King County Housing Authority

MEETING OF THE BOARD OF COMMISSIONERS

January 20, 2015 at 8:30 a.m.
King County Housing Authority
Snoqualmie Conference Room
700 Andover Park W
Seattle, WA 98188

A G E N D A

I. Call to Order

II. Roll Call

III. Public Comment

IV. Approval of Minutes

Board Meeting Minutes –December 15, 2014 **1**

V. Approval of Agenda

VI. Consent Agenda

A. Voucher Certification Report for November 2014 (General and Bond Properties) **2**

VII. Resolutions for Discussion & Possible Action

A. Resolution No. 5495: Amending Resolution No. 5448 to increase the maximum principal amount of a revolving loan to be made to the Manufactured Housing Community Preservationists to $500,000 **3**

B. Resolution No. 5496: Authorizing an amendment to the Purchase and Sales Agreement with BDR Homes, LLC for the disposition of a portion of Greenbridge Bulk Parcel 3 **4**

C. Resolution No. 5497: Authorizing the submission of a Choice Neighborhoods Implementation Grant application in cooperation with the City of Renton and Renton Housing Authority for the Sunset Neighborhood Area of Renton in King County **5**

D. Resolution No. 5498: A Resolution of the Housing Authority of the County of King declaring its intention to sell bonds in an amount not to exceed $42,000,000 to provide financing for the Sunset Area Transformation Plan Housing Project within King County, Washington, and determining related matters **6**

VIII. Briefings & Reports

A. Standard & Poor's Credit Rating **7**

B. Briefing on the Moving to Work Innovations Report, prepared by Abt Associates **8**

C. Briefing on Seniors Living in Family Developments **9**

D. Executive Director's Report

E. KCHA in the News **10**

IX. Commissioner Comments

X. Adjournment

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Board Coordinator, Jessica Olives, in writing at 600 Andover Park West, Seattle, WA 98188 or by calling 206-574-1194 prior to the meeting date.

<u>Next Board Meeting:</u>

Tuesday, February 17, 2015

TAB NUMBER 1

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

Monday, December 15, 2014

I. CALL TO ORDER

The meeting of the Board of Commissioners of the King County Housing Authority was held on Monday, December 15, 2014, at the King County Housing Authority Administrative Offices, 700 Andover Park West, Tukwila, WA. There being a quorum, the meeting was called to order by Chair Doug Barnes at 8:31 a.m.

II. ROLL CALL

Present: Commissioner Doug Barnes (Chair), Commissioner Susan Palmer, Commissioner TerryLynn Stewart, Commissioner Richard Mitchell and Commissioner Michael Brown

Staff: Stephen Norman, Bill Cook, Claude DaCorsi, Connie Davis, John Eliason, Sean Heron, Megan Hyla, Dan Landes, Gary Leaf, Jessica Olives, Nikki Parrott, Beth Pearson, Jennifer Ramirez Robson, Rhonda Rosenberg, Mike Reilly, Craig Violante, Tim Walter, Dan Watson, Kristy Johnson, Kristin Winkel, and Wen Xu

III. PUBLIC COMMENT

Tammy Morris, East King County Resident, stated her concerns in regards to the Payment Standards in her area. Ms. Morris mentioned that utilities are charged in addition to rent and should be a factor for consideration in the discussion to raise Payment Standards for low-income residents. Ms. Morris also stated that she has researched the rental prices in her community and is willing to share the results and any additional information with the Board.

V. APPROVAL OF MINUTES

On motion by Commissioner Palmer, seconded by Commissioner Stewart, with abstentions by Commissioners Brown and Mitchell, the Board approved the minutes from the Board of Commissioner's meeting of November 17, 2014.

VI. APPROVAL OF AGENDA

On motion by Commissioner Brown, seconded by Commissioner Palmer, which motion was duly carried by unanimous vote, the Board approved the December 15, 2014 Board of Commissioners' agenda.

VII. CONSENT AGENDA

A. Voucher Certification Report for October 2014 (General and Bond Properties)

GENERAL PROPERTIES		
Bank Wires / ACH Withdrawals		13,557,806.23
	Subtotal	***13,557,806.23***
Accounts Payable Vouchers		
Checks - #244400-#245129		5,647,968.04
	Subtotal	***5,647,968.04***
Payroll Vouchers		
Checks - #83488-#83546		63,215.38
Direct Deposit		1,173,215.42
	Subtotal	***1,234,430.80***
Section 8 Program Vouchers		
Checks - #606794-#607205		237,563.99
ACH - #289214-#292409		9,308,744.64
	Subtotal	***9,546,308.63***
Purchase Card / ACH Withdrawal		180,410.47
	Subtotal	***180,410.47***
	GRAND TOTAL	***30,168,924.17***

BOND PROPERTIES	
Bond Properties Total (30 different properties)	***2,706,867.04***

On motion by Commissioner Brown, seconded by Commissioner Mitchell, which motion was duly carried by unanimous vote, the Board approved the Consent items.

VIII. RESOLUTIONS FOR DISCUSSION AND POSSIBLE ACTION

A. Resolution No. 5488: Authorizing the commitment of $3.346 Million in Moving to Work working Capital Reserves for the purpose of providing Sponsor-Based Rental Assistance

Connie Davis, Deputy Executive Director, briefed the Board and stated that Resolution No. 5488 is to provide Sponsor-Based housing for four sponsor-based rental assistance agreements with multi-year contracts that will be extended to 2017. Ms. Davis further explained that an estimated $1,117,031 for housing assistance under these four contracts will be spent from the approved 2015 Budget.

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Brown, seconded by Commissioner Stewart, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5488.

B. Resolution No. 5489: Authorizing the commitment of $3.0 Million in Moving to Work working Capital Reserves for the purpose of performing critical Capital Improvements on public housing developments during Fiscal Years 2015 and 2016

Ms. Davis also briefed the Board on Resolution No. 5489 and mentioned that $1.8 Million will be spent out of the approved 2015 Budget. Ms. Davis stated that although the agreements will be under contract in 2015, the projects would not be completed by then and that KCHA will be obligated to pay another $1.2 Million in 2016.

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Mitchell, seconded by Commissioner Stewart, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5489.

C. Resolution No. 5490: Authorizing the approval of the Comprehensive Operating Budget for Calendar Year beginning January 1, 2015

Craig Violante presented KCHA's 2015 Comprehensive Operating Budget. Mr. Violante stated that the guiding principles, set by the Board, serve as the basis on which the budget is drafted. Mr. Violante summarized the core operations affecting the 2015 budget as well as discussed federal funding expectations and concerns.

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Mitchell, seconded by Commissioner Palmer, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5490.

D. Resolution No. 5491: Authorizing higher payment standards for the Section 8 Program

Megan Hyla, Director of Policy and Intergovernmental Affairs, briefed the Board on Resolution No. 5491, explaining payment standards, the impact on Section 8 households as well as staff's recommendation for the increase and outlook for next year. Ms. Hyla provided a handout with a comparison of KCHA's Regular Area Payment Standards and Eastside Payment Standards (attached).

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Palmer, seconded by Commissioner Mitchell, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5491.

E. <u>Resolution No. 5492: Authorizing changes to KCHA's Section 8 Administrative Plans and to the Public Housing Admissions and Continued Occupancy Policy</u>

Kristin Winkel, Director of Leased Housing Programs, briefed the Board and explained the impact of the proposed change.

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Brown, seconded by Commissioner Palmer, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5492.

F. <u>Resolution No. 5493: Authorizing the Housing Authority of the County of King to issue a revenue bond of the Authority in the principal amount of not to exceed $5,500,000, the proceeds of which will be used to make a loan to Ashwood Community Redevelopment LLLP</u>

Tim Walter, Director of Acquisitions and Asset Management, presented Resolution No. 5493, provided background information on the Ashwood Court Apartments and explained the loan conditions. Mr. Walter also mentioned that the Housing Authority takes no financial risk and makes no obligation for the repayment of the loan.

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Palmer, seconded by Commissioner Stewart, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5493.

G. <u>Resolution No. 5494: Encouraging the State to raise revenue to protect Affordable Housing and Human Service Programs</u>

Megan Hyla, Director of Policy and Intergovernmental Affair, presented Resolution No. 5494 and mentioned that it is in support of efforts of the Washington Low Income Housing Alliance to demonstrate broad support for new revenue.

All questions raised by the Commissioners were satisfactorily addressed by staff.

On motion by Commissioner Brown, seconded by Commissioner Mitchell, which motion was duly carried by unanimous vote, the Board approved Resolution No. 5494.

VIII. BRIEFINGS & REPORTS

A. New Bank Accounts
Craig Violante, Director of Finance, reported that KCHA opened one new bank account in relation to the Overlake TOD Limited Partnership Operating Account.

B. Third Quarter 2014 Executive Dashboard Report
Megan Hyla provided an update on the Executive Dashboard Report for the third quarter 2014.

C. Vantage Point Progress Report
Dan Landes, Senior Development Manager, provided an update on the progress of construction and project budget.

D. Executive Directors Report
Stephen Norman provided an update on the Moving To Work contract negotiations with the Department of Housing and Urban Development.

E. KCHA in the News

XI. COMMISSIONER COMMENTS

Commissioner Barnes noted the Board meeting schedule and asked that all Commissioners coordinate with staff to schedule a legislative business trip for 2015.

Mr. Richard Mitchell announced that he is stepping down as Commissioner. Mr. Mitchell commended staff for their work and stated he enjoyed severing on the KCHA Board for the past five year.

XV. ADJOURNMENT

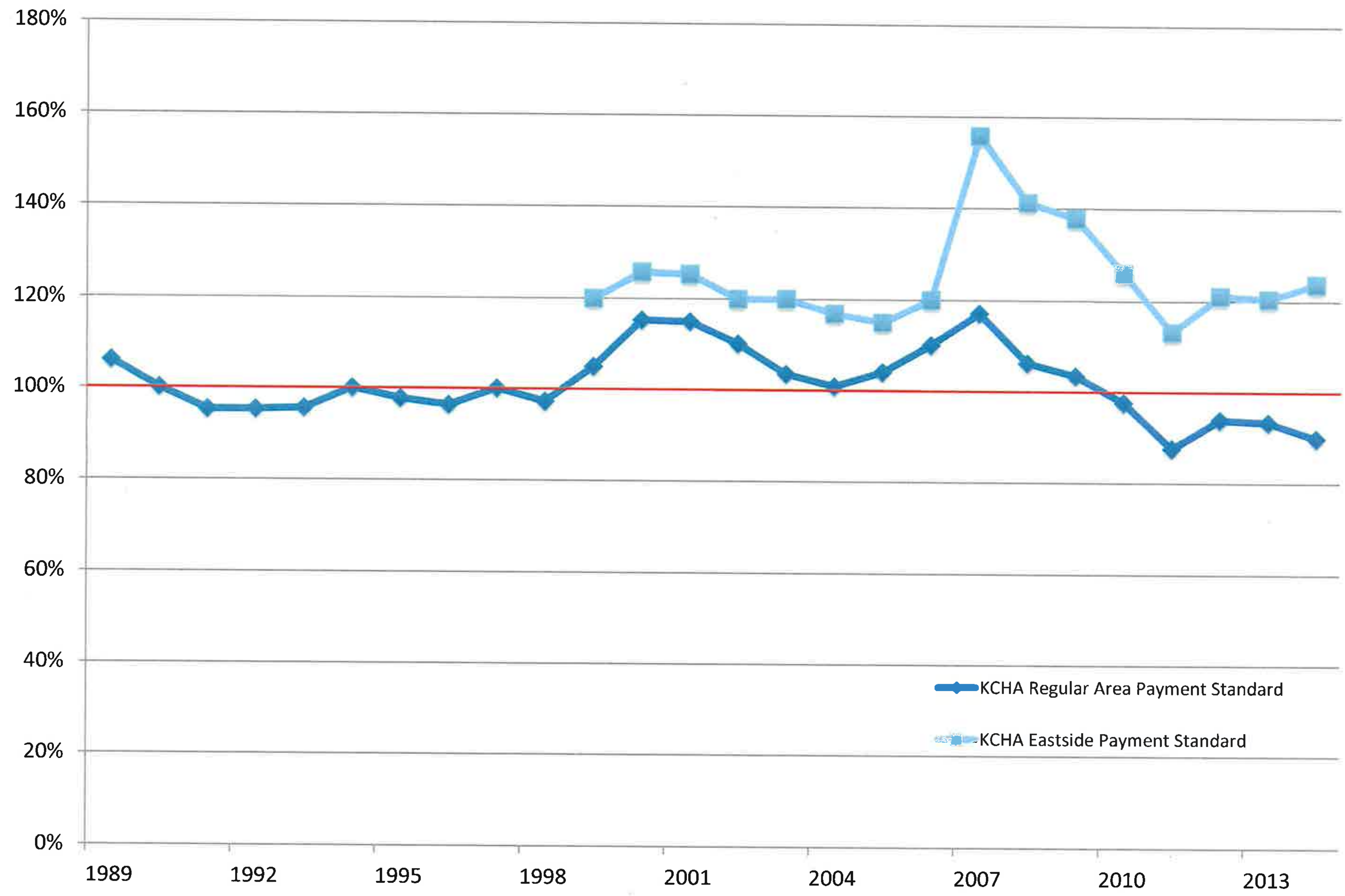
On motion by Commissioner Stewart, seconded by Commissioner Brown, which motion was duly carried by unanimous vote, the Board adjourned the meeting at 10:23 a.m.

THE HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON

____
DOUGLAS J. BARNES, Chair
Board of Commissioners

____
STEPHEN J. NORMAN
Secretary

King County Housing Authority
2 Bedroom Payment Standards as a Percentage of Fair Market Rent (FMR)



TAB NUMBER 2

KING COUNTY HOUSING AUTHORITY
INTEROFFICE MEMORANDUM

TO: THE BOARD OF COMMISSIONERS, HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON

FROM: LINDA RILEY

SUBJECT: VOUCHER CERTIFICATION FOR NOVEMBER 2014

I, Linda Riley, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims represented by the vouchers listed below were just obligations of the Housing Authority of the County of King, and that I am authorized to authenticate and certify said claims.

