

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

December 14, 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, December 14, 2011 at the King County Housing Authority's Administrative Offices, 600 Andover Park West, Tukwila, Washington.

II. ROLL CALL

Present: Commissioner Doug Barnes, Commissioner Richard Mitchell; Commissioner Michael Brown, Vice-Chair; and Commissioner Terry McLlarky

Excused: Commissioner Nancy Holland-Young, Chair

Staff: Stephen Norman, Loretta Pagan, Myra Jacobs, Chris Clevenger, Tom Jenkins, Dean Proudfoot, Glen Brown, Megan Hyla, Connie Davis, Gary Leaf, Bill Doyle, Mark Abernathy, Tessa Martin, Deborah Gooden, Mike Reilly, Craig Violante, John Eliason, Dan Watson, Rhonda Rosenberg, Bill Cook, Tim Locke, Mike Sivia, Tim Walter, Claude DaCorsi, Donna Kimbrough, Kristin Winkel and Linda Weedman

Guests: Samuel Bellomio, Alex Zimmerman

III. PUBLIC COMMENT

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

Mr. Samuel Bellomio, representing StandUP America, addressed the Board with complaints about the Housing Authority operations and left a letter for the Board of Commissioners outlining his complaints. The letter was written under the names of Alex Zimmerman, Sam Bellomio, Erik Isaacson and Mia Jacobson.

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

IV. APPROVAL OF MINUTES

Minutes from the November 9, 2011 Board of Commissioners' meeting were presented for approval. Commissioner McLlarky moved for approval of the minutes. Commissioner Barnes seconded the motion. The minutes of the previous meeting were adopted, with Commissioner Mitchell abstaining due to his absence at the November meeting.

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 items:

October 2011 Voucher Reports

General Properties: Bank Wires/ACH Withdrawals for \$5,465,079.28; Accounts payable vouchers #220504 - 221128 for \$4,817,345.52; Payroll vouchers, computer checks numbered #81907-81956 for \$46,534.28; Payroll computer direct deposit for \$1,051,025.08; Section 8 Program vouchers, ACH withdrawals #176196-179172 for \$7,755,997.24, computer run checks #582459-583582 for \$716,432.65; purchase card/ACH withdrawal \$152,637.82. Total for October 2011 for the General Properties was \$20,005,051.87.

Bond Properties: Total for October 2011 was \$1,583,246.79 related to 20 different properties.

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

VI. RESOLUTIONS FOR DISCUSSION

Vice-Chair Brown noted that one additional Resolution not reflected on the agenda is being brought before the Board for consideration and will be addressed following the Resolutions outlined on the agenda. A copy of Resolution No. 5362 was distributed to each Commissioner.

Resolution No. 5356: New Market Tax Credit Transaction for the Navos Mental Health Clinic Project
Presented by: Tim Locke

Tim Locke reported that, as the Board was aware, KCHA received a \$28 million New Markets Tax Credit allocation in the 2010 round and \$18 million was used for the Wonderland/Tall Cedars transaction which closed November 18, 2011. Resolution No. 5356 would approve allocating the remaining \$10 million to fund a portion of the Navos Mental Health and Wellness clinic project being built in Burien.

Mr. Locke briefed the Board of Commissioners on the project and KCHA's participation in the transaction. He noted that the Housing Authority will be acting as a conduit between the project's investor and the borrower, through which the NMTCs can be allocated to the transaction and claimed by the investor. Mr. Locke also referred the Board to the detailed project profile contained in the meeting materials.

Mr. Locke noted that there are several compelling reasons for KCHA to designate its NMTC allocation for this project. The project will serve a vulnerable low income population by providing much needed mental health services. The project also provides supportive housing for clients suffering from mental illness, including some clients who are unable to remain in KCHA public housing as a result of their mental health issues. As part of the NMTC allocation, KCHA has asked Navos to give priority in its housing to clients referred from KCHA.

Mr. Locke ended his presentation by providing the Board with an overview of the transaction and its associated risks. KCHA has engaged the Kantor Taylor law firm to represent the Housing Authority and its subsidiary Limited Liability Company (CDE) in the transaction. Novogradac and Company, a nationally recognized real estate accounting firm, is

providing all modeling and accounting for the project under contract to US Bank. This financing was presented to the Resident Advisory Council which serves as the advisory board for all KCHA NMTC transactions and is in full support.

