

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

November 9, 2011

I. CALL TO ORDER

The meeting of the Board of Commissioners of the King County Housing Authority was called to order at 8:30 am on Wednesday, November 9, 2011 at the King County Housing Authority's Administrative Offices, 600 Andover Park West, Tukwila, Washington.

II. ROLL CALL

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

Excused: Commissioner Doug Barnes and Commissioner Richard Mitchell

Staff: Stephen Norman, Dan Watson, Connie Davis, Tessa Martin, Kristin Winkel, Gary Leaf, Claude DaCorsi, Deborah Gooden, John Eliason, Steve Clagett, Mike Sivia, Tim Walter, Mike Reilly, Linda Weedman, Rhonda Rosenberg, Craig Violante, Donna Kimbrough and Megan Hyla

Guests: Samuel Bellomio, Lillie Clinton, Amanda Saylor and 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 and two attendees signed up to speak before the Board.

Mr. Alex Zimmerman noted he was representing the organization, StandUp America, and expressed his opinions of Housing Authority staff and operations.

Mr. Samuel Bellomio stated he was also representing the organization, StandUp America, and expressed his opinions of the King County Housing Authority staff and its operations. Mr. Bellomio stated he brought a camera to the meeting but was told he could not videotape the Board of Commissioners' meeting. Chair Holland-Young noted that was not the case and he could videotape the meeting. Mr. Bellomio also gave the Chair a document outlining his concerns that was signed by Mr. Zimmerman, Mr. Samuel Bellomio and Mr. Erik Isaacson.

IV. APPROVAL OF MINUTES

Minutes from the October 12, 2011 Board of Commissioners' meeting were presented for approval. Commissioner McLlarky moved for approval of the minutes.

Commissioner Brown seconded the motion and the minutes of the previous meeting were unanimously approved.

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:

September 2011 Voucher Reports

General Properties: Bank Wires/ACH Withdrawals for \$10,190,380.24; Accounts payable vouchers #219748 - #220503 for \$4,744,904.13; Payroll vouchers, computer checks numbered #81824-81906 for \$92,975,26; Payroll computer direct deposit for \$1,633,142.44; Section 8 Program vouchers, ACH withdrawals #173198-176195 for \$7,675,046.92, computer run checks #581280-582458 for \$783,358.61; purchase card/ACH withdrawal \$143,331.23. Total for September 2011 for the General Properties was \$25,268,138.83.

Bond Properties: Total for September 2011 was \$1,441,636.32 related to 20 different properties.

Resolution No. 5355: Salmon Creek Letter of Credit Renewal

Commissioner McIlarky seconded the motion to approve the Consent Agenda and the motion unanimously passed.

VI. RESOLUTIONS FOR DISCUSSION

Resolution No. 5348: Six Month Extension of Greenbridge Line of Credit Facility Agreement

Presented by: Deborah Gooden

Deborah Gooden reported that Resolution No. 5348 authorizes the Executive Director to take all necessary steps to extend, by six months to July 1, 2012, the Greenbridge Line of Credit (LOC) facility agreement with Bank of America dated April 30, 2010. The amount of the LOC extension will be up to \$6.5 million split between taxable Series A and tax-exempt Series B. Draws on the latter will not exceed \$2.7 million. The original \$15 million line will thereby be reduced by \$8.5 million due to repayment of the majority of the original line through equity pay-ins for completed Greenbridge projects.

Ms. Gooden noted that a large portion of the \$6.5 million LOC request has already been expended on Greenbridge infrastructure and Sixth Place Apartments. These existing amounts will be rolled over into the renewal LOC. In addition, and over the next 6 months, up to \$950,000 may be charged to the LOC to cover Greenbridge expenses such as staff salaries, site cleanup, and potential improvements to the commercial spaces to accommodate new rental tenants. At the end of this six month extension, the LOC will be repaid with \$2.7 million of an estimated \$3.11 million from Sixth Place Low Income Housing Tax Credit investor equity and a \$300,000 loan from KCHA. The remaining balance will be rolled into a new LOC extension.

Ms. Gooden noted that Greenbridge expenditures for development have been supported by this and one other line of credit and have typically been repaid by grant or low income housing tax credit equity. Both lines of credit received "credit enhancement" by King County whereby the County guaranteed to repay the lines of credit if the Housing Authority fails to repay the obligations from its own revenue sources. Bank of America requires the County's guarantee before it provides lines of credit to the Housing Authority. The County's guarantee for this line is in place until July 1, 2012 and covers this renewal extension.