Linda Riley
Linda Riley
Controller
December 29, 2014

Bank Wires / ACH Withdrawals		7,388,790.33
	Subtotal	***7,388,790.33***
Accounts Payable Vouchers		
Checks - #245130-#245643		2,679,539.44
	Subtotal	***2,679,539.44***
Payroll Vouchers		
Checks - #83547-#83596		56,415.02
Direct Deposit		1,197,576.00
	Subtotal	***1,253,991.02***
Section 8 Program Vouchers		
Checks - #606206-#607608		255,513.36
ACH - #292410-#295534		9,225,737.72
	Subtotal	***9,481,251.08***
Purchase Card / ACH Withdrawal		220,797.29
	Subtotal	***220,797.29***
	GRAND TOTAL	***21,024,369.16***

TO: THE BOARD OF COMMISSIONERS, HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON

FROM: Wen Xu

SUBJECT: **VOUCHER CERTIFICATION FOR NOVEMBER 2014**

I, Wen Xu, do hereby certify under penalty of perjury that the claims represented by the transactions below were just, due, and unpaid obligations against the Housing Authority, and that I, and my designees, are authorized to authenticate and certify said claims.

Wen Xu

Wen Xu
Director, Managed Assets
December 12, 2014

Property	Funds Provided for Operating Expenses of Property				Notes:
11/31/2014	Date		$	Details	
Bellepark East	11/6/2014	$	4,441.19	A/P	
	11/7/2014	$	200,000.00	Excess Cash to KCHA	
	11/13/2014	$	15,372.29	A/P & Payroll	
	11/20/2014	$	23,511.40	A/P	
	11/26/2014	$	23,623.06	A/P & Payroll	
Colonial Gardens	11/6/2014	$	4,742.63	A/P	
	11/7/2014	$	100,000.00	Excess Cash to KCHA	
	11/13/2014	$	10,339.06	A/P & Payroll	
	11/20/2014	$	5,113.51	A/P	
	11/26/2014	$	14,694.50	A/P & Payroll	
Cottonwood	11/6/2014	$	835.15	A/P	
	11/7/2014	$	30,000.00	Excess Cash to KCHA	
	11/13/2014	$	7,532.64	A/P & Payroll	
	11/20/2014	$	9,469.81	A/P	
	11/26/2014	$	5,221.06	A/P & Payroll	
Cove East	11/6/2014	$	8,301.25	A/P	
	11/7/2014	$	200,000.00	Excess Cash to KCHA	
	11/13/2014	$	21,366.05	A/P & Payroll	
	11/20/2014	$	38,396.28	A/P	
	11/26/2014	$	19,001.02	A/P & Payroll	
Landmark	11/6/2014	$	5,482.84	A/P	
	11/7/2014	$	300,000.00	A/P & Payroll	
	11/13/2014	$	22,710.54	A/P	
	11/26/2014	$	68,953.74	A/P & Payroll	
Timberwood	11/6/2014	$	20,706.85	A/P	
	11/7/2014	$	250,000.00	Excess Cash to KCHA	
	11/13/2014	$	65,079.32	A/P & Payroll	
	11/20/2014	$	36,437.85	A/P	
	11/26/2014	$	48,504.09	A/P & Payroll	
Woodland North	11/6/2014	$	125,612.68	A/P	
	11/7/2014	$	80,000.00	Excess Cash to KCHA	
	11/13/2014	$	7,472.30	A/P & Payroll	
	11/20/2014	$	10,750.04	A/P	
	11/26/2014	$	72,971.33	A/P & Payroll	
Woodside East	11/6/2014	$	9,997.59	A/P	
	11/7/2014	$	275,000.00	Excess Cash to KCHA	
	11/13/2014	$	72,160.03	A/P & Payroll	
	11/20/2014	$	56,795.71	A/P	
	11/26/2014	$	26,950.95	A/P & Payroll	
Alpine Ridge	11/6/2014	$	4,696.46	Payroll & A/P	
	11/7/2014	$	60,000.00	Excess Cash to KCHA	
	11/13/2014	$	2,895.67	A/P	
	11/14/2014	$	6,385.42	A/P Error	Funding error.
	11/17/2014	$	(6,385.42)	Correcting A/P Error	Correction of above funding error.
	11/20/2014	$	2,524.04	Payroll	
	11/26/2014	$	9,878.85	A/P	
Aspen Ridge	11/6/2014	$	6,952.94	Payroll & A/P	
	11/7/2014	$	200,000.00	Excess Cash to KCHA	
	11/13/2014	$	4,262.87	A/P	
	11/20/2014	$	4,382.88	Payroll	
	11/26/2014	$	37,837.41	A/P	
Auburn Square	11/6/2014	$	33,079.35	Payroll & A/P	
	11/17/2014	$	6,385.42	A/P	
	11/20/2014	$	8,081.59	Payroll	
	11/26/2014	$	17,989.60	A/P	
Carriage House	11/6/2014	$	16,139.60	Payroll & A/P	
	11/7/2014	$	200,000.00	Excess Cash to KCHA	
	11/14/2014	$	13,488.18	A/P	
	11/20/2014	$	9,034.37	Payroll	
	11/26/2014	$	26,262.78	A/P	
Cascadian	11/6/2014	$	13,686.58	Payroll & A/P	
	11/7/2014	$	300,000.00	Excess Cash to KCHA	
	11/7/2014	$	20,000.00	Excess Cash to KCHA	
	11/13/2014	$	39,338.08	A/P	
	11/20/2014	$	13,850.26	Payroll	
	11/26/2014	$	18,145.55	A/P	
Fairwood	11/6/2014	$	9,900.56	Payroll & A/P	
	11/7/2014	$	180,000.00	Excess Cash to KCHA	
	11/13/2014	$	17,523.18	A/P	
	11/20/2014	$	9,050.39	Payroll	
	11/26/2014	$	46,448.92	A/P	
Heritage Park	11/6/2014	$	8,595.12	Payroll & A/P	
	11/7/2014	$	110,000.00	Excess Cash to KCHA	
	11/13/2014	$	5,367.57	A/P	
	11/20/2014	$	4,834.00	Payroll	
	11/26/2014	$	14,783.60	A/P	

Laurelwood	11/6/2014	$ 6,567.25	Payroll & A/P	
	11/13/2014	$ 5,305.74	A/P	
	11/20/2014	$ 5,494.65	Payroll	
	11/26/2014	$ 30,014.39	A/P	
Meadows	11/6/2014	$ 8,085.79	Payroll & A/P	
	11/7/2014	$ 100,000.00	Excess Cash to KCHA	
	11/13/2014	$ 7,146.56	A/P	
	11/20/2014	$ 5,750.69	Payroll	
	11/26/2014	$ 10,709.16	A/P	
Newporter	11/6/2014	$ 8,190.33	Payroll & A/P	
	11/7/2014	$ 300,000.00	Excess Cash to KCHA	
	11/13/2014	$ 16,750.31	A/P	
	11/20/2014	$ 8,206.28	Payroll	
	11/26/2014	$ 41,976.97	A/P	
Parkwood	11/6/2014	$ 17,026.41	Payroll & A/P	
	11/7/2014	$ 100,000.00	Excess Cash to KCHA	
	11/14/2014	$ 8,178.76	A/P	
	11/20/2014	$ 3,882.59	Payroll	
	11/26/2014	$ 8,485.58	A/P	
Walnut Park	11/6/2014	$ 44,627.12	Payroll & A/P	
	11/14/2014	$ 9,408.10	A/P	
	11/20/2014	$ 5,918.38	Payroll	
	11/26/2014	$ 135,512.45	A/P	
Windsor Heights	11/6/2014	$ 28,475.77	Payroll & A/P	
	11/13/2014	$ 89,410.46	A/P	
	11/20/2014	$ 15,982.07	Payroll	
	11/26/2014	$ 61,338.03	A/P	
Woodridge Park	11/6/2014	$ 9,854.99	Payroll & A/P	
	11/7/2014	$ 80,000.00	Excess Cash to KCHA	
	11/13/2014	$ 47,824.09	A/P	
	11/20/2014	$ 9,802.01	Payroll	
	11/26/2014	$ 32,912.23	A/P	
Meadowbrook	11/7/2014	$ 200,000.00	Excess Cash to KCHA	
	11/13/2014	$ 22,390.86	A/P	
	11/20/2014	$ 19,210.98	A/P	
Bellevue Manor	11/6/2014	$ 77,280.89	A/P	
	11/20/2014	$ 23,041.12	A/P	
Charter House	11/6/2014	$ 9,832.76	A/P	
	11/20/2014	$ 12,991.33	A/P	
Northwood Square	11/6/2014	$ 2,706.41	A/P	
	11/20/2014	$ 9,503.56	A/P	
Patricia Harris	11/6/2014	$ 18,471.13	A/P	
	11/20/2014	$ 45,649.31	A/P	
Vashon Terrace	11/20/2014	$ 8,223.04	A/P	
Rainier View I	11/6/2014	$ 12,575.01	A/P	
	11/14/2014	$ 11,594.07	A/P	
Rainier View II	11/6/2014	$ 11,400.53	A/P	
	11/14/2014	$ 5,688.24	A/P	
Si View	11/6/2014	$ 3,460.06	A/P	
	11/14/2014	$ 5,881.93	A/P	
Gilman Square	11/6/2014	$ 7,128.22	Payroll	
	11/7/2014	$ 50,000.00	Excess Cash to KCHA	
	11/10/2014	$ 50,904.11	Deposit Corrections	
	11/10/2014	$ 7,676.35	Deposit Corrections	
	11/13/2014	$ 9,226.77	Deposit Corrections	
	11/14/2014	$ 4,987.13	A/P	
	11/18/2014	$ 11,006.08	Payroll & Deposit Corrections	
	11/21/2014	$ 4,216.72	Deposit Corrections	
	11/26/2014	$ 33,025.05	A/P	
	Portfolio Total:	**$5,713,871.40**		

TAB NUMBER 3

King County Housing Authority

TO: Board of Commissioners

FROM: Tim Walter, Senior Director of Acquisitions & Asset Management

DATE: January 15, 2015

RE: **Resolution No. 5495:** Amending Resolution No. 5448 to increase the maximum principal amount of a revolving loan to be made to Manufactured Housing Community Preservationists to $500,000

Executive Summary: The attached resolution amends Resolution No. 5448 in order to increase the maximum principal amount of a revolving loan to be made to Manufactured Housing Community Preservationists by an additional $200,000 to a total of $500,000.

Background: On October 21, 2013, the Board of Commissioners adopted Resolution No. 5448, authorizing the Authority to make a revolving loan to Manufactured Housing Community Preservationists (MHCP) in an amount not to exceed $300,000 at any one time outstanding for the purpose of financing the acquisition and installation of mobile or manufactured homes to be located at the Wonderland mobile home park. It was originally estimated that $300,000 would enable MHCP to install 4 to 8 used homes at any given time. However, a combination of a lack of quality used homes, the quick absorption of new homes and the long term benefits to the community of installing new homes led to the decision to primarily install new homes at the park. The current loan of $300,000 only permits MHCP to purchase a maximum of 4 homes (three new and one used) at any one time.

Increasing the loan by $200,000 will allow MHCP to finance 5 to 6 homes. Having a pipeline of homes is important to making sure there are at least two to three homes available for sale at the property at any one time. This requires an additional two to three homes in the pipeline. It takes 12- 16 weeks for a new home to be installed from the time an order is placed to the time the home is ready for sale. MHCP's ability to offer choices at the park to potential buyers, actively market the community and maintain steady traffic is critical to the success of re-tenanting the park.

Since the original loan was made to MHCP, three new homes were purchased, manufactured and installed (two doublewides and one singlewide). The two doublewide homes have since sold and closed and two additional doublewides are now on order. The singlewide is still available for sale. Until the doublewide spaces are all occupied, MHCP will focus on ordering, installing and selling doublewide homes which have a greater market appeal.

Risks & Mitigation:

Risk - Inability to repay loan – Pursuant to the terms of the loan, MHCP earns a small fee for placement and sale of each mobile home financed with the proceeds of the loan. The net proceeds from each sale are then used to purchase additional homes. The intent of the loan would be that this cycle would continue until the park is fully re-tenanted. The risk to KCHA is that if the actual sales proceeds from the homes over the course of the loan are insufficient to cover the total cost of acquiring, installing and selling the homes, there will not be enough residual proceeds to repay KCHA in full.

Mitigation – KCHA closely oversees and communicates with MHCP regarding each home that is installed and its cost/resale value. Based on sales and market interest to date, staff is reasonably confident the resale proceeds of the new and used homes will, in aggregate, be sufficient to cover most if not all of the loan. Some of the homes will likely have a market resale value slightly less than the cost to install (primarily new singlewides) and some a resale value slightly more than the cost to install (some new doublewide and good quality used homes that MCHP is able to find). Furthermore, KCHA has the ability to terminate the loan agreement with MHCP at any time and to take possession of all unsold homes acquired with this loan if it determines this approach to re-tenanting the park is not in the best financial interest of the Authority.

Risk – Failing to re-tenant Wonderland Estates – There are currently 24 vacant pad spaces at Wonderland Estates. Each month a pad remains vacant, the park foregoes approximately $500 in rental income. This is rental revenue that is critical to operation of the park. Failure to re-tenant the park within a reasonable timeframe will result in a significant opportunity loss of revenue which cannot be recouped.

Mitigation – The typical low-income mobile home park resident does not have sufficient cash on hand to finance moving a used mobile home into the park nor purchase a home on their own and having it installed. At a minimum, a household would need to have at least $15,000 - $20,000 just to move, set and install a home. By loaning MHCP proceeds to install modestly priced homes at the park, low-income households can qualify for mobile home loans and acquire the homes in place. Filling vacant pad spaces with homes that households can purchase in place is critical to re-tenanting the park and minimizing the opportunity loss of vacant pad rent. The KCHA loan to MHCP helps assure the park can be re-tenanted as quickly as possible.

