

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF COMMISSIONERS OF THE
KING COUNTY HOUSING AUTHORITY**

July 13, 2011

I. CALL TO ORDER

The special meeting of the Board of Commissioners of the King County Housing Authority was called to order at 8:55 am on Wednesday, July 13, 2011 at the Nia Apartments Community Room, 9935 8th Avenue, SW in Seattle, Washington.

II. ROLL CALL

Present: Commissioner Nancy Holland-Young, Chair; Commissioner Michael Brown, Vice-Chair; Commissioner Terry McLlarky and Commissioner Richard Mitchell

Excused: Commissioner Doug Barnes

Staff: Stephen Norman, Dan Watson, Connie Davis, Tessa Martin, Megan Hyla, Bill Cook, Craig Violante, Tim Walter, Kristin Winkel, Rhonda Rosenberg, Tim Locke, Mike Reilly, Claude DaCorsi, Linda Weedman, John Eliason

Guests: Cindy Ference, Alex Zimmerman

III. PUBLIC COMMENT

Chair Holland-Young announced that members of the public in attendance at the meeting would have five minutes to speak before the Board.

Cindy Ference addressed the Board on the Housing Authority's smoking policies in the common grounds of its communities. Alex Zimmerman spoke before the Board regarding his opinions of the Housing Authority's operations.

IV. APPROVAL OF MINUTES

Minutes from the June 8, 2011 Board of Commissioners' special meeting were presented for approval. Commissioner Mitchell moved for approval of the minutes. Commissioner Brown seconded the motion.

V. CONSENT AGENDA

There being no requests for removal of items from the Consent Agenda, Commissioner Brown moved for approval of the following consent agenda item:

May 2011 Voucher Reports

General Properties: Bank Wires/ACH Withdrawals for \$5,714,402.26; Accounts payable vouchers #217011-217643 for \$5,340,367.77; Payroll vouchers, computer checks numbered #816312-81668 for \$38,976.44; Payroll computer direct deposit for \$1,052,512.20; Section 8 Program vouchers, ACH withdrawals #161280-164268 for \$7,631,669.21, computer run checks #576433-577707 for \$893,484.89; purchase card/ACH withdrawal \$96,283.53. Total for May 2011 for the General Properties was \$20,867,696.30.

Bond Properties: Total for May 2011 was \$1,334,115.35 related to 19 different properties.

Commissioner McLlarky seconded the motion to approve the Consent Agenda and it was unanimously approved.

VI. FINANCE COMMITTEE REPORT

Chair Holland-Young reported that, in follow up to the Strategic Retreat in April, a Finance Committee was recently formed comprised of herself and Commissioner Barnes. Chair Holland-Young noted that items discussed in that meeting included the MTW reserves, quarterly financial report, potential purchase of the Island Crest Apartments, New Market Tax Credits and the renovation of Green River Homes. The Committee asked that an explanation of the Central Office Cost Center report be further expanded upon in the financial report.

VII. RESOLUTIONS FOR DISCUSSION

Resolution No. 5332: Related to the Submission of an Application for Project Financing for Fairwind in the Amount of \$2.5 million
Presented by: John Eliason

John Eliason reported that Resolution No. 5332 authorizes the Executive Director to take actions necessary to submit an application to the King County Housing Finance Program for up to \$2,500,000 to finance Fairwind Apartments, the third rental housing partnership at Seola Gardens. Mr. Eliason noted that Fairwind is an 87-unit public housing family development with associated infrastructure. Staff will make a complete presentation of Seola Gardens' redevelopment progress and the Fairwind project at the September Board of Commissioners meeting. This Resolution precedes that presentation because the King County Housing Finance Program application is due August 5, 2011.

Mr. Eliason noted that as part of the original HOPE VI application to HUD, King County committed to providing \$6 million in financial assistance to the project. \$2,500,000 in King County Housing Finance Program funding will be combined with \$454,100 from King County surface water utility fees and \$3,045,900 from the sale of the north parking lot of then Qwest Field. The Housing Finance Program funding will be used to pay for a portion of the Fairwind housing development costs, the surface water management fee funding will be used to pay for the storm water detention pond and

other drainage facilities at the south end of the site, and the \$3,045,900 will be used to pay for a portion of Phase 2 infrastructure construction at the north end of the site.

Mr. Eliason concluded his presentation by noting that KCHA expects to close the financing for Fairwind by the end of the year with housing and Phase 2 infrastructure construction beginning early in 2012.