MOTION: Moved that Resolution No. 5348: Six Month Extension of Greenbridge Line of Credit Facility Agreement, be approved.

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

Dan Watson noted that Resolution Nos. 5349 and 5350 involve projects that will use a portion of the Housing Authority's working capital funds. Mr. Watson briefed the Board, via PowerPoint, on the current and projected levels of the working capital funds. Shown were the amounts of the unrestricted working capital and the MTW working capital, which are funding sources that will be used in the projects that are the subjects of Resolutions 5349 and 5350.

Resolution No. 5349: Authorizing the Purchase by Negotiation or Condemnation in Lieu of Purchase by Negotiation of The Meadowbrook Apartments
Presented by: Tim Walter

Tim Walter reported that Resolution No. 5349 authorizes the acquisition of the Meadowbrook Apartments, a 115 unit apartment complex located in the Richmond Beach area of Shoreline. Mr. Walter referenced the Project Summary contained in the meeting packets and briefed the Board on details concerning the property and anticipated financing. He noted that staff have not completed all of the due diligence for the property but that any new information relevant to the acquisition decision will be provided to the Board at a future meeting. As part of his presentation, Mr. Walter distributed pictures of the site to the Commissioners.

Mr. Walter stated that KCHA has submitted, and the seller has accepted, an offer of \$12,000,000 for the property and KCHA has entered into a purchase and sale agreement whereby the Authority's \$500,000 earnest money deposit becomes nonrefundable upon KCHA's acceptance of title and physical condition of the property, and approval of the purchase by KCHA's Board of Commissioners. KCHA's offer was one of seven the seller received for the property and the seller wants to close prior to the end of this calendar year. Because of the short time frame, it is unlikely KCHA will be able to procure a line of credit or other interim financing instrument for the full amount prior to the end of the year.

Mr. Walter briefed the Board on the primary concerns associated with the acquisition including the current owner's \$6 million bank loan, the condition of the property and possible needed repairs and improvements to the property, the short-term acquisition financing and the long-term financing options. The location, size and cost of Meadowbrook make this property an ideal acquisition for the Housing Authority. The site has a large number of family size units with easy access to transportation and ser-

vices as well as the Shoreline School system. There are also 28 Section 8 households currently residing at the property.

MOTION: Moved that Resolution No. 5349: Authorizing the Purchase by Negotiation or Condemnation in Lieu of Purchase by Negotiation of The Meadowbrook Apartments, be approved.

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

Resolution No. 5350: Authorizing the Negotiation and Execution of Agreements Necessary to Secure Low Income Housing Tax Credit & Other Financing in Connection with the Disposition and Renovation of Green River Homes

Presented by: Dan Watson

An amended Resolution No. 5350 was distributed to the Board of Commissioners which included minor revisions to the original document contained in the meeting packets.

Dan Watson reported that Resolution No. 5350 authorizes the staff to proceed with the Green River Homes renovation and remodeling project by authorizing negotiation and/or execution of a number of documents that were detailed in the cover memorandum for the Resolution.

Mr. Watson referred Commissioners to the Project Recommendation contained in the meeting packets that further explained the financing and renovation of the Green River Homes. He also summarized the project, recommended a financing structure which will raise the capital needed to undertake up to \$10 million in renovations, and outlined the anticipated sources of financing and the risks associated with the project.

Mr. Watson stated that Green River Homes is KCHA's last large family public housing development that has not been either fully modernized or redeveloped. The renovation financing for the Green River Homes project is modeled after the financing structure used at Birch Creek. KCHA has received approval from HUD to sell the property to a related entity and has received Section 8 housing vouchers as a replacement subsidy source, which allows KCHA to use the resulting Section 8 income stream to issue \$12.5 million in bonds that will also generate \$4.7 million in Low Income Housing Tax Credit equity which together fund the project including up to \$10 million in renovations.