Staff recommends passage of Resolution No. 5495.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5495

A RESOLUTION amending Resolution No. 5448, to increase the maximum principal amount of a revolving loan to be made to Manufactured Housing Community Preservationists to $500,000.

Adopted January 20, 2015

This document was prepared by:

FOSTER PEPPER PLLC
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Seattle, Washington 98101
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HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5495

A RESOLUTION amending Resolution No. 5448, to increase the maximum principal amount of a revolving loan to be made to Manufactured Housing Community Preservationists to $500,000.

WHEREAS, the Board of Commissioners (the "Board") of the Housing Authority of the County of King (the "Authority") previously adopted Resolution No. 5448, authorizing the Authority to make a revolving loan to Manufactured Housing Community Preservationists ("MHCP") in an amount not to exceed $300,000 at any one time outstanding for the purpose of financing the acquisition and installation of mobile or manufactured homes to be located at the Wonderland mobile home park; and

WHEREAS, the Board wishes to increase the principal amount of the revolving loan to MHCP to an amount of not to exceed $500,000 at any one time outstanding; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING, That:

Section 1. Definitions. Capitalized terms used but not otherwise defined in this resolution shall have the meanings assigned to them in Resolution No. 5448.

Section 2. Increase in Maximum Principal Amount of Loan at Any One Time Outstanding. Resolution No. 5448 is amended by replacing $300,000 with $500,000 in each instance it appears in that resolution.

Section 3. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 4. Resolution No. 5448 Otherwise in Full Force and Effect. Except as amended by this Resolution, all of the provisions of Resolution No. 5448 shall remain in full force and effect.

Section 5. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at an open public meeting this 20th day of January, 2015.

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HOUSING AUTHORITY OF THE COUNTY OF KING

By:_______________________________________
Chair

ATTEST:

____
Executive Director

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary-Treasurer and Executive Director of the Housing Authority of the County of King (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 5495 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a meeting of the Authority held on January 20th, 2015, and duly recorded in the minute books of the Authority.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of January, 2015.

____
Secretary-Treasurer and Executive Director of the Authority

TAB NUMBER 4

T0: Board of Commissioners

From: John Eliason, Development Director

Date January 14, 2015

Re: **Resolution No. 5496:** Authorizing an Amendment to the Purchase and Sale Agreement with BDR Homes LLC for the Disposition of a Portion of Greenbridge Bulk Parcel 3

Executive Summary: In July 2014, the Board approved Resolution No. 5476 authorizing the Executive Director to enter into a purchase and sale agreement with BDR Homes, LLC for the purchase of the entire Greenbridge Bulk Parcel 3 to develop approximately 105 attached and detached market rate homes. Resolution No. 5496 authorizes the Executive Director to amend the purchase and sale agreement with BDR Homes, LLC to sell a portion of Bulk Parcel 3 to develop 24 attached market rate homes while a study of the remaining portion of the property will continue. The resolution also allows the Executive Director to adjust the purchase price up to 10% to account for any unknown issues found during the feasibility period.

Background: After the execution of the purchase and sale agreement authorized by Resolution No. 5476 BDR worked to find a development plan that met the intent of the Greenbridge Master Plan and the Greenbridge Design Guidelines. Unfortunately, the estimated cost of the infrastructure associated with BDR's initial development plan for the entire parcel, when added the $4.1 million land cost, could not be supported by projected sales prices for the homes.

KCHA staff and BDR have negotiated an alternative, the purchase of a portion of Bulk Parcel 3, which has capacity for 24 attached lots. The land area proposed for sale is approximately 1.35 acres. Located at the top of the slope along the exiting roadway on 10th Place SW, finished multifamily and duplex lots could be platted with relatively modest infrastructure costs, since the frontage street is already constructed and includes adjacent utilities.

KCHA has negotiated a profit participation agreement with BDR in this smaller phase of the development since only minor infrastructure is needed to finish the planned 24 lots. Profit participation is similar to past finished lot deals where KCHA receives 40% of any increase in sales price above a set base.

BDR Homes, LLC Proposal to Purchase a Portion of Bulk Parcel 3

KCHA and BDR signed addendum 3 to the purchase and sale agreement on December 16, 2014 to allow for a portion of Bulk Parcel 3 to be purchased and developed. The addendum is contingent on Board of Commissioner's approval and obtaining an appraisal justifying the proposed purchase price. The general terms of the addendum are as follows:

- Contingencies: The addendum is contingent on KCHA Board approval and Seller obtaining a market rate land appraisal meeting purchase price.
- Purchase Price: $920,000 for 24 lots at $38,833 per lot
- Earnest Money: $40,000
- Feasibility Period: 60 days after mutual acceptance of the addendum.
- Closing Date: 30-days after receipt of engineering plans and approval of the final plat.
- Profit Participation: Similar to past agreements with 40% of additional sales price above an established base price.
- Plat Constraints: Lot lengths would be set such that KCHA has full flexibility to design and build the balance of Bulk Parcel 3 in accordance with the Greenbridge Master Plan.
- Sewer General Facility Credits: KCHA retains the ability to sell sewer credits in the amount of $44,976 to BDR.

Kidder Mathews has appraised the fair market value of this property for $900,000 in an appraisal dated January 13, 2015.

Study of Remaining Land in Bulk Parcel 3

BDR is working with KCHA staff to redesign the infrastructure to achieve cost savings. Difficult grades, retaining walls and a high percentage of impervious surface are driving costs in excess of what can be supported at current home sales prices. Although Addendum 3 does not change the overall price for the entire parcel, there is no certainty that design changes will result in a feasible development strategy. If a feasible alternative can be found, staff will come back to the Board of Commissioners with an updated development proposal for the remainder of Bulk Parcel 3.

Passage of the resolution is recommended

Greenbridge Bulk Parcel 3

ADDENDUM #3
TO REAL ESTATE PURCHASE AND SALE AGREEMENT
(Greenbridge Master Plan Parcels – Z-1, Z-2, Z-3)

This Addendum #3 to Real Estate Purchase and Sale Agreement ("Addendum") is dated, for reference purposes, this 16th day of December, 2014 and amends that certain Real Estate Purchase and Sale Agreement with an Effective Date of August 14, 2014 between **KING COUNTY HOUSING AUTHORITY,** a Washington municipal corporation ("Seller") and **BDR HOMES, LLC**, a Washington limited liability company ("Purchaser"), together with this and any other previous Addendums or Amendments, hereinafter, collectively the "Agreement" shall be amended as follows:

1. Property. Section 1.03 of the Agreement is hereby amended and restated to read as follows:

   Property: Parcels Z-1, Z-2, and Z-3 of the Plat of Greenbridge Division 1. The three parcels, constituting the Property are sometimes referred to herein individually as a "Parcel" and plural as "Parcels". Parcels will be further subdivided into "Lots" and singularly "Lot".

   (See Exhibit A for legal description of the Property).

   The purchase of the Parcels is further modified to two phases as described below.

   A. **Phase 1.** The Phase 1 Parcel will be a portion of the Z-2 Parcel, consisting of approximately 1.35 acres as approximately depicted on the attached Exhibit A ("Phase 1 Parcel"). Purchaser shall submit for and obtain, at its own cost, a "Final Plat" for the Z-2 Parcel that creates the Phase 1 Parcel which Final Plat shall consist of: 24 individual Lots; a tract for the portion of the pedestrian trail that crosses the Phase 1 Parcel; and the remainder of the original Z-2 Parcel; provided that, the remaining portion of the original Z-2 Parcel that is not included in the Phase 1 Parcel will be created into and depicted in the Final Plat as one or more tracts labeled as "Future Development Tracts" or any such similar identification as may required by King County. The Phase 1 Parcel shall not include an alley or an alley segment from 10th Place SW running westward.

      Purchaser hereby agrees not to develop the Phase 1 Parcel in a manner that would unreasonably impede the future development of the existing Z-2 Parcel in accordance with the Master Plan.

   B. **Phase 2.** The balance of the Property not contained in Phase 1 Parcel shall be designated the "Phase 2 Parcel" and will include the existing Z-1 Parcel, the Z-3 Parcel, and the Future Development Tracts.

   The references to "Parcel" or "Parcels" shall mean Parcel Z-1, Z-2 and Z-3, including Parcel Z-2 as amended by the Final Plat in Phase 1. The Parcels may be further divided into a singular "Lot" or "Lots" as the Parcels may be further subdivided. The parties agree to update Exhibit A to reflect the new legal description of the Phase 1 Parcel and any references in the Agreement, or any Exhibit, to Parcels shall mean the parcels located within Z-1, Z-2, and/or Z-3 as they apply to Phase 1 and/or Phase 2.

2. Purchase Price. Section 1.04 of the Agreement is hereby amended and restated to read as follows:

   Purchase Price – Phase 1: Nine Hundred Twenty Thousand Dollars ($920,000).
   Purchase Price – Phase 2: Three Million Eighty Thousand ($3,080,000).

3. Earnest Money. Section 1.05 of the Agreement is hereby amended and restated to read as follows:

   Earnest Money (See § 3.0): $200,000 (total) as apportioned hereafter: the parties agree to update Exhibit B to reflect the new Earnest Money amount consisting of $40,000.00 for the Phase 1 Parcel and $160,000 for the Phase 2 Parcel.

4. Closing Date. Section 1.08 of the Agreement is hereby amended and restated to read as follows:

   Phase 1 Parcel Closing Date: The Closing for the Phase 1 Parcel shall occur on the sooner of: (1) 30-days after receipt of all engineering permits necessary to start site development and the approval of the Final Plat; or (2) August 30, 2015; provided that, if for any reason the Final Plat is not approved on or before August 30, 2015, then purchaser shall have the right to extend the Closing Date for the Phase 1 Parcel, with such closing date to occur not later than five (5) business days after approval of the Final Plat.

5. Feasibility Expiration Date. Section 1.10 of the Agreement is hereby amended and restated to read as follows:

   Feasibility Expiration Date – Phase 1 (See § 5.0): The later of (A) 60 days after mutual execution of this Amendment #3 or (B) ten (10) days after Seller: 1) obtains disposition approval for the Phase 1 Parcel from HUD; 2) completes a market rate appraisal for the Phase 1 Parcel that is not significantly higher or lower than the Phase 1 Purchase Set forth in Section 2 of this Addendum; and 3) completes its obligations under that certain Title Objection response letter dated September 19, 2014 related to Parcel Z-2, Title Exception No. 2.

   Feasibility Expiration Date – Phase 2 (See § 5.0): The Phase 2 Parcel shall have its own Feasibility Expiration date of February 27, 2015 ("Feasibility Expiration Date – Phase 2"). Seller and Purchaser will use reasonable efforts to mutually agree to the terms of a successful Phase 2 project. At the end of that Feasibility Expiration Date – Phase 2, if the Purchaser and Seller have agreed upon the dates for the Design Review process, Closing Date and all other terms relating to the Phase 2 Parcel. Then the feasibility contingency for Phase 2 shall be deemed waived if Purchaser delivers written notice to Seller waiving this contingency. If Purchaser does not desire to proceed with development or if Seller and Purchaser cannot mutually agree to terms for the Phase 2 Parcel, then the obligations for the purchase of the Phase 2 Parcel shall terminate and any Earnest Money relating to Phase 2 shall be refunded to Buyer. This termination shall not affect the purchase of the Phase 1 Parcel.

6. Contingency. This Addendum is contingent on KCHA Board approval and is further contingent on Seller obtaining an independent market rate appraisal, by a certified or licensed appraiser, for the Phase 1 land that supports a conclusion that the purchase price is at a minimum not less than the appraised value. Seller will use its reasonable best efforts to be able to inform BDR of

the waiver of these contingencies by February 1, 2015. If Seller is not able to obtain the approvals, then Seller and Purchaser may, in their respective sole discretion, either mutually agree to amend or extend the Agreement, or either party may terminate this Agreement.

7. Park and Trail Development. Special Provision SP-1.0 of the Agreement is hereby amended and restated to read as follows:

   Park and Trail Development: Purchaser shall develop and build, at Purchaser's sole cost, the portion of the east/west community trail that crosses the Phase 1 Parcel, consistent with the Greenbridge Master Plan.

8. Side Sewer General Facilities Credits. Special Provision SP-5.0 of the Agreement is hereby amended and restated to read as follows:

   Side Sewer General Facilities Credits: Purchaser agrees to buy and Seller agrees to sell Sewer General Facilities Credits of Southwest Suburban Sewer District (each a "GFC") owned by Seller of a type that will allow each of the future Lots to be billed individually. Within 10 business days of receipt of a building permit, Purchaser shall remit payment to Seller for the Sewer General Facilities Credit related to that permit for each single family Lot developed for the price of $2,975.00 and for each multifamily Lot developed for $1,874.00. If the Southwest Sewer District requires that an individual billing account is designated a "single family account" regardless of the whether the unit is a single family unit per land use and building codes, Purchaser shall purchase the credit for the single family credit rate. If Purchaser does not receive credit from Southwest Suburban Sewer District for each GFC sold to Purchaser, then Seller will refund the amount paid for GFC to Purchaser. Seller will assist Purchaser in working toward having multifamily rates applied to the Phase 1 Parcel Lots.

9. Grading. During the grading of the Phase 1 Parcel, Purchaser may use soil from, or move soil to, the remaining portion of the Z-2 Parcel that is not included in the Phase 1 Parcel as Purchaser deems necessary to create front-load parking stalls for the new lots and approximately flat rear yards for a depth of 18' +/-. Purchaser agrees to utilize best practices for erosion control for any disturbed soil areas.

10. Infrastructure Permitting. Purchaser agrees to use good faith efforts to submit for all permits and approvals necessary to start site development construction of infrastructure on the Phase 1 Parcel no later than July 1, 2015, provided that Purchaser may delay any work until Purchaser has received Final Plat for the Phase 1 Parcel. Purchaser shall work diligently to submit for relevant infrastructure permits, the Final Plat as set forth in Section 1.A above, and the Minor Modification to King County Department of Permitting and Environmental Review within 45 days of mutual execution of this Amendment #3.

