

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

September 21, 2011

I. CALL TO ORDER

The special meeting of the Board of Commissioners of the King County Housing Authority was called to order at 8:45 am on Wednesday, September 21, 2011 at the Vantage Glen community, 18100 107th Place, SE in Renton, Washington.

II. ROLL CALL

Present: Commissioner Nancy Holland-Young, Chair; Commissioner Doug Barnes, Commissioner Terry McLlarky and Commissioner Richard Mitchell

Excused: Commissioner Michael Brown, Vice-Chair

Staff: Stephen Norman, Dan Watson, Steve Clagett, Deborah Gooden, Rhonda Rosenberg, Tessa Martin, Linda Weedman; Mike Reilly, Graeme Atkey, Tim Walter, Tim Locke, John Eliason, Craig Violante, Beth Pearson, Mary Gonzales-Hansen, Benita Farhoud.

Guest: 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.

Alex Zimmerman spoke before the Board regarding his opinions of the Board of Commissioners and Housing Authority operations.

IV. APPROVAL OF MINUTES

Minutes from the August 10, 2011 Board of Commissioners' special meeting were presented for approval. Commissioner Barnes moved for approval of the minutes.

Tessa Martin noted that there was a correction to the July 13, 2011 minutes, noting that Commissioner Barnes, not Commissioner Brown, seconded the motion for approval of the July meeting minutes.

Commissioner McLlarky seconded the motion, with Commissioner Mitchell abstaining. Motion for approval of the August 10, 2011 meeting minutes passed.

V. CONSENT AGENDA

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

July 2011 Voucher Reports

General Properties: Bank Wires/ACH Withdrawals for \$22,795,967.65; Accounts payable vouchers #218247-219073 for \$5,511,445.63; Payroll vouchers, computer checks numbered #81712-81759 for \$46,464.31; Payroll computer direct deposit for \$1,068,584.45; Section 8 Program vouchers, ACH withdrawals #167251-170203 for \$7,636,026.95, computer run checks #578920-580106 for \$709,957.94; purchase card/ACH withdrawal \$171,364. Total for July 2011 for the General Properties was \$37,939,810.93.

Bond Properties: Total for July 2011 was \$2,154,290.94 related to 20 different properties.

Resolution No. 5340: Authorizing Revisions to the Section 8 Tenant-based and Project-based Administrative Plans

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

VI. RESOLUTIONS FOR DISCUSSION

Resolution No. 5341: Authorizing Seola Gardens Fairwind Apartments Rental Housing Project Financing Applications and an Increase in Potential Construction Financing, Formation and Negotiation of a Limited Liability Company, Land Disposition to the Partnership, and the Execution of HUD Mixed Finance Closing Documents
Presented by: Deborah Gooden and Steve Clagett

Deborah Gooden and Steve Clagett briefed the Board of Commissioners, via PowerPoint, on Resolution No. 5341. A copy of the PowerPoint is appended to the meeting records. Ms. Gooden noted that the Resolution authorizes the Executive Director to undertake multiple actions necessary to finance the third rental housing partnership at Seola Gardens. She noted that Fairwind Apartments is an 87-unit development, with associated infrastructure construction, located in the northern portion of Seola Gardens.

Ms. Gooden's briefing included an overview of Seola Gardens as well as the financing structure for Fairwind Apartments. Ms. Gooden discussed the funding sources, for the project, the formation of a limited liability limited partnership, solicitation of investor partners for the partnership, the negotiation of investor participation terms, the disposition of KCHA land to the partnership by lease, the negotiation of line of credit construction financing and associated credit enhancement, as well as the risks and mitigations associated with the development and financing.

Following Ms. Gooden's presentation and clarifying questions from the Commissioners, a motion was made for the approval of Resolution No. 5341.

Stephen Norman commended Deborah Gooden, John Eliason and the entire Hope VI staff for the extraordinary job done on this transaction. Commissioner McLlarky concurred and expressed his appreciation on the thoroughness of the background information contained in the Board meeting packet.

MOTION: Moved that Resolution No. 5341: Authorizing Seola Gardens Fairwind Apartments Rental Housing Project Financing Applications and an Increase in Potential Construction Financing, Formation and Negotiation of a Limited Liability Company, Land Disposition to the Partnership, and the Execution of HUD Mixed Finance Closing Documents, be approved.

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

Resolutions Authorizing Wonderland/Tall Cedars New Market Tax Credits Financing

Presented by: Tim Locke

Tim Locke briefed the Board of Commissioners on Resolution Nos. 5342 and 5343 which would authorize the Executive Director to take all actions necessary to close the New Market Tax Credit (NMTC) financing for the Wonderland Estates/Tall Cedars project using \$18 million of KCHA's \$28 million allocation of NMTCs from the 2010 round. Mr. Locke noted that leveraged NMTC transactions are generally complicated and this transaction has additional complexity because KCHA has multiple roles as the Community Development Entity (CDE) providing the NMTC allocation, the leverage lender, the project developer and the owner of the two properties.