The bonds will need to be collateralized with a \$12.5 million cash escrow of KCHA MTW reserves with the project debt repaid over 15 years from tax credit equity investment (27%), operating cash flow, (33%) and Replacement Housing Factor (RHF) receipts (40%). The MTW escrow is released back to KCHA as the bonds are retired from these sources. KCHA's primary risk with this financing structure is the uncertainty associated with the receipt of nearly \$7 million in RHF payments anticipated to be received from HUD in the years 2013 - 2023. Any shortfall in RHF receipts due to HUD budgetary and regulatory obstacles will be offset by draws against the dedicated \$12.5 million MTW collateral escrow. KCHA's MTW working capital levels are adequate to handle the worst case scenario where no RHF payments are received and only \$4.5 million of the MTW escrow is returned to KCHA. By year end, KCHA's remaining unob-

ligated MTW working capital level is expected to total \$16.4 million after the Green River collateral account is funded.

Mr. Watson concluded his presentation noting that Green River Homes is clearly in need of major renovation due to its age and condition. The property is vacant, construction plans have been finalized and permits are nearly ready to be issued. The project has been “grandfathered” under the old storm water management regulations, which do not require the construction of expensive storm water detention facilities. Although the property could be re-occupied without major repairs, the continued deferral of renovation will result in much higher downstream construction and operating costs and will not increase the likelihood of securing additional funding sources. Staff has secured debt and equity partners and is prepared to proceed with the financing plan described in the Project Recommendation that provides a financial backstop for the uncertainty surrounding projected Replacement Housing Factor receipts.

A second resolution will come before the Board at its December meeting authorizing the issuance of the bonds for the project.

Commissioner Brown commented that delaying the project will only serve to increase the cost of completing the renovations and expressed his appreciation for Dan’s presentation that covered the risks and mitigations for the project. He would approve moving forward with the project.

Following clarifying questions that were satisfactorily answered by KCHA staff, a motion was made to approve Resolution No. 5350.

MOTION: Moved that Resolution No. 5350: Authorizing the Negotiation and Execution of Agreements Necessary to Secure Low Income Housing Tax Credit & Other Financing in Connection with the Disposition and Renovation of Green River Homes, be approved.

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

Resolution No. 5351: Acknowledging Receipt of the Post Audit Reports for the Period January 1, 2010 through December 31, 2010
Presented by: Craig Violante

Craig Violante stated that the Washington State Auditor’s Office (SAO) has issued Financial and Single Audit Report Number 1006520 and Accountability Audit Report Number 1006587, covering KCHA’s fiscal year ending December 31, 2010.

Report No. 1006520 covers the Authority’s financial statements and related disclosures along with the Federal Single Audit for the period January 1, 2010 through December 31, 2010. Within this report are, in addition to KCHA’s combined financial statements, separate financial statements for the 1998 Bond Pool. These separate audited financial statements are a requirement of the indentures in support of the bonds’ credit ratings. Report No. 1006587 is a separate Accountability Audit Report for the period January 1, 2010 through December 31, 2010, which reports on KCHA’s compliance with State laws and regulations and its own policies and procedures.

Mr. Violante noted that there was one finding in the Financial Audit report and no management letter items. The Board of Commissioners was apprised of the details of the finding via a separate memo dated October 18. An exit interview with the SAO took place on October, 21, 2011 and was attended by Commissioner Barnes in addition to several KCHA staff members. During the interview, staff again reiterated their disagreement with the finding.

On the finding, Commissioner Holland-Young noted that KCHA has the option to retain a different CPA firm, separate from Novogradac, to prepare the technical year-end adjusting entries for the tax credit partnerships and she asked if Mr. Violante had further details. Mr. Violante replied that option is yet to be explored but can be considered.

Commissioner McLlarky asked if KCHA needs to take further steps to prevent a similar finding in the future. Mr. Violante replied that the Housing Authority needs to structure year end differently with the Asset Management Department but he feels confident this type of finding will not occur again.

MOTION: Moved that Resolution No. 5351: Acknowledging Receipt of the Post Audit Reports for the Period January 1, 2010 through December 31, 2010, be approved.

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

Resolution No. 5352: Authorizing a One-Time Payment of 2% of Annual Salaries to Non-Represented Employees
Presenter: Connie Davis

Connie Davis reported that KCHA has historically awarded a cost of living increase effective with the first full pay period paid in November and the increase has reflected 100% of the CPI-W for the Seattle-Tacoma area based on first half of the calendar year. The CPI-W reported in June 2011 was 2.6%.