11. Design Review Submission – Phase 1. With respect to Paragraph 15.1, Purchaser shall submit the design review package elements as follows:
    a. Site Plan. A site plan depicting lot lines, grading, and building footprints for the Phase 1 Parcel. Submitted 30 days, or less, after Seller obligations under Feasibility Expiration Date – Phase 1 are met.
    b. Architectural Plans & Elevations. Submitted 10 days, or less, after Site Plan submission noted above.

c. Landscape Plan. Submitted 20 days, or less, after Site Plan submission noted above.
d. Artwork Plan. Not applicable to the Phase 1 Parcel.

12. Price Participation. In addition to the Purchase Price, to the extent the purchase price that Purchaser receives on the sale of any new homes on the Phase 1 Parcel under this Agreement exceeds a threshold amount; Purchaser shall pay to Seller a portion of such excess amount in accordance with this Section ("Price Participation").

a. The following threshold purchase price amounts ("Sales Price") and excess purchase price participation percentages ("Excess Price Participation Percentage") are established for the new townhome series that Purchaser plans on constructing on the Phase 1 Parcel and selling to homebuyers:

Townhome Type	Base Townhome Sales Price	Lot Premium	Inflation Buffer	Maximum Target Price	Excess Price Participation %
Middle Unit Townhome Unit	$299,000	$500	$2,500	$302,000	40%
End Unit Townhome Unit (not Duplex Unit)	$339,000	$500	$2,500	$342,000	40%
Duplex Unit	$379,000	$500	$2,500	$382,000	40%

b. With respect to each townhome that Purchaser sells to a homebuyer for the purchase price ("New Home Sale Price") in excess of the applicable Maximum Target Price, Purchaser shall pay to Seller a Price Participation amount equal to that portion of the New Home Sale Price in excess of the applicable Maximum Target Price multiplied by the applicable Excess Price Participation Percentage.

c. Concurrently with each closing, Purchaser shall pay to Seller and Price Participation due Seller with respect to the sales of new homes that occurred.

d. To the extent that any excise tax or other tax is due in connection with the Price Participation, Seller shall pay, and indemnifies Purchaser against any liability for, such tax amounts.

e. The Price Participation is a contingent obligation of Purchaser payable if and only if a New Home Sales Price exceeds the Maximum Target Price. The Maximum Target Price is calculated as the sum of the Base Home Sales Price, Lot Premium, and Inflation Buffer. Seller shall not, by virtue of this Section have any rights to participate in Purchaser's pricing or other operational decisions that may affect New Home Sales Prices.

f. The provisions of this Section shall not apply to the sale of Lots by Purchaser on which Purchaser has not constructed homes. Any such sale shall be governed by other provisions of the Agreement.

13. Capitalized Terms. Any capitalized terms not defined herein shall have the meaning set forth in the Agreement.

14. Time. Time is of the essence with respect to the performance of each of the covenants and agreements herein set forth.

15. Severability. If any part of this Addendum or the Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect, and shall in no way be affected, impaired, or invalidated.

16. Conflict. If any terms or conditions in this Addendum conflict with any terms or conditions in the Agreement or any prior addenda thereto, the terms and conditions contained herein shall control.

17. Survival. The provisions of this Addendum shall not merge into the deed and shall survive Closing.

[Remainder of Page Left Intentionally Blank, Signature Page Follows}

[Signature Page to Addendum #3 to Real Estate Purchase and Sale Agreement]

SELLER:
KING COUNTY HOUSING AUTHORITY, a Washington municipal corporation

By: ______________________

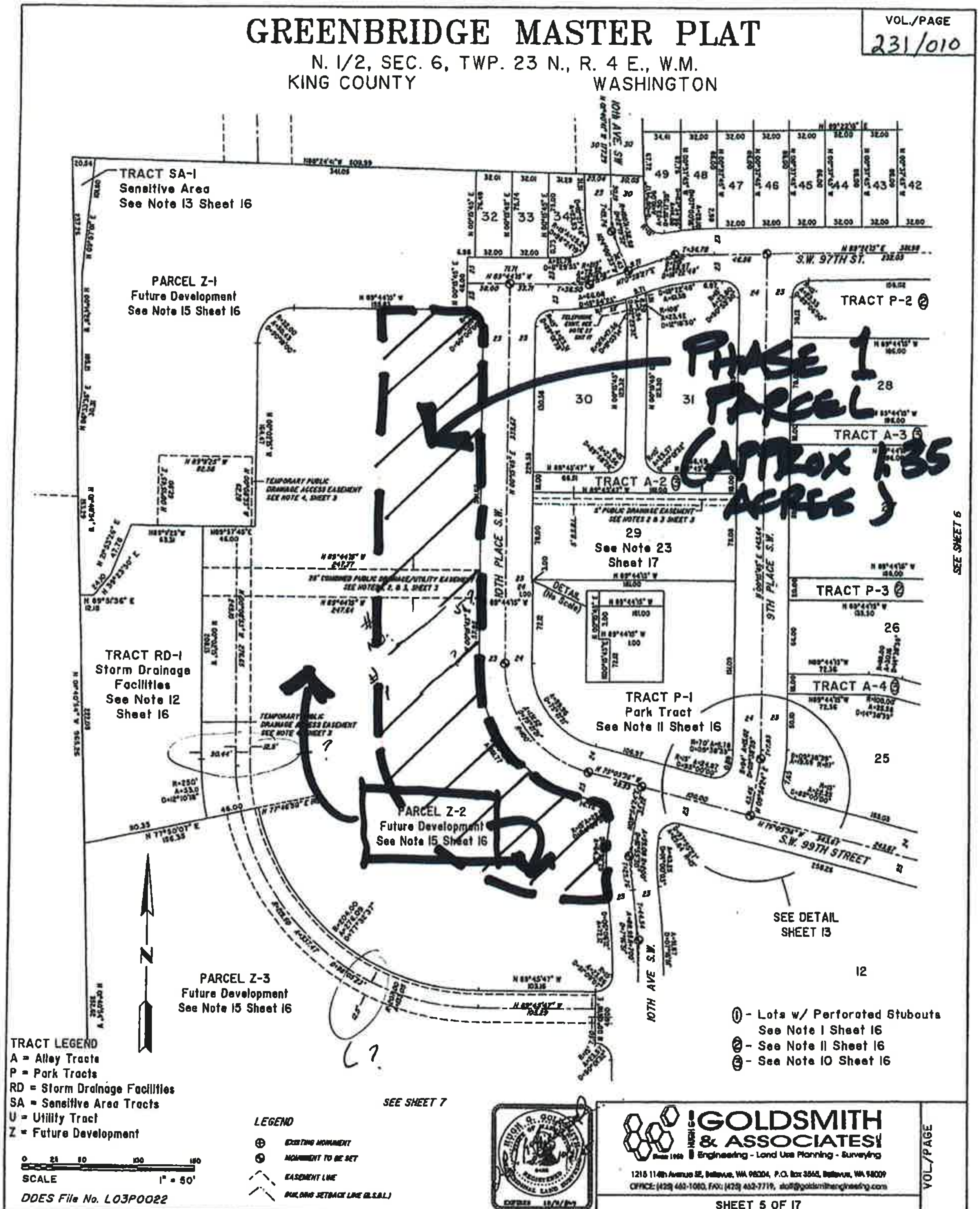
Its: Executive Director

PURCHASER:
BDR HOMES, LLC, a Washington limited liability company

By: ______________________

Its: B. Manager

EXHIBIT A


GREENBRIDGE MASTER PLAT
N. 1/2, SEC. 6, TWP. 23 N., R. 4 E., W.M.
KING COUNTY WASHINGTON
VOL./PAGE
231/010
TRACT SA-1
Sensitive Area
See Note 13 Sheet 16
PARCEL Z-1
Future Development
See Note 15 Sheet 16
PHASE 1
PARCEL
(APPROX 1.35
ACRES)
TRACT P-2
TRACT A-3
TRACT A-2
29
See Note 23
Sheet 17
TRACT P-3
TRACT A-4
TRACT RD-1
Storm Drainage
Facilities
See Note 12
Sheet 16
TRACT P-1
Park Tract
See Note 11 Sheet 16
PARCEL Z-2
Future Development
See Note 15 Sheet 16
S.W. 97TH ST.
S.W. 99TH STREET
10TH PLACE S.W.
9TH PLACE S.W.
10TH AVE S.W.
SEE DETAIL
SHEET 13
SEE SHEET 6
PARCEL Z-3
Future Development
See Note 15 Sheet 16
SEE SHEET 7
1 - Lots w/ Perforated Stubouts
See Note 1 Sheet 16
2 - See Note 11 Sheet 16
3 - See Note 10 Sheet 16
TRACT LEGEND
A = Alley Tracts
P = Park Tracts
RD = Storm Drainage Facilities
SA = Sensitive Area Tracts
U = Utility Tract
Z = Future Development
LEGEND
EXISTING MONUMENT
MONUMENT TO BE SET
EASEMENT LINE
BUILDING SETBACK LINE (B.S.B.L.)
SCALE 1" = 50'
DDES File No. L03P0022
GOLDSMITH & ASSOCIATES
Engineering - Land Use Planning - Surveying
SHEET 5 OF 17
VOL./PAGE

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5496

AUTHORIZING AN AMENDMENT TO THE PURCHASE AND SALE AGREEMENT WITH BDR HOMES LLC FOR THE DISPOSITION OF A PORTION OF GREENBRIDGE BULK PARCEL 3

WHEREAS, King County Housing Authority is developing the Greenbridge HOPE VI project in White Center with the objective of providing up to 400 home ownership opportunities; and,

WHEREAS, KCHA has platted, and has provided utility service to the property boundaries of Greenbridge Bulk Parcel 3 comprised of Parcels Z-1, Z2 and Z-3; and,

WHEREAS, KCHA offered this land for bulk sale on March 30, 2010 through an open public offering to developers and builders of for-sale housing from which an offer was made by BDR Homes, LLC; and,

WHEREAS, BDR Homes, LLC, is a Northwest Company formed by Todd Bennett and has a successful record of developing land and building new homes in communities in the Puget Sound region including the development and sale of homes at Greenbridge; and,

WHEREAS, BDR Homes, LLC made an offer to purchase Greenbridge Bulk Parcel 3 for a sales price of $4,100,000 and Resolution 5476 was approved to allow this sale pursuant to a Purchase and Sale Agreement dated August 14, 2014; and,

WHEREAS, KCHA has entered into an addendum to this purchase and sale agreement, subject to Board of Commissioners approval and an acceptable appraisal, allowing for purchase of a portion of Greenbridge Bulk Parcel 3 for a sales price of $920,000 while BDR HOMES LLC continues to study the remainder of the property; and,

WHEREAS, Kidder Mathews has appraised the fair market value of this portion of Greenbridge Bulk Parcel 3 for $900,000; and,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING, THAT:

1. Executive Director, or his designee, is hereby authorized to amend the purchase and sale agreement with BDR Homes, LLC dated August 14, 2014 to sell and dispose of a portion of Greenbridge West Bulk Parcel 3 for the price of $920,000 to BDR Homes, LLC while BDR Homes LLC continues to study the remainder of the property. The net proceeds of the sale will be used to offset land development and carrying costs associated with the "for sale" land parcels at Greenbridge. The Executive Director, or his designee, is authorized to adjust the price by no more than 10% for additional costs or credits found during feasibility that were not considered in the fair market value appraisal.

ADOPTED AT A REGUALAR MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING THIS 20TH DAY OF JANUARY, 2014.

THE HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON

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DOUGLAS J. BARNES, Chair
Board of Commissioners

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STEPHEN J. NORMAN
Secretary

TAB NUMBER 5

To: Board of Commissioners

From: Dan Watson, Deputy Executive Director

Date: January 15, 2015

Re: **Resolution No. 5497:** Authorizing the submission of a Choice Neighborhoods Implementation grant application in cooperation with the city of Renton and Renton Housing Authority for the Sunset Neighborhood area of Renton in King County

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Executive Summary: KCHA has been asked by the City of Renton and the Renton Housing Authority (RHA) to be a partner and the Lead Applicant in a $30 million Choice Neighborhoods Implementation (CNI) grant to revitalize Renton's Sunset Neighborhood. The City of Renton and RHA would be co-applicants. As part of the grant application, KCHA would also assume the role of Housing Implementation Entity to ensure that the housing component of the proposed project is successfully developed. Resolution No. 5497 authorizes the Executive Director to jointly submit the CNI application with RHA and the City of Renton, assume the roles of Lead Applicant and Housing Implementation Entity, enter into various agreements with the parties to clarify roles and responsibilities and to execute all certifications and other documentation necessary for the grant application. If the grant is awarded and KCHA's Board authorizes KCHA to proceed, all three entities would be party to the grant agreement with HUD. This resolution only authorizes KCHA to take the actions necessary to apply for and meet the requirements of the grant application. Should the grant be awarded, KCHA will not enter into a grant agreement with HUD until the Board of Commissioners has been fully apprised of the specific responsibilities required of KCHA and has determined that the Housing Authority will be adequately reimbursed for its administrative costs and has sufficiently mitigated any financial risk.

Background: The Choice Neighborhoods program is the successor to HOPE VI and focuses on distressed neighborhoods with HUD assisted housing rather than solely on distressed public housing. Choice Neighborhoods uses a comprehensive approach to neighborhood transformation where local communities, residents, and stakeholders such as public housing authorities, cities, schools, police, business owners, nonprofits, and private developers, come together to create and implement a plan that transforms distressed HUD housing and addresses the challenges in the surrounding neighborhood. The program has a heavy emphasis on investment in and improved connectivity with schools and employment readiness. The program is designed to catalyze critical improvements in neighborhood assets, housing, services and education institutions.