MOTION: Moved that Resolution No. 5332: Related to the Submission of an Application for Project Financing for Fairwind in the Amount of \$2.5 million, be approved.

MOVED BY: Commissioner Brown; seconded by Commissioner McLlarky. Motion unanimously passed.

Resolution No. 5333: Authorizing the Purchase of the Island Crest Apartment Complex on Mercer Island by Negotiation or Condemnation in Lieu of Purchase by Negotiation

Presented by: Tim Walter

Tim Walter reported that Resolution No. 5333 authorizes the Executive Director to proceed with the acquisition of the Island Crest Apartments, a 30 unit apartment complex on Mercer Island located just south of the Island Crest exit off of I-90. Based on KCHA's offering price, interest in not dislocating existing tenants, earnest money, timing and ability to close, the seller accepted KCHA's offer. The same family has owned the property for over 35 years and was pleased with the Housing Authority's plan to preserve the property as affordable rental housing.

Mr. Walter referred Board members to the project profile contained in the meeting packets that provided additional detail regarding the history of the site, evaluation of the purchase price, strategic rationale for acquiring the property and primary risks associated with the acquisition of the site. A significant amount of due diligence has been conducted on the property by KCHA and a ten year plan is being developed for repairs, improvements and renovations.

Mr. Walter noted that the primary reason for acquiring this property is the lack of affordable and subsidized housing for families on Mercer Island. Island Crest Apartments is one of the few remaining affordable apartment complexes on Mercer Island. Furthermore, only 10 multifamily buildings have been sold on Mercer Island since 2000 and three of those properties were purchased with the intent to convert the rental units to condos.

Public housing subsidies could potentially be "turned on" at the Island Crest Apartments which would increase the amount of federal rental subsidies flowing into King County. The cost of acquiring and renovating the property is significantly less than what it would cost KCHA to construct the same number of units on the Mercer Island assuming vacant developable land could even be found.

Following answers to clarifying questions from Commissioners, a motion was made for Resolution No. 5333.

MOTION: Moved that Resolution No. 5333: Authorizing the Purchase of the Island Crest Apartment Complex on Mercer Island by Negotiation or Condemnation in Lieu of Purchase by Negotiation, be approved.

MOVED BY: Commissioner Mitchell; seconded by Commissioner McLlarky. Motion unanimously passed.

Resolution No. 5334: Approval of an Inducement Resolution and Authorization of other Actions Necessary for the Renovation of Green River Homes
Presented by: Dan Watson

Dan Watson briefed the Board of Commissioners on Resolution No. 5334 (known as an "Inducement Resolution") and outlined the basic financing structure proposed for the Green River renovation project, including how MTW reserves will be used in conjunction with other funding sources to finance the renovation.

He noted that the primary purpose of Resolution No. 5334 is to declare KCHA's intent to issue private activity bonds for the project. This statement of intent is non-binding on KCHA's part, but is a necessary first step in applying for an allocation of volume cap private activity bonds from the Washington State Department of Commerce. Private activity bonds can be used to generate 4% Low Income Housing Tax Credits. An allocation of private activity bonds and the submission of a 4% tax credit application to the Washington State Finance Commission (WSHFC) are necessary in securing a tax credit equity commitment from a private investor, which is an essential element of the Green River renovation financing.

Resolution No. 5334 authorizes the formation of a Limited Liability Company or Partnership, which will have KCHA as its sole managing member or general partner, that will own, renovate, and operate Green River Homes through the 15 year tax credit compliance period. The Resolution also authorizes the submission of financing applications for the project, including the solicitation of proposals from tax credit equity investors and the submission of a tax credit application to the WSHFC. Mr. Watson noted that Resolution No. 5334 does not authorize the issuance of bonds or the acceptance of tax credit equity or other financing which are subject to further Board of Commissioners review and action.

Mr. Watson noted that Green River Homes was built in 1958 and needs approximately \$8 million in renovations and upgrades to extend the useful life of the property for another 40 years. Since the Capital Fund Program is not sufficiently funded to finance a public housing renovation of this scale, KCHA will employ an approach that was used to finance the Springwood/Birch Creek renovation which involves issuing tax exempt private activity bonds to generate 4% Low Income Housing Tax Credits to provide an additional funding source for the renovation of the property.