Commissioner Barnes noted that the Finance Committee has reviewed and discussed in detail the transaction and recommends adoption of the Resolution.

MOTION: Moved that Resolution No. 5356, New Market Tax Credit Transaction for the Navos Mental Health Clinic Project, be approved.

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

Resolution No. 5357: Approval of 2012 Comprehensive Budget
Presented by: Craig Violante

Craig Violante thoroughly briefed the Board of Commissioners, via Powerpoint, on the proposed Comprehensive Operating Budget for 2012. A copy of the Powerpoint is appended to the meeting records. As in previous years, the 2012 budget was created following the Board's guiding principles: preserve and expand the supply of affordable housing; help the region end homelessness; promote economic self-sufficiency for residents and strengthen the internal infrastructure of the Housing Authority.

The Board was previously briefed on the draft budget at its November meeting and the Finance Committee was also briefed at its December Committee meeting. Commissioner Barnes noted that the budget does not contain a large amount of opportunistic funds for property acquisitions within the next year. Tim Walter noted that staff will continue to monitor the market for any properties that may become available adjacent to existing KCHA properties.

During Board discussion of the Resolution, there was disruption from the public; and Commissioner Mitchell commented to the audience that during Board deliberation, Commissioners will not take public comment and will ignore requests to intervene by members of the public.

Commissioner Barnes commented that the Finance Committee had reviewed the budget and had noted that funds are primarily being directed toward repair and upgrade of the existing inventory. He also noted that the 2012 budget could be impacted by the outcome of the pending 509 disposition application.

Following clarifying questions from the Board a motion was made to approve Resolution No. 5357.

MOTION: Moved that Resolution No. 5357, Approval of 2012 Comprehensive Budget, be approved.

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

Resolution No. 5358: Related to Disposition and Sale of Seola Gardens Lots 1-14, 19-30, 33-49, 51-67 to The Quadrant Corporation
Presented by: John Eliason

John Eliason reported that Resolution No. 5358 authorizes the Executive Director to sell 60 Seola Gardens lots to the Quadrant Corporation for construction of market rate detached homes which will be offered for sale. Resolution No. 5358 authorizes the sale of this land to Quadrant on substantially the same terms outlined in a non-binding Letter of Intent (LOI) dated October 12, 2011.

Mr. Eliason reviewed for the Board the disposition process, terms of the sale, the land valuation and impact on Seola Gardens' budget, profit participation, applicable conflict of interest and risks involved in the transaction – all of which were detailed in the cover memorandum for the Resolution that was contained in the meeting packets. The Resolution also authorizes KCHA staff to complete a purchase and sale agreement with the Quadrant Corporation under terms substantially the same as the LOI and to take any and all actions necessary to close the transaction under the terms and structured outlined in the Resolution and cover memorandum.

MOTION: Moved that Resolution No. 5358, Related to Disposition and Sale of Seola Gardens Lots 1-14, 19-30, 33-49, 51-67 to The Quadrant Corporation, be approved.

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

Resolution No. 5359: Related to Construction and Development Financing for the Green River Homes Renovation Project
Presented by: Dan Watson

Dan Watson reported that Resolution No. 5359 authorizes the construction and development financing for the Green River Homes renovation project through the issuance of up to \$13 million in tax exempt or taxable notes and lending the proceeds to the tax credit partnership that will own, renovate and operate the property. KCHA recently entered into a long-term lease of the Green River property with the Green River Homes 2 LLC, with KCHA being the Managing Member. The loan proceeds will be used to pay for the costs of construction, relocation, architectural and engineering fees, financing fees, construction period interest, legal fees and construction management. Mr. Watson noted that approval of the Resolution would also approve the form of the notes and other documents, a master loan agreement specifying loan terms including repayment, and a regulatory agreement. It also provides for the sale of the notes to Bank of America.

Staff expects to have the construction contract in place by January 15, 2012 with construction completed and the property fully occupied by December 31, 2012. Reoccupancy of the first renovated units is expected by July 1, 2012.

Mr. Watson reviewed for the Board the interest rate and terms of the bonds as outlined in the Resolution's cover memorandum and also noted that although the Resolution authorizes up to \$13 million in financing for the project, staff expects the total to remain at the \$12.5 million amount indicated in the November briefing material. KCHA will post \$9.5 million as collateral with Bank of America. However the amount of MTW reserves allocated for the ren-

ovation of Green River remains the same. Instead of another \$3 million in collateral, the \$3 million will be lent to the LLC and deposited in its development account by the end of 2011.