In Renton, the focus of the CNI grant will be the transformation of the Sunset Neighborhood in the Renton Highlands, which was home to RHA's Sunset Terrace, a 100-unit severely distressed public housing development. During World War II, the Sunset neighborhood had over 2,000 public housing units for workers employed in the defense industries at Boeing and PACCAR. The defense worker housing was sold off or demolished after the war but many of the very modest single story duplexes remain often in poor condition and are occupied by very low income families. The 269-acre Sunset Area of Renton is one of the most diverse neighborhoods in the City. It has the lowest incomes in Renton, with a median annual income of $39,300 – nearly $17,000 lower than the rest of the City. The Transformation Plan makes investments in housing, the neighborhood, and a variety services targeted at improving residents education and economic opportunities.

<u>Strategic Rationale</u>

The City of Renton and RHA have asked KCHA to be the Lead Applicant and Housing Implementation Entity because of its demonstrated experience and successful implementation of two HOPE VI grants. Intense competition is expected from other communities around the country for the five or six $30 million CNI grants that will be awarded nationally. Without the capacity and credentials KCHA brings to the team, Renton's application would not score high enough to be competitive. KCHA and the region will benefit from the award of a $30 million CNI grant, which will expand affordable housing, employment and education options for low income households in King County. A CNI grant award will also strengthen KCHA's partnerships with important stakeholders and participants in the proposed Sunset Neighborhood such as the City of Renton, RHA, Renton Technical College and Neighborhood House. With the completion of Vantage Point, KCHA will operate six affordable housing developments comprising 418 units within the City of Renton and will benefit from ongoing working relationship with the City.

<u>Risk Considerations</u>: There are two overarching risk considerations. First, a grant of this size and complexity requires careful administration, coordination, and reporting. As Lead Applicant, KCHA would be responsible for utilizing its staff and experience to help the other grantees learn how to perform under the obligations imposed by the grant agreement. This concern is mitigated by the fact that KCHA has extensive experience with HUD's project management and data collection, tracking and reporting requirements from its HOPE VI projects. The preliminary budget allocates up to $2,500,000 of the HUD grant to cover KCHA's administrative and staff costs.

Second, the grant will require the development of 234 units of new housing and the rehabilitation of 50 units of existing RHA owned housing. As the Housing Implementation Entity, KCHA would be responsible for ensuring that the housing component is executed according to the terms, conditions and requirements of the CNI contract. As with any development project there will be site and design issues and financing considerations that would need to be addressed as part of the project. KCHA does not expect to retain a long-term equity interest in any of the development projects and would expect to be indemnified by its partners for financial or other risks before entering into any contractual agreements relating to development. RHA already has site control of all necessary sites, has completed the master planning, and has an intimate knowledge of this site and the overall community.

If this resolution is passed and the grant is awarded, staff will come back to the Board with a comprehensive outline of KCHA's specific commitments and the mitigations in place to offset or compensate KCHA for any risk it would assume.

Staff recommends approval of Resolution No. 5497.

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION No. 5497

AUTHORIZING THE SUBMISSION OF A CHOICE NEIGHBORHOODS IMPLEMENTATION GRANT APPLICATION IN COOPERATION WITH THE CITY OF RENTON AND RENTON HOUSING AUTHORITY FOR THE SUNSET NEIGHBORHOOD AREA OF RENTON IN KING COUNTY

WHEREAS, the Department of Housing and Urban Development (HUD) has issued a Notice of Fund Availability for the Choice Neighborhoods Implementation Grant Program and applications are due February 9, 2015; and,

WHEREAS, the purpose of grant awards will be: (1) to replace distressed public housing and assisted housing with high quality mixed income housing, (2) to improve educational outcomes and intergenerational mobility for youth and their families, and (3) to create the conditions necessary for public and private investment in distressed neighborhoods; and,

WHEREAS, the Renton Housing Authority (RHA) and the City of Renton (City) have asked the King County Housing Authority (KCHA) to join them in a mutual effort to apply for the grant and if successful, administer the grant and build mixed income housing primarily in the Sunset neighborhood of Renton; and,

WHEREAS, regional cooperation in affordable housing development, preservation, and resource development will expand the housing, employment and education options of low income residents of King County; and,

WHEREAS, the City and RHA have taken significant steps towards planning and implementing substantial housing and neighborhood improvements in the Sunset neighborhood including a new library, 26 units of new affordable housing, a new early learning center, a new accessible park and two storm water projects, as well as relocation of residents from the distressed public housing development known as Sunset Terrace; and,

WHEREAS, the experience and capacity of KCHA in the execution of similar complex neighborhood and housing development projects will greatly assist the City and RHA to gain expertise and capacity and be successful in significantly improving the lives and homes of low income households in the Sunset distressed neighborhood; and,

WHEREAS, KCHA has five affordable housing developments located in Renton with 341 total units, and is currently constructing Vantage Point, a new senior housing development in Renton that will add 77 units and be a significant new senior and disabled housing resource located near major medical facilities;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING, THAT:

1. KCHA is hereby authorized and directed to cooperate with the City and RHA in the preparation and submission to HUD of a $30 million Choice Neighborhoods Implementation (CNI) grant application, including such certifications, exhibits, attachments and other documentation as may form a part of such Application. Under the Application, KCHA will commit to serve as the Lead Applicant and Housing Implementation Entity, with RHA and the City serving as co-applicants and sharing joint and several liability for the performance of all duties and obligations under the Application. KCHA is authorized to enter into various agreements and memoranda with the City, RHA and others for the purpose of clarifying the roles and responsibilities of various parties in the implementation of grant funding in the event the Application is successful.

2. The Executive Director is authorized to take such additional steps and to execute, deliver and file any and all government forms, affidavits, certificates, documents and agreements that the Executive Director determines to be necessary or advisable to give effect to this resolution.

ADOPTED AT A REGULAR MEETING OF THE BOARD OF THE COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING THIS 20TH DAY OF JANUARY 2015.

THE HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON

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DOUGLAS J. BARNES, Chair
Board of Commissioners

____
STEPHEN NORMAN
Secretary

TAB NUMBER 6

TO: Board of Commissioners

FROM: Tim Walter, Senior Director of Acquisitions & Asset Management

DATE: January 14, 2015

RE: **Resolution No. 5498:** A Resolution of the Housing Authority of the County of King declaring its intention to sell bonds in an amount not to exceed $42,000,000, to provide financing for the Sunset Area Transformation Plan Housing Project within King County, Washington, and determining related matters

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Executive Summary: In connection with Resolution No. 5497 and as part of the Choice Neighborhood Initiative grant submission, Resolution No. 5498 acknowledges KCHA's intention to issue up to $42 million in private activity bonds to provide tax-exempt financing for four of the Sunset Neighborhood revitalization housing developments. The passage of this resolution in no way obligates or commits KCHA to issuing these bonds in the future. If the Choice Neighborhood Initiatives (CNI) grant is received, and KCHA elects to issue the bonds at that time, staff will provide the Board of Commissioners with comprehensive project profiles for the Board's review and consideration.

Background: This resolution serves two purposes. First, as required in the CNI grant application, the resolution provides evidence of the entity who would be issuing the bonds necessary to finance certain projects within the Sunset Area Transformation Plan, and demonstrates their willingness and intent to do so; and second, the IRS requires the passage of a bond inducement resolution by the bond issuer, in order to allow project related costs (incurred prior to the issuance of the bonds) to be reimbursed out of bond proceeds.

The four developments which are covered under this resolution are:

Edmonds Apartments, 1132 Edmonds Avenue, Renton WA 98056, 112 units, 94 – 1 bdr/18 - 2 bdr, 77 LIHTC units, new construction, up to $19.25 million in bonds

Suncrest Homes, 2708 NE 10th Street, Renton WA 98056, 56 units, 25 – 1 bdr/16 – 2 bdr/15 – 3 bdr, 31 LIHTC units, new construction, up to $10.5 million in bonds

> <u>Sunset Terrace Apartments</u>, 2601 Sunset Lane NE, 41 units, 9 – studio/20 – 1 bdr/12 – 2 bdr, 32 LIHTC units, new construction, up to $8.0 million in bonds
>
> <u>Golden Pines Apartments</u>, 2901 NE 10th Street, Renton WA 98056, 53 units, 52 – 1 bdr/1 – 2 bdr, 52 LIHTC units, rehabilitation, elderly Section 8 subsidized, up to $4.25 million in bonds

If the CNI grant is received and the Board subsequently authorizes KCHA to enter into the grant agreement and become the Housing Implementation Entity, the bonds for the Edmonds and Suncrest Homes developments are anticipated to be issued in July 2016 and the bonds for the Sunset Terrace and Golden Pines Apartments in July 2017. As mentioned above, the passage of this resolution does not obligate nor commit KCHA to issue bonds for the project.

Passage of Resolution No. 5498 is recommended.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5498

(SUNSET AREA TRANSFORMATION PLAN HOUSING PROJECT)

A RESOLUTION of the Housing Authority of the County of King declaring its intention to sell bonds in an amount not to exceed $42,000,000 to provide financing for the Sunset Area Transformation Plan Housing Project within King County, Washington, and determining related matters.

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HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5498

(SUNSET AREA TRANSFORMATION PLAN HOUSING PROJECT)

A RESOLUTION of the Housing Authority of the County of King declaring its intention to sell bonds in an amount not to exceed $42,000,000 to provide financing for the Sunset Area Transformation Plan Housing Project within King County, Washington, and determining related matters.

WHEREAS, the Housing Authority of the County of King (the "Authority") seeks to encourage the provision of long-term housing for low-income persons residing within King County, Washington; and

WHEREAS, RCW 35.82.070(18) provides that a housing authority may, among other things and if certain conditions are met, "make . . . loans for the acquisition, construction, reconstruction, rehabilitation, improvement, leasing or refinancing of land, buildings, or developments for housing for persons of low income"; and

WHEREAS, RCW 35.82.020(11) and 35.82.130 together provide that a housing authority may issue bonds, notes or other obligations for any of its corporate purposes; and

WHEREAS, it is anticipated that one or more Washington limited partnerships or limited liability limited partnerships of which the Authority and/or the Housing Authority of the City of Renton will be general partner and/or one or more Washington limited liability companies of which the Authority and/or the Housing Authority of the City of Renton will be the sole member will be formed (collectively, the "Borrower") to finance: (a) the construction of a 112-unit apartment complex to be known as the Edmonds Apartments and to be located at 1132 Edmonds Avenue in Renton, Washington, (b) the construction of a 56-unit apartment complex to be known as the Suncrest Homes and to be located at 2708 NE 10th Street in Renton, Washington, (c) the construction of a 41-unit apartment complex to be known as the Sunset Terrace Apartments and to be located at 2601 Sunset Lane NE in Renton, Washington, and (d) the rehabilitation of a 53-unit apartment complex known as the Golden Pines Apartments, located at 2901 NE 10th Street in Renton, Washington, all as part of the Sunset Area Transformation Plan Housing Project, and all to provide housing for low-income persons (the "Project"), the estimated cost of which is not expected to exceed $76,500,000; and

WHEREAS, the Authority anticipates that the Borrower will request that the Authority issue and sell its revenue bonds for the purpose of assisting the Borrower in financing the Project; and

WHEREAS, the Authority desires to provide such assistance, if certain conditions are met; and

WHEREAS, Treasury Regulations Section 1.103-8(a)(5) requires that, in order for expenditures for an exempt facility that are made before the issue date of bonds issued to provide financing for that facility to qualify for tax-exempt financing, the issuer must declare an official intent under Treasury Regulations Section 1.150-2 to reimburse any such expenditures from the proceeds of those bonds, and one of the purposes of this resolution is to satisfy the requirements of such regulations; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING, That:

Section 1. To assist in the financing of the Project, with the public benefits resulting therefrom, the Authority declares its intention, subject to the conditions and terms set forth herein, to issue and sell its revenue bonds or other obligations (the "Bonds") in a principal amount of not to exceed $42,000,000, and to reimburse itself or the Borrower, as applicable, from proceeds of the

Bonds for expenditures for the Project made by itself or the Borrower before the issue date of the Bonds.

Section 2. The proceeds of the Bonds will be used to assist in financing the Project, and may also be used to pay all or part of the costs incident to the authorization, sale, issuance and delivery of the Bonds.

Section 3. The Bonds will be payable solely from the revenues derived as a result of the Project financed by the Bonds, including, without limitation, amounts received under the terms of any financing document or by reason of any additional security furnished by or on behalf of the Borrower in connection with the financing of the Project, as specified by resolution of the Board of Commissioners of the Authority. The Bonds may be issued in one or more series, and shall bear such rate or rates of interest, payable at such times, shall mature at such time or times, in such amount or amounts, shall have such security, and shall contain such other terms, conditions and covenants as shall later be provided by resolution of the Board of Commissioners of the Authority.

Section 4. The Bonds shall be issued subject to the conditions that (a) the Authority, the Borrower and the purchaser of the Bonds shall have first agreed to mutually acceptable terms for the Bonds and the sale and delivery thereof and mutually acceptable terms and conditions of the loan or other agreement for the Project, and (b) all governmental approvals and certifications and findings required by laws applicable to the Bonds first shall have been obtained. The Executive Director of the Authority or his or her designee is authorized to seek an allocation of volume cap for the Bonds from the Washington State Department of Commerce.

Section 5. For purposes of applicable Treasury Regulations, the Authority and the Borrower are authorized to commence financing of the Project and advance such funds as may be necessary therefor, subject to reimbursement for all expenditures to the extent provided herein out of proceeds, if any, of the issue of Bonds authorized herein. However, the adoption of this resolution does not constitute a guarantee that the Bonds will be issued or that the Project will be financed as described herein, or an endorsement of the Project by the Authority. The Board of Commissioners of the Authority shall have the absolute right to rescind this resolution at any time if it determines in its sole judgment that the risks associated with the issuance of the Bonds are unacceptable.

Section 6. It is intended that this resolution shall constitute a declaration of official intent to reimburse expenditures for the Project made before the issue date of the Bonds from proceeds of the Bonds, for the purposes of Treasury Regulations Sections 1.103-8(a)(5) and 1.150-2.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at an open public meeting this 20th day of January, 2015.

