housing will be affordable to households with incomes up to 60% of the area median income. Homebuilders will construct up to 129 for-sale units.

The existing Head Start facility will remain and, in addition, approximately 6,500 square feet of new community service space will be built on the ground floor of a three story residential building.

##### **Capital Plan for Redevelopment:**

The redevelopment of Park Lake Homes II will be financed by a combination of public and private sources: HOPE VI grant funds, tax-exempt bonds, equity available through the federal Low Income Housing Tax Credit (LIHTC) program, land sales proceeds, loans from KCHA, and

other state and county government loans or grants. The estimate for the total development cost of the project, including HOPE VI funds that would be spent to relocate current residents and provide community support services, is \$71,000,000. Table 1 identifies the estimated capital funding sources.

Should KCHA not be awarded HOPE VI funding, the authority will likely pursue an alternate strategy by applying for disposition/demolition approval and securing Tenant Protection Vouchers. In this scenario, project-based Section 8 Housing Choice Vouchers would replace the demolished public housing units in order to preserve affordability for returning public housing residents. Regardless of the financing approach, redevelopment of the site would be similar and KCHA will use the Housing Replacement Factor (RHF) funds resulting from the demolition of Site II units as part of the redevelopment funding.

### **Financing Using Replacement Housing Factor (RHF) Funds:**

HUD will not allocate RHF funds for units whose replacement is supported by HOPE VI funds. But, KCHA will leverage additional funds with 100% of the First Increment and Second Increment (when and if funded) of RHF funds attributable to the demolition of those public housing units whose replacement will not be supported by HOPE VI grant funds. KCHA estimates that HOPE VI funds will support the replacement of 47 public housing units. (Financing for the balance of the 165 public housing units will be provided from the combination of sources described above and listed in Table 1.) For replacement of the 118 units not attributable to HOPE VI funding, KCHA estimates that HUD will allocate \$1,975,000 in RHF.

Although KCHA plans to use the RHF funds for debt service on a loan or bond financing, the authority does not propose to pledge the RHF funds as security for the debt. KCHA expects to provide a general revenue pledge. Should RHF funds be unavailable for repayment, other KCHA general revenues will be used for the service debt.

KCHA needs no further HUD approval of this proposed use of RHF. The MTW Agreement, entered into with HUD in 2003, provides the necessary approval. (*See: KCHA MTW Agreement, Statement of Authorization: Sections IV.A.1; IV.A.6 and Section VIII*)

A chart showing use of RHF awards for the bond issue described above is included as Table 2. Subject to the receipt of a HOPE VI grant in 2008, KCHA would begin demolition of the units in 2010. The first award of RHF funds would be in federal fiscal year 2011.

Amendment #1 to the 2008 MTW Plan authorized the use of RHF funds resulting from the disposition of Springwood Apartments for debt service on bonds sold to finance the redevelopment of the Springwood units. While KCHA anticipates that all of the First and Second Increment RHF funds relating to the disposition of Springwood will be needed for the Springwood project, this Amendment authorizes use of any remaining RHF funds for the Park Lake Homes II redevelopment.

### **Households Served:**

The redevelopment of Park Lake Homes II will temporarily decrease KCHA's public housing inventory by 165-units. KCHA will replace 165 of the demolished units on the current site in mixed finance developments. The mixed-finance projects developed on site will be owned by a Low Income Housing Tax Credit partnership in which KCHA will be the managing partner. The partnerships will continue to operate the housing for public housing residents and HUD will

continue to provide operating subsidy. KCHA will also receive 165 Housing Choice Vouchers in conjunction with the award of a HOPE VI grant. The vouchers will initially provide relocation assistance for current Park Lake Homes II residents.

All households at Park Lake Homes II will be permanently relocated in order to allow for the demolition of the housing units. Per the requirements of the federal Uniform Relocation Act, residents will be offered the choice of relocating to a comparable public housing unit in another development or accepting a Housing Choice Voucher. Each resident will be counseled on their relocation options and assisted with locating a unit to which to move. Residents will receive assistance with deposits, utility transfers, and moving costs. All current residents in good standing will be offered the right to return to a newly developed unit.