

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

August 30, 2012

I. CALL TO ORDER

The meeting of the special Board of Commissioners of the King County Housing Authority was called to order telephonically by Chair Nancy Holland-Young at 2:05 pm on Thursday, August 30, 2012 at the Administrative Offices of the King County Housing Authority, 600 Andover Park West, Tukwila, Washington.

II. ROLL CALL

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

Staff: Stephen Norman, Dan Watson, Connie Davis, Beth Pearson, Tim Walter and Tessa Martin

III. PUBLIC COMMENT

Chair Holland-Young announced that members of the public in attendance at the meeting, either in person or telephonically, would have five minutes to speak before the Board of Commissioners. There were no public comments.

IV. RESOLUTION FOR DISCUSSION

Resolution No. 5400: Authorizing the King County Housing Authority to Enter into a Commercial Lease with the Cowlitz Indian Tribe
Presented by: Connie Davis

Connie Davis reported that Resolution No. 5400 authorizes KCHA to enter into a lease with the Cowlitz Indian Tribe for the building at 15455 65th Avenue South in Tukwila, recently vacated by KCHA's Section 8 Department. The lease grants the Tribe an option to purchase the property for two years and, thereafter, a right of first offer (ROFO) if KCHA decides to sell the property.

Ms. Davis noted that KCHA has been negotiating with and is proposing to lease the property to the Cowlitz Indian Tribe for use by Cowlitz Tribal Health – Seattle (CTHS), a program of the Tribe that provides counseling services, in particular behavioral mental health and chemical dependency, to Native Americans living in the King County area. The Tribe has been operating a health clinic out of Longview, Washington for about 10 years. The CTHS program was established by the Tribe in June 2010 to serve the metro areas of Seattle and Tacoma and is primarily funded by the federal government. CTHS has been in expansion mode and currently anticipates purchasing the Property within 18 - 24 months after entering into the lease with KCHA.

Recent comparable sales of similar commercial properties in the area indicate that the market price for the property is in the range of \$1.475 - \$1.725 million. The Tribe is given a credit against the purchase option equal to 87% of the rental payments made prior to closing. If the Tribe does not exercise its purchase option in the first two years, this option expires. If the Tribe extends the lease thereafter and KCHA decides to sell the property subject to the lease, the Tribe will have a right of first offer to purchase the property on the same material terms (including purchase price) as KCHA intends to sell.

As detailed in the cover memorandum for Resolution No. 5400, Ms. Davis reviewed for the Board of Commissioners the lease of the facility with option to purchase and right of first offer should KCHA decide to sell the property, the transaction terms and risk mitigations involved in the transaction. Following her presentation, Ms. Davis recommended approval of the Resolution.

Ms. Davis noted that one risk is the possibility that the CTHS operations do not grow as expected and/or the Tribe is unable to secure funding to purchase the property or extend its lease, with the result that the building is vacated again. Should that occur, KCHA intends to put the property back on the market for sale or lease. However, in the interim period, the building will have generated approximately \$225,000 in rental revenue for KCHA, and the Authority will be able to capture any appreciation in the market at that date. No tenant improvements are being funded by KCHA and the terms of the transaction were purposely structured to incentivize the Tribe to purchase the building; if they do not purchase, they will walk away from substantial equity built through application of rent payments to the purchase price.

Beth Pearson noted that like all federally-recognized Indian tribes, the Cowlitz Tribe is a sovereign nation and must expressly waive immunity before it can be subjected to United States law, including enforcement of the lease provisions. CTHS has indicated that they expect the lease to include a limited waiver by the Tribe and KCHA intends to negotiate standard mediation and arbitration remedies, enforceable in a U.S. court.

Commissioner Barnes noted that as a member of the Finance Committee he had been thoroughly briefed by Tim Walter and Beth Pearson on this transaction and he feels comfortable with the terms and approval of Resolution No. 5400. He noted it is imperative that the Housing Authority operate as a property manager during the 24 month lease period and treat the property as a rental to ensure that this asset is being well maintained.

Ms. Davis commented that the building's HVAC system is the original system installed in the mid-1970s. KCHA intends to retain responsibility under the lease for maintenance, repair and replacement of this system, with tenant reimbursement of expenses. If the HVAC system must be replaced before the Tribe's exercises and closes on its purchase option, KCHA may be unable to recoup any new investment. This amount is not expected to exceed \$200,000. By retaining responsibility of the HVAC maintenance KCHA is assured that the firm which best understands how to optimize the HVAC performance and has significant experience with this specific system, will continue to work on it.

MOTION: Commissioner Barnes moved and Commissioner Brown seconded that Resolution No. 5400: Authorizing the King County Housing Authority to Enter into a Commercial Lease with the Cowlitz Indian Tribe, be approved.

Commissioner Mitchell asked for details on how the rental payments will be applied to the eventual purchase price. Ms. Davis replied that for the first two years, 87% of the rent payment will be applied to the purchase price; but there is no rent credit for years three and beyond.

Following further clarifying questions on the Resolution that were satisfactorily addressed by Ms. Davis, action was taken on the motion for approval.

ACTION ON MOTION: The motion on the floor for Resolution No. 5400 passed unanimously.

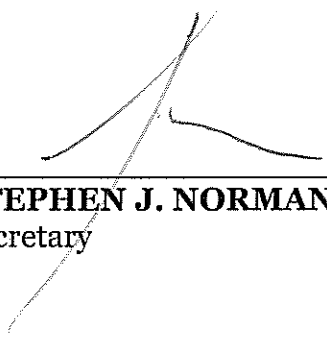
V. ADJOURNMENT

There being no further business the meeting was officially adjourned at 2:30 pm.

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



NANCY HOLLAND-YOUNG, Chair
Board of Commissioners



STEPHEN J. NORMAN
Secretary