HOUSING AUTHORITY OF THE COUNTY OF KING

____
Chair, Board of Commissioners

ATTEST:

____
Secretary-Treasurer and Executive Director

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary-Treasurer and Executive Director of the Housing Authority of the County of King (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 5498 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a meeting of the Authority held on January 20, 2015, and duly recorded in the minute books of the Authority.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of January, 2015.

____
Secretary-Treasurer and Executive Director of the Authority

TAB NUMBER 7

TO: Board of Commissioners

FROM: Connie Davis, Deputy Executive Director

DATE: January 14, 2015

RE: Standard & Poor's Credit Rating

Executive Summary: In 2014, Standard & Poor's (S&P), an international financial services company, conducted an agency-wide analysis of the King County Housing Authority for the purpose of providing an entity-level credit rating. The awarded rating is "AA" with a stable outlook. An "AA" rating is the second highest rating that can be given by S&P and indicates that KCHA, as an obligor, has very strong capacity to meet its financial commitments. The result of S&P's study is attached to this memo and will be discussed at the upcoming Board meeting.

Background: In early 2014, KCHA entered into an agreement with S&P to conduct an analysis for the purpose of being awarded an S&P credit rating, a widely understood and accepted metric of an entity's financial and managerial strength. Although KCHA has received ratings on individual bonds it has issued, this S&P process would result in an entity based rating. Ten other housing authorities, including Seattle and San Francisco, have undergone this analysis. S&P has developed an industry specific review process that it has used on U.S. housing authorities as well as social housing entities throughout the world.

KCHA received an AA rating. Amongst the other housing authorities rated, three have received an "AA"; two an "AA-; and five an "A+". As the report shows, S&P was highly complementary of KCHA staff in its review, noting that the Authority's management, the strong market for its services, strong finances and relatively low (62.3%) reliance on federal funding resulted in the rating. S&P did note that KCHA is subject to risk from Federal appropriations. Also mentioned, was the wide variability in operating income over the five years studied. These last two factors prevented KCHA from obtaining the highest "AAA" rating; based on KCHA's analysis of the report, it would not be possible to receive a higher rating without some taxing authority.

Staff had an opportunity to respond to the report before it became final. Of primary concern was S&P's characterization of KCHA's revenues as "fluctuating", a term staff eventually settled on. During the five years S&P studied, KCHA received significant grant funding from HOPE VI and ARRA grants. Such capital grants have dedicated, not operating, uses and are generally awarded for a limited number of years.

In addition, as an MTW housing authority, KCHA may receive funds in one year which it chooses to spend in another. This is simply the nature of KCHA's business model, and should not be a cause for concern. Overall, KCHA's operations are remarkably constant.

The entire S&P report is attached to this memo and staff will be available to answer any additional questions the Board may have at the upcoming meeting.

CONFIDENTIAL RATING
SUMMARY ANALYSIS

CONFIDENTIAL

King County Housing Authority, Washington

Primary credit analyst: Aulii T. Limtiaco, San Francisco, (1) 415-371-5023; aulii.limtiaco@standardandpoors.com

Secondary contact: Ki Beom Park, New York, (1) 212-478-8094; kib.park@standardandpoors.com

Research Contributor: Hiral Sanghavi (CRISIL)

Date: December 18, 2014

Issuer Credit Rating: AA/stable

RATIONALE

Standard & Poor's Ratings Services assigned its 'AA' confidential issuer credit rating (ICR) to the King County Housing Authority (KCHA), Wash. The outlook is stable.

The rating reflects our view of:

- KCHA's extremely strong overall management and strategy, as demonstrated by very strong enterprise and financial profile scores as well as by strategic planning efforts that support the authority's mission and established diverse portfolio of attractive housing units throughout King County;
- The authority's very strong enterprise risk profile supported by a significantly lower reliance on social rent than most U.S. public housing authorities (PHAs) and 4.3% annual population growth in the county;
- KCHA's very strong financial risk profile due to positive net operating income, the ability to cover operations and maintenance (O&M) costs with rental income, the capacity to repay debt obligations with EBITDA in a timely manner, and very strong financial policies;
- The authority's extremely strong asset quality and operational performance;
- The high essentiality for KCHA's services, as evidenced by a public housing wait list of more than 13,000 applicants in 2013;
- KCHA's good financial flexibility as a designated Moving to Work (MTW) agency since 2003, with a long-term commitment until 2018; and
- The moderate likelihood KCHA will receive extraordinary government support from the federal government, pursuant to our government-related entity (GRE) criteria.

Partly offsetting the above strengths, in our view, are:

- The appropriation risk associated with a strong reliance on federal funding streams, including the risk of potential underfunding of federal operating fund subsidies and the potential for decline in federal capital fund grants, and
- Fluctuations in KCHA’s financial performance during the past five years.

OUTLOOK

The stable outlook reflects our view of KCHA's very strong management, strategic planning, designation as a high performer by the U.S. Department of Housing and Urban Development (HUD), and designation by HUD as an MTW PHA. There is strong demand for the authority's services in the county's housing market, as indicated by a long waiting list and anticipated market demand.

In our view, the authority's dependence on federal subsidies and grants to fund its operations constrains upward rating movement. We believe a key factor to maintaining the rating is the authority's ability to grow its net operating income and to leverage the needed resources to carry out its development plans, to continue to engage in business activities that provide the organization with additional income sources, and to continue to implement operational and administrative efficiencies amid the current trend of declining subsidies.

COMPARATIVE ANALYSIS

Table 1 below compares KCHA's key measurements with those of three international entities (Housing New Zealand, L&Q Housing in London, and Stadgnoot in Amsterdam) and nine U.S. PHA peers (Boston, Chicago, Houston, Newark, Philadelphia, San Diego, San Francisco, Seattle and Vancouver). In terms of revenues from social housing activity, at 62.3% KCHA has the second-lowest proportion among its U.S peers, and its vacancy rates are among the lowest of public and social housing providers, both domestically and internationally. The financial performance is moderate, as indicated by its EBITDA/revenue, debt/EBITDA, and EBITDA/interest ratios.

Table 1: King County Housing Authority Comparative Analysis

	Enterprise Profile					Financial Profile			
	Economic fundamentals and market dependencies				Asset quality	Financial performance	Debt profile		Liquidity
Entity	Proportion of revenues from Social Housing Activity (%)	Annual Pop. Growth (%)	Average social rent as a percentage of market rent in the main region of operation	Average dwelling price as a percentage of national average	Vacancy Rates (3yr Average) (%)	EBITDA / Revenues (%)	Debt/EBITDA (X)	EBITDA/ Interest (X)	Liqidity Ratio
L & Q	96.0%	0.8%	40.0%	N/A	2.0%	32.1%	16.9	1.2	1.59
Stadgenoot	85.0%	1.4%	N/A	115.7%	2.5%	36.4%	17.4	1.5	1.79
Housing New Zealand	100.0%	1.2%	92.6%	N/A	3.0%	45.1%	4.6	4.0	0.81
Philadelphia PHA	88.7%	1.4%	15.4%	91.4%	3.0%	24.9%	4.5	17.3	4.60
Boston PHA	88.0%	1.2%	20.6%	131.9%	2.0%	13.8%	3.7	106.8	7.40
Chicago PHA	90.8%	0.4%	16.9%	116.1%	6.6%	33.6%	1.1	17.2	8.83
San Diego PHA	85.7%	1.2%	70.5%	132.6%	3.5%	12.1%	2.9	7.6	3.68
Newark PHA	84.6%	0.2%	18.1%	157.5%	11.0%	17.0%	1.4	70.2	1.95
Houston Housing	83.3%	3.0%	43.8%	67.1%	3.2%	9.3%	12.5	18.5	4.37
Cuyahoga Metropolitan Housing Aut	92.1%	-0.8%	16.4%	35.1%	1.0%	14.4%	1.9	8.5	3.47
San Francisco	90.5%	1.3%	12.5%	253.3%	4.7%	10.3%	3.6	39.3	2.03
Vancouver PHA	44.3%	1.6%	63.0%	92.3%	4.4%	43.4%	6.8	3.3	3.02
Seattle PHA	68.7%	2.0%	36.0%	131.0%	2.1%	21.8%	5.1	5.3	1.86
King County Housing Authority	**62.3%**	**4.3%**	**55.2%**	**131.2%**	**1.9%**	**32.2%**	**4.2**	**5.1**	**2.06**

We view KCHA as a GRE, so we apply our recently published criteria, under which we view the authority as having a "strong" link with the U.S. federal government based on the federal government policy, supported by a track record of strong credit support for the public housing sector under certain circumstances. We also view KCHA as having "limited importance" to the federal government because a KCHA credit default would have a low impact on the government. This combination of the "strong" link and "limited importance" leads us to believe that the likelihood of extraordinary support that may be available to this GRE, when required, is moderate. Despite this, KCHA's stand-alone credit rating of 'AA' is in a rating category under which a moderate likelihood of support would not result in a raised rating.

MANAGEMENT

Strategy and Management

In our opinion, KCHA has an extremely strong level of strategy and management, evidenced by the tenure and experience of its leadership team, staff, and board, as well as by the strategic planning efforts the authority makes on a regular basis.

The board of commissioners is composed of five members appointed by the King County executive and approved by the Metropolitan King County council. The current board comprises commissioners with various backgrounds in business, real estate development, and law, and one board member is a long-time KCHA public housing resident. In addition to its monthly meetings and involvement with KCHA on a regular basis, the board meets every three years to conduct a strategic planning retreat.

The authority has roughly 330 full-time employees at its main office in Tukwila, as well as field offices throughout the county. KCHA's senior staff team, headed by an executive director, includes individuals with extensive experience in public housing, housing development, economic development, finance, and asset management. Senior staff team members work in close conjunction to meet KCHA's mission. Each year, senior staff meets in June or July to work on initiatives, special projects, and budgets, as well as to update the authority's five-year capital and financial plans. It manages cash flow on rolling five-year projections, conducting monthly or bi-monthly reviews. The executive committee meets weekly. KCHA also has positive relationships with regional, county, state, and city entities in Washington, which helps to serve its mission of developing and preserving affordable housing in the state.

Since 1992, HUD has named KCHA as a high-performing agency in the areas of financial condition, resident services, management operations, and physical condition of housing. In addition, KCHA has been designated as an MTW agency since 2003. The MTW designation gives KCHA waivers from certain HUD program regulations, providing it more flexibility than a traditional PHA. In our view, this flexibility allows KCHA to better plan for and respond to market conditions and meet its mission. KCHA is one of 39 housing authorities nationwide that participates in the MTW program. These factors result in a score of '1' for strategy and management (see table 2 below).

Table 2: Scores Assigned to King County Housing Authority			
	Score	**Weighting (%)**	**Weighted Score**
Enterprise Profile			
Industry	2	30%	0.6
Economic Fundamentals	1	25%	0.3
Strategy and Management	1	23%	0.2
Asset Quality & Operational Performance	1	23%	0.2
Total for Enterprise Profile	**2**		1.3
Financial Profile			
Financial Performance	3	30%	0.9
Debt Profile	1	30%	0.3
Liquidity	1	30%	0.3
Financial Policies	2	15%	0.3
Total for Financial Profile	**2**		**1.8**

MARKET INFORMATION

Industry Risk

U.S. PHAs' focus on affordable housing lends further stability with low competitive risk. The U.S. PHA industry risk scores a '2' (see table 2), a combination of individual assessments: a sub-score of '2' for cyclicality and a sub-score of '2' for competitive risk, with no adjustment for the support of government policies for the industry. Economic cycles are more likely to affect U.S. PHAs than other types of social services because real estate fluctuations can change asset values. Real estate markets can be overbuilt, leading to depressed occupancy rates, rentals, and property values; residential rental markets typically pose less risk relative to other property classes, and U.S. PHAs' focus on affordable housing typically lends further stability. Competitive risk is fairly low because of effective barriers to entry in many jurisdictions, minimal risk of substitution, and overall stable trends in growth and margins. In addition, ongoing government subsidies, other support, and oversight limit volatility, with the overall importance of the service delivered, limit the potential for negative government intervention, in our opinion.

Economic Fundamentals and Market Dependencies

KCHA is an independent municipal corporation created under the laws of the state of Washington in 1939 to provide affordable housing and related services. The authority receives no operating funds from the state, the county, or the region's cities. The authority receives subsidies, primarily for operations and modernization activities, from the federal government. HUD is the federal oversight entity and is responsible for allocating subsidies for all PHAs.

KCHA owns and/or operates approximately 8,900 units across 127 properties, including roughly 3,300 units of federally funded housing for families, the elderly, and people with disabilities. The authority also administers more than 11,000 rental vouchers. Overall, KCHA provides housing services for more than 18,000 households throughout King County. In our opinion, KCHA's essentiality to the market it serves is very strong. As with other PHAs in the country, the market demand for KCHA's housing services far exceeds supply.

According to audited financial statements for fiscal 2013, average social rent as a percentage of market rent in the main region of operation is about 55%. This, along with other ratios and qualitative factors, results in a score of '1' for economic fundamentals (see table 2).

ECONOMIC INDICATORS

King County, spread over 2,115 square miles, is the most populous county in Washington and is part of Seattle-Tacoma-Bellevue, Wash. metropolitan statistical area, which consists of King, Snohomish, and Pierce counties. The metro area's economy is strong, in our opinion. It has expanded in 2014, which has led to a rise in employment. The economy is driven by the trade, transportation, and utilities sectors, which together have increased by 3.8% year over year and have added more than one-quarter of jobs during the past year. Job growth is projected to average approximately 1.5% per year during the next five years according to IHS Global Insight. Also, the unemployment rate dropped to 5.0% in July 2014 from 9.6% in 2010, and is projected to fall to 4.8% by the end of 2017.