Mr. Locke noted that Resolution No. 5342 would authorize KCHA to take steps associated with its role as a CDE and its associated use of its 2010 NMTC Allocation. Specific steps include designating \$18 million of KCHA's \$28 million 2010 NMTC allocation to its subsidiary CDE (KCHA New Markets Partner 10, LLC), agreeing to be a managing member of the subsidiary CDE and the Investment Fund, and making Qualified Low Income Community Investment (QLICI) Loans totaling \$17,640,000 to the nonprofit QALICB for the project.

The second Resolution, No. 5343, would authorize KCHA to take steps in its role as the developer and sponsor of the project financed with the NMTCs. These actions include borrowing funds for the purposes of making a leverage loan, loaning \$12,945,600 into the upper tier Investment Fund as a leverage loan, and disposing of the two properties by long-term ground leases to the QALICB.

Mr. Locke further discussed the general description of the NMTC transaction, sources and uses of funds by KCHA outside of the NMTC transaction, project overview and associated risks as well as the actions authorized through approval of both Resolutions. The primary reason for both Resolutions is that Wonderland Estates is in dire need of upgrades and through these transactions KCHA will net approximately \$4.5 million for that purpose. The specifics of the transaction were outlined in the cover memorandum for both Resolutions.

Mr. Locke noted that KCHA's South King County Resident Advisory Council serves as the official advisory board for purposes of providing the representation by res-

idents of Low Income Communities required of CDEs by the CDFI Fund. On March 23, 2011, staff gave a presentation to the Advisory Council about all of the projects proposed in KCHA's pipeline of activities proposed to the CDFI Fund in the application for NMTC allocation in the 2010 round. Several projects including a potential community center in Auburn, a Youth Theater project in Bellevue and the Wonderland/Tall Cedars deal as detailed in Resolution Nos. 5342 and 5343. The Advisory Council expressed support for the Wonderland/Tall Cedars NMTC financing without any objections.

Following Mr. Locke's briefing, a motion was made to approve Resolution Nos. 5342 and 5343.

Resolution No. 5342: Approving the Use of \$18 million New Markets Tax Credit (NMTC) Allocation to Finance the Wonderland Project and Authorizing the Executive Director to Take Actions Necessary to Ensure the Successful Investment and Management of NMTCs into the Project

MOTION: Moved that Resolution No. 5342: Approving the Use of \$18 million New Markets Tax Credit (NMTC) Allocation to Finance the Wonderland Project and Authorizing the Executive Director to Take Actions Necessary to Ensure the Successful Investment and Management of NMTCs into the Project, be approved.

MOVED BY: Commissioner Barnes, seconded by Commissioner McLlarky. Motion unanimously passed.

Resolution No. 5343: Authorizing the Executive Director to Loan Project Funds, Dispose of Properties by Lease and Take Actions that Ensure the Successful Investment of New Market Tax Credits into The Wonderland Project

MOTION: Moved that Resolution No. 5343: Authorizing the Executive Director to Loan Project Funds, Dispose of Properties by Lease and Take Actions that Ensure the Successful Investment of New Market Tax Credits into The Wonderland Project, be approved.

MOVED BY: Commissioner Barnes, seconded by Commissioner McLlarky. Motion unanimously passed.

Resolution No. 5344: Approval of Modifications to the Existing KeyBank \$9.225 million Line of Credit
Presented by: Tim Walter

Tim Walter reported that the purpose of Resolution No. 5344 is to authorize modifications to the existing KeyBank \$9,225,000 line of credit ("LOC") which was established primarily for the acquisition and rehab of the Wonderland Estates Mobile Home Park.

Mr. Walter noted that the changes include adding a "taxable" component to the existing facility, increasing the LOC to a maximum outstanding balance of \$11.5 million and extending the LOC to November 18, 2012. The Resolution further authorizes the Executive Director to renew or extend the line of credit through 2018, subject to the bank's approval. KCHA intends to utilize this facility to provide the financing for the leverage loan component of the New Markets Tax Credit financing structure for Wonder-

land and Tall Cedars as proposed in Resolutions 5342 and 5343. Currently King County provides a credit enhancement (loan guaranty) through a Contingent Loan Agreement with KCHA for the portion of the financing on this LOC associated with Wonderland Estates.

Mr. Walter further briefed the Board on the details of the Resolution as were outlined in the cover memorandum contained in the meeting materials. In the event KeyBank elects not to renew the LOC in 2012, KCHA will seek to substitute this line of credit with a new loan from another bank. Because the LOC can be repaid in full at any time prior to maturity without penalty, KCHA will have the ability to substitute a new LOC at any time prior to the actual maturity. In addition, the credit enhancement for this loan, which is in the form of a Contingent Loan Agreement with King County, will remain in effect and will continue to provide a loan guaranty for any substitute credit facility.