Mr. Watson stated that the proposed use of MTW reserves complicates the financing structure. Bond and tax credit counsel have determined that this MTW investment must be structured carefully in order to comply with IRS requirements. KCHA cannot purchase its own private activity bonds, and a direct loan by KCHA to the tax credit LLC does not constitute a qualifying private activity bond for tax credit purposes. The structure proposed by KCHA's bond and tax credit counsel involves entering into a Housing Cooperation Agreement with another housing authority in order to loan the cooperating authority \$12.4 million of KCHA's MTW reserves. The proceeds of this loan would be used to purchase a \$12.4 million private activity bond issued and guaranteed by KCHA. The bond proceeds would then be loaned by KCHA to the tax credit LLC that would secure tax credit investor equity and also acquire, renovate and operate the new Green River Homes replacement housing project.

Mr. Watson concluded his presentation by noting that at the September meeting the Board will be asked to approve a Cooperation Agreement with a cooperating housing authority, as well as an omnibus financing resolution authorizing all financing transactions including the terms of the tax credit investment. At the November or December meeting, the Board will be asked to approve the issuance of private activity bonds to be purchased by the cooperating housing authority.

Chair Holland-Young asked what the cooperating housing authority would receive in the transaction. Mr. Watson replied that the proposed fee is based on what KCHA currently charges borrowers for issuing conduit bonds - .25% of the bond issue upfront and .125% of the outstanding balance annually.

MOTION: Moved that Resolution No. 5334: Approval of an Inducement Resolution and Authorization of other Actions Necessary for the Renovation of Green River Homes, be approved.

MOVED BY: Commissioner McLlarky; seconded by Commissioner Brown. Motion unanimously passed.

VIII. REPORTS/BRIEFINGS

First Quarter Financial Statements

Presented by : Craig Violante

Mr. Violante referred Commissioners to the report contained in their meeting packets. He briefed the Board of Commissioners on two reports that were mentioned in the Finance Committee meeting - the Central Office Cost Center (COCC) and the MTW Fund reports. These two monthly financial statements are reviewed to gauge how the Housing Authority is doing financially. The MTW Fund Report summarizes all Federal funding activity. The COCC Fund Report tracks overhead costs for KCHA. In the future, Mr. Violante noted that a slightly different quarterly report will be presented to the Board that will incorporate those two reports and provide Commissioners with a more diverse financial overview.

Preliminary Briefing on New Markets Tax Credit Financing for Wonderland Estates

Presented by: Tim Locke

Tim Locke reported that to finance approximately \$5,000,000 in needed infrastructure and common area renovations at the Wonderland Estates Mobile Home Park in Renton, staff is proposing a New Markets Tax Credit (NMTC) financing overlay to generate an additional source of funding for this property. This complex financing structure will involve using \$18,000,000 of KCHA's \$28,000,000 NMTC allocation from the 2010 round and includes the disposition of both the Wonderland Estates and Tall Cedars Mobile Home Parks to a newly formed non-profit entity. The net result of the proposed transaction would be KCHA's ability to refinance current debt of approximately \$11,600,000 down to \$7,445,000 and generate all of the funds needed to undertake the \$5,000,000 renovation.

Mr. Locke provided, via Power Point, a comprehensive overview of the New Market Tax Credit Program and a preliminary briefing on the financing structure for Wonderland Estates and Tall Cedars in anticipation of the Board's consideration of a Resolution at the August Board of Commissioners meeting. A copy of Mr. Locke's presentation is appended to the meeting records as well as a copy being contained in the meeting packets.

Chair Holland-Young thanked Mr. Locke for his presentation and noted that the Board found it very informative.

IX. NEW BUSINESS

It was brought to the Board's attention that the September Board meeting will need to be moved from September 14 and Commissioners will be polled on a mutually agreeable date, potentially September 21.

X. EXECUTIVE DIRECTOR'S REPORT

Stephen Norman's monthly report was previously electronically distributed to the Board of Commissioners and there were no questions on his report. Mr. Norman further updated the Board on the current status of MTW Reserves and HUD's potential attempt at recapturing those reserves.

XI. COMMISSIONER COMMENTS

Commissioner McLlarky commented that it is less expensive to send the monthly meeting packets by postal service versus courier and he encourages staff to continue using that method. Mr. Norman replied that occasionally it's a question of timing of the materials and it becomes necessary to send the packets via courier; but every effort will be made to better utilize the postal service.


XII. ADJOURNMENT

There being no further business the meeting was officially adjourned at 10:30 am.

THE HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON



NANCY HOLLAND-YOUNG, Chair
Board of Commissioners



STEPHEN J. NORMAN
Executive Director