According to REIS, the housing market is the fastest-growing sector in the metro area, mainly due to a rebounding construction sector, which grew by 4.3% year over year, adding 3,900 new jobs Commercial construction has been the major contributor to the overall construction gains. Residential housing is booming in Snohomish County due primarily to a drop in housing production in King County. Housing starts in the area are expected to rise by 9.9% year over year to 21,942 units in 2014, and are up from 9,179 units in 2010. They are projected to reach 24,124 units within the next three years. Home sales, which consist primarily of single-family homes, have also climbed since 2010.

Property

KCHA owns and/or operates approximately 8,900 units throughout King County, consisting of traditional public housing units, elderly units, mixed-use sites (including commercial components), mobile home parks, and mixed-finance properties, and income-restricted and public housing units are mixed in with market rate homes. In our opinion, the authority has maintained or improved the physical quality of a number of its properties and has diversified its property types to add new options for residents.

As part of the rating process, we conducted site visits to a sampling of the portfolio and ranked the portfolio an overall '2' on a five-point scale in which '1' is the highest. Physical curb appeal on newly developed and renovated properties is good, in our view, and in most cases better than that of properties in the immediate area. In our opinion, KCHA demonstrates strong efficiencies in its property management functions and is taking appropriate action to improve its financial strength and provide quality housing for residents. KCHA's improvements to property and asset management have, in our opinion, led to strong operational metrics. Occupancy and rent collection averaged nearly 99% in 2013, and the average turnaround time was 18 days for KCHA-managed properties and 30 days for externally managed properties. These factors lead to a score of '1' for asset quality and operational performance (see table 2).

FINANCIAL PERFORMANCE

KCHA's rental revenues have grown steadily during the past five years; however, overall revenues have dropped during the past few years due mainly to declines in contributions and capital grants. Despite this, the authority has been able to contain its expenses and show positive, albeit declining, net operating income. Net operating income was $14.2 million in fiscal 2013, down a substantial 63% from fiscal 2012, due to a decrease in funding, as a result of sequestration, and an increase in housing assistance payments. Rental income continues to be nearly double the O&M expense. We expect the authority will maintain this proportion due to the uncertainty of future contributions and grants. The authority's three-year average of EBITDA to revenue of 31.9% is slightly higher than those of its peers, resulting in a final score of '3' (see table 2).

Debt profile: Extremely strong debt profile among global peers

KCHA has extremely strong debt management policies and maintains a strong debt ratio despite its high debt portfolio. In fiscal 2013, the authority had $307 million in debt, an increase of $53.2 million from the previous year. Its debt-EBITDA ratio (average of actual results for the past three years) is 4.2x. EBITDA interest coverage (average of actual results for the past three years) of 6.7x represents a very strong debt profile. Both measurements lead to a final score of '1' (see table 2).

Table 3					
King County Housing Authority Financial Summary					
	2009	**2010**	**2011**	**2012**	**2013**
Assets					
Total Current Assets	138,822,107	156,569,619	159,239,327	152,653,770	162,111,725
Total Long Term Assets	552,293,425	706,048,444	708,846,502	708,445,972	752,967,621
Total Assets	691,115,532	862,618,063	868,085,829	861,099,742	915,079,346
Average Total Assets	673,713,706	759,464,971	762,198,854	758,705,811	785,695,613
Liabilities					
Total Current Liabilities	55,932,399	88,910,630	54,005,016	37,616,284	70,705,354
Total Long Term Liabilities	198,435,245	301,958,500	275,583,971	258,169,641	277,819,979
Total Liabilities	254,367,644	390,869,130	329,588,987	295,785,925	348,525,333
Net Assets/Equity					
Net Assets / Equity, End of the Year	436,747,888	471,748,933	538,496,843	566,048,385	567,678,049
Average Equity	376,890,156	394,390,678	427,764,633	441,540,404	442,355,236
Total Liabilities & Net Assets / Equity	691,115,532	862,618,063	868,085,830	861,834,310	916,203,382
Revenue					
Rental Income	52,098,279	58,972,195	62,292,260	65,390,179	70,362,432
Total Contributions and Grants	154,511,469	156,978,750	178,413,948	146,892,891	123,832,135
Other Income	10,322,526	11,433,147	7,511,543	31,315,104	32,713,632
Total Revenues	216,932,274	227,384,092	248,217,751	243,598,174	226,908,199
Expenses					
Operations and Maintenance	32,020,235	39,884,264	35,347,131	35,833,187	32,777,776
Housing assistance payments	70,061,548	74,835,937	76,072,737	105,132,510	113,873,130
Real Estate Taxes	-	-	-	-	-
Depreciation/Amortization	17,029,546	18,719,268	20,482,371	21,220,847	21,872,085
General &Adminstrative	33,767,056	37,254,536	39,822,398	40,324,414	41,541,521
Other Expenses	3,463,457	3,307,198	5,154,506	2,623,139	2,630,304
Total Operating Expenses	156,341,842	174,001,203	176,879,143	205,134,097	212,694,816
Adjustments to Net Operating Income					
Gain (loss) on sale of assets	227,103	(3,174,615)	5,189,560	(37,311)	44,374
Tax Expense	-	-	-	-	-
Interest and Investment Income	2,871,024	6,023,939	5,738,604	7,211,016	4,528,466
Capital Contributed/capital grants	-	-	-	-	-
Interest Expense	11,938,641	17,045,322	16,576,942	16,079,109	11,410,444
Other expenses	-	-	-	-	-
Other income	-	-	-	-	-
Change in Net Assets / Equity (Net Income)	51,749,918	39,186,891	65,689,830	29,558,673	7,375,779
Net Assets / Equity at Beginning of the Year	386,397,583	438,147,501	472,911,333	538,601,163	566,152,705
Net Assets / Equity, End of the Year	438,147,501	472,911,333	538,601,163	566,152,705	571,521,353
Operating Activities					
Change in Net Assets / Equity (Net Income)	51,749,918	39,186,891	65,689,830	29,558,673	7,375,779
Net Cash provided by operating activities	(52,749,330)	(82,021,534)	(51,347,507)	(88,995,531)	(90,987,632)
Investing Activities					
Net Cash provided by investing activities	24,779,356	273,001	49,218,257	(27,517,531)	30,834,437
Financing Activities					
Net Cash provided by financing activities	41,079,607	86,319,584	59,412,754	92,344,424	83,344,176
Net Increase/Decrease in cash equivalents	13,109,633	4,571,051	57,283,504	(24,168,638)	23,190,981
Key Measurement					
EBITDA ($)	89,558,619	89,147,479	108,397,921	75,764,033	47,495,912
Debt ($)	226,244,197	350,942,719	288,181,435	254,428,839	307,649,148
Debt Service ($)	45,752,539	47,335,317	30,910,080	25,036,303	80,191,060
Voids, Vacancy (%) of Revenues	2.1	2.9	2.2	1.5	1.4
Arrears (% of Revenues)	100	100	100	100	100
Average social rent as a percentage of market rent in the main region of operation	41.2	46.2	48.2	51.8	55.7
Average dwelling Price as (%) of national average	130.9	130.9	130.9	130.9	130.9
EBITDA / Revenues (%)	41.3	39.2	43.7	31.1	20.9
Debt / EBITDA (x)	2.5	3.9	2.7	3.4	6.5
EBITDA interest coverage (x)	7.5	7.8	9.4	6.7	3.9
Funds from Operations ($)	(64,703,443)	(93,433,669)	(62,896,948)	(100,336,046)	(103,075,346)
Cash from Operation ($)	(52,749,330)	(82,021,534)	(51,347,507)	(88,995,531)	(90,987,632)
Cash and Liquidity ($)	134,531,137	147,018,969	149,876,757	142,449,246	155,733,520
Net Working Capital ($)	82,889,708	67,658,989	105,234,311	115,037,486	91,406,371
Working Capital excluding Cash ($)	(14,047,190)	(16,799,064)	(14,777,668)	(19,179,349)	(14,354,432)
Pop Growth (%)	4.30%	4.30%	4.30%	4.30%	4.30%

Liquidity: Extremely strong ratio

We consider KCHA's liquidity to be extremely strong. Management forecasts that it will pay down debt from the potential sale of property by 2015. For fiscal 2014, we estimate the sources of liquidity to be $149.5 million and the uses to be $72.5 million, leading to a liquidity ratio of 2.06. KCHA's ratio, as well as other factors such as strong access to external liquidity, results in a liquidity score of '1' (see table 2). This ratio contributes to the 'aa' stand-alone credit profile and 'AA' rating.

Table 4: King County Housing Authority Sources and Uses of Liquidity		
	2013	2014
A: Sources of liquidity		
Forecasted cash generated from continuing operations if positive		
Cash and liquid investments (current values)	147,018,969	134,531,137
Forecasted working capital inflows, if positive		
Proceeds from asset sale (when confidently predictable)		
Undrawn committed facilities which matures after 12 months and can be drawn		
Expected ongoing cash injection from a component unit		
Other receipts if applicable		15,000,000
Total sources of liquidity	147,018,969	149,531,137
B: Uses of liquidity		
Forecasted cash generated from continuing operations, if negative		
Forecasted working capital excluding cash outflows, if negative	16,799,064	14,047,190
Expected capital expenditure over the next 12 months		
Interest and principal payments due on debt over the next 12 months	44,273,107	43,409,471
Less: component unit interest due to SHA (eliminate)	(3,092,009)	
Other payments, if applicable		15,000,000
Total uses of liquidity	57,980,162	72,456,661
Liquidity Ratio	2.54	2.06

Financial policies: Positive credit impact with high degree of transparency

KCHA's financial policies are well established and provide, in our opinion, sufficient oversight and prudence consistent with its rating. In our view, KCHA's management employs sound financial and budget practices, proactive planning and conservative views regarding risk mitigation. As noted previously, KCHA conducts capital and financial planning on a rolling five-year basis, with reviews annually. The asset management team analyzes work orders to help determine priority needs and perform physical inspections to inform the capital needs plan, and it emphasizes preventive maintenance to reduce unmet capital needs. The authority maintains various reserves for risk mitigation and has a very conservative debt profile, with only 5% variable-rate bonds in its portfolio, approximately 50% of which are swapped to fixed rates with two counterparties rated 'A' and 'AA-.' These factors result in a financial policies score of '2' for (see table 2).

Investments

KCHA follows the State of Washington's investment guidelines. The authority diversifies its investments by security type and institution. it maintains a conservative investment policy that requires that with the exception of U.S. Treasury securities, investment agreements for trustee held funds, and authorized pools, no more than

15% of the authority's total investment portfolio will be invested in a single security type or with a single financial institution.

Related Criteria And Research

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Criteria: Public And Nonprofit Social Housing Providers, July 11, 2012
- Investment Guidelines, June 25, 2007
- Methodology: Industry Risk, Nov. 19, 2013
- Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Country Risk Assessment Methodology and Assumptions, Nov. 19, 2013

Disclaimer

TAB NUMBER 8

King County Housing Authority

TO: Board of Commissioners

FROM: Megan Hyla, Director of Policy and Intergovernmental Affairs
Mike Reilly, Senior Director of Housing Management

DATE: January 14, 2014

RE: Briefing on the MTW Innovations Report prepared by Abt Associates

Last December, Abt Associates, an internationally recognized research firm with significant expertise in the field of housing and community development, released a report on the Moving to Work (MTW) demonstration program. The report focuses on MTW innovations across all MTW agencies and includes case studies of five agencies that have been "particularly far-reaching" in their use of MTW authority, including KCHA. At the Board meeting in January, staff will provide a briefing on this report.

Chapter 9. King County Housing Authority

Overview of PHA's Participation in MTW

Launched in 2003, the King County Housing Authority (KCHA)'s MTW program has evolved over time to cover an expanding number of policy changes and initiatives across a broad array of programmatic areas. Rather than orienting its MTW plan around one or two signature initiatives, KCHA has integrated MTW authority into the fabric of its day-to-day operations to the point where MTW is not seen as a stand-alone program but rather as a means to the end of achieving KCHA's broader policy goals, which include reducing homelessness and improving residents' educational opportunities. The waivers in KCHA's current MTW Plan are thus instrumental pieces of KCHA's broader policy agenda, rather than the sum total of that agenda.

Some of the more significant waivers requested in KCHA's initial MTW Plan focused on addressing longstanding concerns with specific HUD policies. Over time, however, KCHA leadership and staff have moved from an approach that "reacts" to HUD's existing regulations to a more "proactive" approach in which KCHA staff first decide how they wish to structure their programs and only then determine whether changes are needed in HUD regulations through MTW.

Among other goals, KCHA has sought to use MTW authority to improve the quality and quantity of affordable housing in King County. To this end, KCHA has used the single-fund flexibility provided by MTW to increase funding for the operation and renovation of public housing, to increase the number of households served with housing vouchers above the baseline for which KCHA's federal voucher funding is calculated, and to meet other identified needs. These activities are made possible by programmatic changes that created surplus funds by reducing per-units costs--including the adoption of a multi-tiered voucher payment standard structure, changes in KCHA's policies for assigning voucher unit sizes that have led to smaller voucher sizes, and policies that have improved administrative efficiency. KCHA's Executive Director, Stephen Norman, asserts that the freedom that MTW provides to use the "savings" that result from more efficient policies to advance KCHA-identified goals provides a strong incentive to adopt these kinds of reforms.

KCHA staff pride themselves on providing a path to stable housing for people that wouldn't otherwise have one, including: younger adults who are homeless or aging out of foster care, people with mental disabilities and other homeless people. Consistent with these goals, KCHA has created a division focused on addressing homelessness, and has used its MTW authority to provide sponsor-based assistance to hard-to-serve populations and facilitate the project-basing of vouchers for permanent supportive housing.

KCHA also owns and operates a large number of rental properties that are not assisted by HUD – both LIHTC and unsubsidized properties – and has used its MTW authority to facilitate the integration of its assisted and non-assisted portfolios – in particular, by making it easier to project-base vouchers in KCHA housing units located in "opportunity areas."