Commissioner Barnes asked what are KCHA's options should KeyBank opt to not renew. Mr. Walter replied that in the event KeyBank elects not to renew the LOC in 2012, KCHA will seek to substitute this line of credit with a new loan from another bank. Because the LOC can be repaid in full at any time prior to maturity without penalty, KCHA will have the ability to substitute a new LOC at any time prior to the actual maturity. In addition, the credit enhancement for this loan, which is in the form of a Contingent Loan Agreement with King County, will remain in effect and will continue to provide a loan guaranty for any substitute credit facility.

Mr. Walter noted that during the 7 year NMTC Compliance Period, KCHA will be receiving approximately \$450,000 per year in interest payments on its leverage loan. KCHA will use those funds to make principal and interest payments on the \$7,500,000 taxable LOC which should reduce the principal by at least \$1.0 million. KCHA has modeled additional lease payments for Wonderland of up to \$200,000 per year subject to available cash flow from project operations. Should KCHA receive additional lease payments, it could use these funds to further pay down the KeyBank taxable LOC, leaving KCHA with a smaller balance to refinance at the end of the NMTC period.

Commissioner McLlarky asked about the condition of Wonderland Estates and whether the Housing Authority plans to undertake extensive upgrade work. Mr. Walter replied that approval of the Resolution will allow KCHA to perform approximately \$4 million in improvements that will include replacing the entire infrastructure including water, sewer, electrical, streets, drainage, lighting, etc. Following further clarifying questions that were satisfactorily answered by staff, a motion was made for Resolution No. 5344.

MOTION: Moved that Resolution No. 5344: Approval of Modifications to the Existing KeyBank \$9.225 million Line of Credit, be approved.

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

Resolution No. 5345: Authorizing KCHA to enter into a Loan Purchase Agreement with Boeing Employees Credit Union
Presented by: Tim Walter

Tim Walter reported that Resolution No. 5345 authorizes the Executive Director to enter into a Loan Purchase Agreement with the Boeing Employees Credit Union to assist low-income persons purchase mobile homes at mobile home parks owned by the Housing Authority.

The Housing Authority currently has approximately 40 vacant pad spaces at Wonderland Estates and has had little success in filling the vacant pads with low-income mobile home owners due to the inability of prospective homeowners to obtain affordable financing. Mr. Walter stated that KHCA is seeking to assist prospective homeowners in securing necessary financing.

Mr. Walter noted that the Snohomish County Housing Authority (SCHA) successfully negotiated a loan purchase agreement with the Boeing Employees Credit Union (BECU) that enables the Credit Union to make loans to low-income mobile purchasers at loan rates and on terms comparable to their current 30 year home loan rates. By negotiating this agreement with BECU, the Snohomish County Housing Authority was able to provide a source of financing for prospective tenants with payments approximately 50% lower than what traditional mobile home lenders charge. In order to induce the Credit Union to provide the financing, SCHA agreed to "purchase back" from BECU any loan in default for the amount of the outstanding principal balance of the loan plus any unpaid payments and fees. About a dozen borrowers have now purchased homes in SCHA's parks through this program and to date there have been no defaults.

Late last year, KCHA contacted BECU about the possibility of replicating this program at Wonderland Estates and BECU subsequently agreed to work with KCHA on a similar program. The loan purchase agreement is modeled after the SCHA model with the exception that KCHA's obligation to purchase any non-performing loan is limited to the first 7 years of the loan. After 7 years, KCHA has no further on-going obligations even if a borrower subsequently defaults.

Mr. Walter stated that these terms will accelerate the full lease-up of Wonderland Estates, strengthening the Park's cash flow and supporting underlying debt incurred through the utility upgrades. As outlined in the cover memorandum for Resolution No. 5345, Mr. Walter further briefed the Board on the financial risks involved with this transaction.

Commissioner Barnes asked what processes are being put in place to monitor non-performing loans. Mr. Walter replied that BECU will notify KCHA when a owner is late on a payment which will allow KCHA to work with the owner to potentially resolve the situation.

MOTION: Moved that Resolution No. 5345: Authorizing KCHA to enter into a Loan Purchase Agreement with Boeing Employees Credit Union, be approved.

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

VII. REPORTS/BRIEFINGS

Second Quarter Financial Statements

Craig Violante referred Commissioners to the memorandum contained in their meeting packets that addressed the unaudited second quarter 2011 financial statements. There were no questions from the Board of Commissioners on the financial statements.

Mr. Violante reported that the Washington State Auditors Office recently completed their review of KCHA operations and will be submitting a finding that KCHA disagrees with and will be appealing. The finding involves the Asset Management Department's tax credit partnerships and Mr. Violante and Tim Walter further briefed the Board on details of the finding and next steps.

VIII. 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 did update the Board on recent actions in Congress related to the Federal budget.

IX. ADJOURNMENT

There being no further business the meeting was officially adjourned at 10:05 am.

**THE HOUSING AUTHORITY OF THE
COUNTY OF KING, WASHINGTON**



NANCY HOLLAND-YOUNG, Chair
Board of Commissioners



STEPHEN J. NORMAN
Executive Director