Following clarifying questions from the Board a motion was made to approve Resolution No. 5359.

MOTION: Moved that Resolution No. 5359, Related to Construction and Development Financing for the Green River Homes Renovation Project, be approved.

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

Resolution No. 5360: Authorizing the Issuance of a \$15 million Line of Credit with KeyBank to Finance the Acquisition and Rehabilitation of the Meadowbrook Apartments
Presented by: Tim Walter

Tim Walter reported that Resolution No. 5360 would authorize KCHA to establish a line of credit with KeyBank to provide the interim financing for the acquisition and rehabilitation of the Meadowbrook Apartments.

Since entering into the purchase and sale agreement for Meadowbrook Apartments, KCHA staff has been working with KeyBank to obtain a line of credit that would provide interim financing for the acquisition and improvements to the property until such time as KCHA was able to develop a permanent financing plan. KCHA has been successful in securing credit approval from the Bank for a line of credit in the amount of \$15 million. The \$15 million line of credit will be sufficient to finance the full purchase price of \$12 million plus complete approximately \$3 million in improvements.

In addition, KCHA has requested King County provide a loan guarantee through its Contingent Loan Agreement program, which if approved, will allow for preferential loan rates with KeyBank.

Mr. Walter reviewed for the Board the terms for the line of credit and interest rate, which were outlined in the cover memorandum for the Resolution, noting that the line of credit will allow KCHA to fully finance the acquisition and primary renovations at the Meadowbrook Apartments on an interim basis while KCHA finalizes its permanent financing plan for the development

MOTION: Moved that Resolution No. 5360, Authorizing the Issuance of a \$15 million Line of Credit with KeyBank to Finance the Acquisition and Rehabilitation of the Meadowbrook Apartments, be approved.

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

Resolution No. 5361: Authorizing KCHA to enter into a Contingent Loan Agreement (CLA) with King County in Connection with the Interim and Permanent Financing of the Meadowbrook Apartments
Presented by: Tim Walter

Tim Walter reported that KCHA has requested King County provide a loan guarantee for both the interim and permanent financing of the Meadowbrook Apartments. The loan guarantee will allow KCHA to borrow funds for the acquisition and rehabilitation of the Meadowbrook Apartments at preferential borrowing rates and permit KCHA to secure permanent financing on rates and terms not otherwise available to KCHA because of the County's AAA credit rating.

Mr. Walter noted that the Housing Authority is the primary user of the County's loan guarantee program and has utilized the program for numerous projects. The County's program is limited to \$200 million and has currently pledged over \$170 million of this amount. KCHA has been successful in securing approximately \$155 million (90%) of the total pledged to date. This Program has not only saved KCHA hundreds of thousands of dollars in borrowing costs; but it has also allowed KCHA to access credit markets that otherwise would have been impossible to access without a AAA credit rating.

KCHA has submitted an application to King County for an allocation of \$15.5 million in CLA loan guarantee authority for Meadowbrook. The provision of the CLA from King County and authorization by the KCHA Board of Commissioners to proceed will save KCHA approximately 20 basis points on its line of credit financing and potentially over \$300,000 per year on its permanent financing. If approved, the origination fee will be \$62,000 (.4% of the total amount) and the on-going annual fee will be \$15,500 per year (.1% of the total amount).

Mr. Walters concluded his presentation stating that the Resolution is one of the final steps for completion of the application; and approval of the Resolution authorizes the Housing Authority entering into a contingent loan agreement with King County.

MOTION: Moved that Resolution No. 5361, Authorizing KCHA to enter into a Contingent Loan Agreement with King County in Connection with the Interim and Permanent Financing of the Meadowbrook Apartments, be approved.

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

Resolution No. 5362: Relating to the Salary Schedule for Housing Authority Employees Represented by the Office and Professional Employees International Union Local 8 Authorizing a one-time payment of 2% of Annual Salary in Lieu of a Cost Of Living Increase for the Period November 5, 2011 to November 2, 2012
Presented by: Connie Davis

Connie Davis reported that the Housing Authority has historically awarded a cost of living increase (COLA) effective with the first full pay period paid in November. The percentage increase has reflected 100% of the CPI-W for the Seattle-Tacoma area based on first half of the calendar year and the CPI-W reported in June 2011 was 2.6%. The Board authorized a one-time payment of 2% in lieu of a COLA to non-represented staff at its November 2011 Board of Commissioners meeting.