However, the Authority's budget is highly reliant on federal funds and the majority of employees are paid through the Public Housing Operating, Capital or Section 8 Voucher Programs. Staff currently estimates a \$1.5 million cut in Operating Subsidy and a \$3.3 million reduction in Section 8 payments. Capital Funds have been appropriated at 75% of 2011 levels, which in turn were 80% of 2010's allocation. This has the potential for dropping capital funds by as much as \$1.8 million in 2012 from 2010 levels. Ms. Davis noted that as Congress continues to propose competing budgets, the only certainty is the uncertainty of KCHA's 2012 (and beyond) funding.

Against this background, KCHA is proposing a hiatus in awarding cost of living increases and is suggesting a substitute one-time 2% payment in lieu of the COLA. While providing employees with an immediate benefit, over time this approach will not raise baseline wages and would create a lower base on which to calculate future COLAs, should any be awarded. The one-time payment and COLA would, in the first year, cost the same - approximately \$480,000 - including variable benefits. If subsequent years saw a 2% COLA on that year's base, within 5 years KCHA would have paid a total of approximately \$2 million less in personal service costs due to the pyramiding effect of re-

moving the COLA from year one. Ms. Davis stated that represented employees have been presented with but have not agreed to this plan.

Other housing authorities nationally are being forced to cut or furlough staff. Locally, the Portland and Tacoma Housing Authorities are offering no pay increase, the Bremerton and Seattle Housing Authorities are laying off staff and the Walla Walla Housing Authority is requiring furloughs. While KCHA can afford a one-time payment in the current year, there is no certainty that the Housing Authority would either make a similar offer in the future or return to a COLA plan. Ms. Davis noted that KCHA is continuing to hold the line on premium share for medical insurance by employees. The Authority estimates it will pay 94% of employee premiums and 88% of their dependent premiums for a blended rate of 91% in 2012.

Ms. Davis concluded her presentation by stating that Resolution No. 5352 authorizes a one-time cost of living adjustment payment for non-represented employees in the amount of 2% of annual salaries.

Commissioner Holland-Young noted there have been other years where the full COLA has not been awarded to employees and the current one-time payment is prudent given the fact that funds will continue to be cut by Congress.

MOTION: Moved that Resolution No. 5352: Authorizing a One-Time Payment of 2% of Annual Salaries to Non-Represented Employees, be approved.

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

VII. REPORT/BRIEFINGS

2012 Proposed Preliminary Budget Briefing

Presented by: Connie Davis

Connie Davis briefed the Board of Commissioners, via a PowerPoint presentation, on the most critical assumptions driving the 2012 operating budget. A copy of her presentation was given to Board members and a copy is included in the meeting records. At its December meeting, the Board will be asked to approve the 2012 budget. Prior to that time, there will be an analysis of existing resources and expenses ongoing and Resolutions approved at the December meeting will be factored into the budget.

Ms. Davis noted that the Finance Committee will receive a further briefing at its December 8 meeting; and she offered to meet with any of the Commissioners on a one-to-one basis to discuss the proposed budget.

Section 8 and Public Housing Intake/Exit Briefing

Presented by: Megan Hyla

Megan Hyla briefed the Board, via PowerPoint, on household demographics of those entering and exiting the Authority's Section 8 and Public Housing Programs in 2010 and a comparison of these results to the prior year's statistics. A copy of her PowerPoint is attached to the meeting records.

Quarterly Dashboard Report

Presented by: Megan Hyla

Megan Hyla referred Commissioners to the Quarterly Dashboard Report contained in their meeting packets noting that the utilization rate on the report is lower due to a number of new allocated vouchers that are in the process of being leased. She also noted that households paying more than 40% of their income to rent is at an all-time low.

VIII. EXECUTIVE SESSION

The Board of Commissioners adjourned to Executive Session at 9:45 am for approximately 15 minutes to discuss potential litigation as authorized by RCW 42.30.110. The regular meeting was reconvened at 10:00 am.

IX. EXECUTIVE DIRECTOR'S REPORT

Stephen Norman reported that an Open House will be held at Pacific Court on December 8 to celebrate the opening of its community center. Commissioners were invited to attend the event.

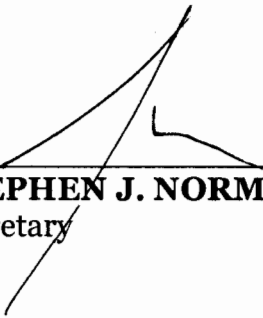
X. ADJOURNMENT

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
Secretary