Ms. Davis stated that the Office and Professional Employees International Union (OPEIU) Local 8 concluded negotiations with the Authority on December 12, 2011 and is recommending passage of a Letter of Understanding which awards bargaining unit members this same 2% payment in lieu of a COLA to be paid to employees on the Authority's payroll as of

November 5, 2011. The Union is planning on a vote of their members during the week ending December 16, 2011 in order to assure payment before Christmas.

Resolution No. 5362 authorizes the payment to be made to OPEIU members pending member's acceptance of the negotiated terms of this contract. The Seattle-King County Building Trades Council has been offered largely the same terms as were offered to OPEIU. Ms. Davis noted that as of the December 14 Board meeting, no agreement has been reached although the sides continue to work towards a resolution.

MOTION: Moved that Resolution No. 5362, Relating to the Salary Schedule for Housing Authority Employees Represented by the Office and Professional Employees International Union Local 8 Authorizing a one-time payment of 2% of Annual Salary in Lieu of a Cost Of Living Increase for the Period November 5, 2011 to November 2, 2012, be approved.

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

VII. REPORT/BRIEFINGS

Section 8 Payment Standard Annual Analysis

Presented by: Megan Hyla

Megan Hyla briefed the Board of Commissioners on KCHA's Section 8 payment standards via PowerPoint, a copy of which is appended to the meeting records. Part of her presentation included the pros and cons of increasing the payment standards with no action necessary from the Board at this time.

Ms. Hyla concluded the presentation by noting that in six months Section 8 payment standards will again be evaluated; and if warranted, staff will ask the Board to consider a change to the standards. Staff will be conducting employee focus groups on the payment standards; and a summary of the feedback will be shared with the Board of Commissioners.

Presentation on 2011 REAC Physical Inspection

Presented by: Bill Cook

Bill Cook briefed the Board of Commissioners on KCHA's 2011 REAC physical inspection results via a PowerPoint, a copy of which is appended to the meeting records. The presentation included an explanation of the REAC process and criteria, the PHAS system, procedures for KCHA staff preparations prior to REAC inspections and the national score averages. In 2000, the average score for the Housing Authority was 85.3%, in 2011 the average score was 94.4%. The nationwide average for other housing authorities ranges from 77.5% to 84.6%.

Mr. Cook reported that Boulevard Manor and the Nia Apartments received a 100% REAC score. Chris Clevenger, Property Manager, was introduced and thanked for the great success at Boulevard Manor. Casa Juanita had a 19 point score increase and Paramount Housing had an 11 point increase. Mr. Cook introduced and thanked Glen Brown, Site Based Maintenance Mechanic, for his hard work at Casa Juanita in helping to increase the site's REAC score. Myra Jacobs, Property Manager for Paramount House, was introduced and congratulated for her efforts in increasing that site's REAC score. Mr. Cook expressed his appreciation for Loretta Pagan and Dean Proudfoot, who were also introduced, representing the

Northeast Region. He noted that KCHA's unit upgrade teams were deeply involved with the REAC process in ensuring the properties would score well.

Mr. Cook noted that the most improved region for 2011 in REAC scores was the Southeast Region with a 94.9% score; and Tom Jenkins, Maintenance Coordinator for the region, was introduced and received a round of applause. Bill Doyle, Maintenance Manager, and the Capital Construction Department were also thanked for their diligent efforts in readying and maintaining the properties for inspection.

Vice-Chair Michael Brown, on behalf of the Board of Commissioners, thanked Bill Cook and the entire Housing Management staff for the great job performed in attaining outstanding REAC scores.

Third Quarter Procurement Report

There were no questions from the Board of Commissioners on the Procurement Report.

Third Quarter Summary Write Offs

There were no questions from the Board of Commissioners on the summary Write-Off Report for third quarter.


VIII. EXECUTIVE DIRECTOR'S REPORT

Stephen Norman noted that the Board of Commissioners had previously received his monthly Executive Director's Report via e-mail. There were no questions on his report.

IX. ADJOURNMENT

There being no further business the meeting was officially adjourned at 10:40 am.

THE HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON



NANCY HOLLAND-YOUNG, Chair
Board of Commissioners



STEPHEN J. NORMAN
Secretary