Finally, KCHA has recently begun implementing an agenda focused on improving children's academic performance, which includes a number of specific components – some of which use MTW authority and others of which do not – including initiatives to promote residential stability during the school year, to facilitate the mobility of families with children to neighborhoods with better schools, and a pilot transitional housing program to help children who would otherwise be homeless maintain school stability.

Overview of PHA and Community

As of the end of fiscal year 2012, KCHA was providing housing subsidies to 13,803 households, including 11,347 vouchers, 1937 public housing units, 386 units of other forms of housing assistance, and 133 households receiving sponsor-based assistance.[81] The number of public housing subsidies administered by KCHA has declined by about 40 percent during the course of its participation in MTW, largely through the conversion of public housing to project-based Section 8 and changes in the size and unit mix of developments revitalized through HOPE VI. At the same time, KCHA's overall inventory of housing assistance has increased by about 1138 units, a bit more than half of which are due to the receipt of incremental vouchers through specialized HUD programs like VASH and the Family Unification Program, with the balance representing additional households the agency says it is able to house due to the flexibility of MTW. The latter category includes, among others, 142 units of sponsor-based assistance and 275 housing vouchers above and beyond their voucher baseline.

KCHA operates in a suburban county adjacent to Seattle. The housing market in King County is generally strong, though conditions vary in different parts of the county.

PHA Inventory

Exhibit 9-1, from KCHA's FY 2012 MTW Report, shows the breakdown of KCHA's inventory of assisted units as of the end of FY 2012 and compares these figures to comparable counts from FY 2003, before KCHA entered the MTW program. A few important notes:

- This exhibit excludes port-in vouchers that are administered by KCHA, which numbered 2,393 at the end of FY 2012. The port-ins account for most of the difference between the total unit count shown in this chart and the total number of assisted households reported by KCHA.
- The chart also excludes 5,370 "workforce" units that KCHA maintains in its bond-financed and LIHTC portfolios. These units are not included in the total numbers of households reported to HUD unless they have some other form of assistance (such as a project-based voucher) because they are not otherwise HUD-assisted units.
- KCHA staff indicate that the 563 units shown on this chart as enhanced/relocation non-MTW vouchers will convert to regular MTW vouchers one year after they are awarded. For all practical purposes, therefore, these units should be considered part of the MTW count going forward. Most of these enhanced/relocation vouchers were provided to residents when KCHA converted its scattered site public housing portfolio to project-based vouchers.

[81] Table 2.B, King County Housing Authority, FY 2012 Moving to Work Annual Report. The FY 2013 Annual Report indicates that KCHA was serving 14,062 households as of the end of FY 2013, a slight increase over the past year. Because the FY 2013 MTW report does not include the same level of detail on household and units counts as the FY 2012 MTW report, this case study will focus on the data provided in the FY 2012 report.

Exhibit 9-1: KCHA Inventory in FY 2012 (Public Housing, HCV, Other-HUD and Local programs)

Program	Inventory at MTW Program Entry: 2003	Inventory at Fiscal Year Begin: Jan 1, 2012	Inventory at Fiscal Year End: Dec. 31, 2012
Public Housing: MTW	3292	2488	1966
Total PH Inventory	**3292**	**2488**	**1966**
HCV: General MTW	6024	5858	5263
HCV: Project-based MTW	0	1423	1998
HCV: Local MTW-funded	0	43	275
Total MTW Vouchers	**6024**	**7324**	**7536**
Other MTW: Sponsor-based	0	142	142
Total Other-MTW	**0**	**142**	**142**
VASH, non-MTW	0	213	270
Mainstream, non-MTW	350	350	350
Designated, non-MTW	0	100	100
Certain Development, non-MTW	0	100	100
FUP-2009/2010, non-MTW	0	132	139
Enhanced/Relocation non-MTW	0	157	563
Total non-MTW Vouchers	**350**	**1052**	**1522**
Other HUD: Sec 8 New Construction/236	174	196	196
Other HUD: Preservation	271	41	41
Other, non-HUD: LOCAL	303	149	149
Total other programs	748	386	386
TOTAL	**10,414**	**11,392**	**11,552**

Comparing the FY 2012 figures to the FY 2003 baseline yields the following high-level conclusions about changes in KCHA's inventory:

- KCHA's inventory of HUD-assisted housing has increased from 10,414 in 2003 to 11,552 as of the end of FY 2013, an increase of 1,138 units.
- Of these increased units, a bit more than half (609) are attributable to the incremental receipt of new housing assistance from HUD, comprised of 270 VASH vouchers, 139 Family Unification Program vouchers, 100 "designated" vouchers and 100 "certain development" vouchers. ("Designated" and "certain development" vouchers are for non-elderly families that include a person with a disability affected by decisions by PHAs or private owners regarding the occupancy rules for specific developments.)
- The balance of units (529) represents the number of additional units KCHA it is able to provide due to its MTW authority; 142 of these units are provided through contracts for sponsor-based assistance and 275 are housing vouchers above and beyond KCHA's voucher baseline.

- The number of units funded with public housing subsidies has decreased from 3,292 at baseline to 1,966 as of the end of FY 2012, largely due to conversions of some developments to project-based vouchers and changes in the size and unit mix of developments revitalized through HOPE VI.

Households Served

KCHA reports that 97 percent of the households it serves have incomes that are at or below 50 percent AMI (very low-income), very close to the share in the baseline year of FY 2003. Currently, 86 percent of households receiving Section 8 assistance and 90 percent of households in public housing have incomes that are at or below 30 percent of AMI; the comparable figures in April 2003 (per the 2004 MTW Plan) were 89 percent (Section 8) and 90 percent (public housing).

Exhibit 9-2 presents a brief summary of KCHA households served.

Exhibit 9-2: KCHA Households Served

Strategy	Base Year (2003)		Recent Fiscal Year (2013)	
	Public Housing (%)	Vouchers (%)	Public Housing (%)	Vouchers (%)
Income				
<=30% AMI	90%	89%	90%	86%
30-50% AMI	9%	11%	8%	12%
51-80% AMI	1%	1%	2%	2%
>80% AMI				
Race/Ethnicity				
African American	15%	35%	17%	39%
Asian	24%	4%	23%	9%
White	58%	55%	56%	46%
Hispanic	2%	2%	4%	6%

SOURCE: Picture of Subsidized Housing (FY 2013); FY 2004 MTW Plan

PHA Community

KCHA serves the part of King County, Washington that is not within the city boundaries of Seattle and Renton, which are served by separate housing authorities. According to the 2010 Census, King County had 1,931,249 people, of whom 608,660 lived within the boundaries of Seattle and 90,927 lived within the boundaries of Renton, leaving a population about twice the size of Seattle to be served by KCHA. King County overall is a large area of 2,115 square miles – nearly twice the land area of Rhode Island – of which just 84 square miles are within the City of Seattle and 23 square miles are within the City of Renton.

One of the challenges involved in working in a large suburban community is that there are fewer facilities available to serve poor households. There are also coordination issues involved in working with the numerous cities and towns within the county. At the same time, the different scale of the PHA (county-wide) relative to the political entities responsible for day-to-day governance (cities and towns) appears to facilitate a level of independence for KCHA that empowers it to act in the best interests of its residents without substantial political interference.

As with other large regions, King County includes communities that are wealthier and poorer. For the most part, the residents of south King County – especially in the neighborhoods adjacent to Seattle, including White Center – are poorer than those of east King County, which includes such wealthy suburbs as Bellevue, Kirkland, Mercer Island and Redmond. Because the schools in east King County generally exhibit a higher level of performance than those in south King County, KCHA is focused on expanding opportunities for its residents to access those schools by helping them move to specific areas of high opportunity within east King County. KCHA's analysis of high-opportunity areas is informed by an "opportunity mapping" analysis conducted by the Kirwan Institute.[82]

According to Dupre & Scott, a regional market research firm, the gross vacancy rate as of September 2013 for the Puget Sound region (King, Pierce, Snohomish, Kitsap, and Thurston counties) was 4.7 percent, down from 5.5 percent the prior year. As vacancy rates have fallen, rents have risen, continuing a steady increase that began in March 2010.[83]

Notwithstanding the tight rental market, KCHA reports in its FY 2013 MTW Report that 86.2 percent of households newly issued a housing voucher are able to use their vouchers successfully before they expire, which compares favorably to the 82.4 percent success rate of KCHA voucher recipients in the MTW baseline year of FY 2003 and to the national average success rate found in the last national study of voucher success rate of 69 percent (based on data from 2000).[84]

MTW Participation

This section describes how KCHA has developed its goals relating to the MTW demonstration, how the agency uses data for performance measurement and goal setting, and the agency's decision-making process.

Goals and Evolution of MTW at the PHA

As described in its FY 2013 MTW Report, KCHA's strategic plan focuses on five broad themes:

- Expanding and preserving the region's supply of affordable housing
- Promoting housing choice
- Increasing self-sufficiency
- Improving operational efficiency and cost effectiveness
- Reducing our environmental footprint

These are the agency's overall goals, rather than its specific MTW goals. However, KCHA has used MTW authority extensively to advance each of the first four goals, as well as to implement a Healthy Homes pilot consistent with the fifth goal.

As with many other housing agencies participating in MTW, the waivers requested by KCHA pursuant to its MTW authority have changed and expanded over time, although the trajectory of KCHA's MTW program appears to be more a story of continuous evolution than one of distinct phases. Whereas

[82] See http://kirwaninstitute.osu.edu/docs/KingCounty.pdf
[83] http://www.duprescott.com/productsservices/articleinfo.cfm?ArticleId=634
[84] Larry Buron and Meryl Finkel. Study of Section 8 Voucher Success Rates; Volume 1. (2001). Abt Associates under contract to the US Department of Housing and Urban Development. Contract No. C-OPC-18571.

many of the initial changes requested by KCHA represented “reactions” to existing HUD rules they wanted to change, over time KCHA has adopted a more proactive approach in which KCHA staff first decide what they want to do from a programmatic standpoint and only then ask whether MTW authority is needed to implement those changes.

KCHA’s initial MTW plans started out with what KCHA staff describe as “low-hanging fruit.” They had a long list of things they wanted to change and started by requesting HUD approval for changes to address some of the more straightforward issues while they worked internally to address more complex issues. Many of the initial changes were focused on reducing administrative costs. For example, KCHA eliminated the requirement that they re-inspect housing voucher units with minor deficiencies identified in HQS inspections, allowing owners to self-certify that the minor repairs had been completed. KCHA also eliminated annual rent reasonableness checks, conducting the checks only upon initial occupancy and when owners requested a rent increase, unless there was documented evidence of a shift in the rental markets.

A number of the administrative changes included in early KCHA MTW plans were designed to facilitate the integration of KCHA’s two portfolios – its public housing and housing voucher portfolio, funded by HUD, and its workforce housing portfolio funded through Low Income Housing Tax Credits (LIHTCs) and tax-exempt bonds. For example, KCHA obtained a waiver through MTW allowing it to inspect and conduct rent reasonableness checks on units owned by KCHA, eliminating the need to work through a third party. KCHA also adopted changes making it easier to project-base units in KCHA’s properties.

Among the many other changes adopted in KCHA’s initial MTW plans were changes designed to address specific problems that KCHA had experienced, such as the challenges of serving a mixed population of older adults and non-elderly persons with disabilities in a single development. Certain developments had developed a negative reputation among elderly residents for noise and disruption. To address this issue, KCHA obtained a waiver allowing it to cap the share of non-elderly disabled households in each development to even out the percentages across the developments. KCHA staff report that this has led to a more manageable mix in each development and was preferable to making the buildings “senior only” – the only option under traditional HUD regulations.

Over time, as KCHA implemented larger and more complex items on its initial list – such as the EASY (elderly/disabled) and WIN (non-elderly, non-disabled) changes to rent policy to reduce the frequency of income certifications, reduce disincentives to increased earnings and otherwise streamline the rent calculation process – the role of MTW appears to have shifted from addressing longstanding concerns with existing HUD rules to using MTW as a means to an end to achieve KCHA’s broader policy goals. For example, in part due to the limited availability of sites for the development of permanent supportive housing, KCHA has developed relationships with service providers whereby the service provider selects households in need of affordable housing, master leases units on behalf of the households, and then administers the assistance as “sponsor-based assistance.” In designing this program, which launched in FY 2007, KCHA did not start with the HUD rules and ask what changes were needed to make the program work but instead developed a new program essentially out of whole cloth, funded with MTW flexible funds rather than through waivers to the voucher program.

Another, more recent example, is the suite of initiatives that KCHA has recently adopted to help the children among its residents perform better in school. Working collaboratively with the school districts, KCHA has developed a range of new initiatives, including: (a) a rapid rehousing pilot to help homeless children move out of shelters and into housing located within an area served by their existing school; (b) a marketing campaign to encourage voucher-holders to avoid moves during the school year; (c) counseling to encourage and help families with children to move to opportunity areas; and (d) a place-based focus on strengthening educational facilities and programs in White Center, Kent and Bellevue. Some of the initiatives required MTW authority, while others did not. Regardless, the first step was to ask what was needed to advance KCHA's programmatic objectives, and only then did KCHA ask what MTW waivers might be needed to implement these programs. The components of this education initiative made possible through MTW—for example, the rapid rehousing pilot—complement the components that are possible under standard HUD authority, such as the development of 18 community centers on its properties that provide after-school programming and other services for residents.

While the manner in which KCHA approaches MTW has evolved over time, many of the goals animating KCHA's MTW agenda have remained the same over the years. As stated in KCHA's FY 2004 MTW report, these include:

- "Preserving and increasing the affordable housing stock and tenant-based units in the county, while continuing to focus on those greatest in need.
- Expanding clients' program, location, and other housing choices. Increasingly, the communities they choose will be or become more economically integrated and will offer the support services they need to be successful.
- Increasing resident self-sufficiency. More residents will become employed, retain their employment longer, and experience faster income progression. This will lead to a higher percentage of positive transitions out of assisted housing, including transition to homeownership.
- Greater efficiency and effectiveness through simplifying and streamlining operations, decentralizing management, increasing program user-friendliness, and increasing the financial stability of KCHA programs."

While not called out in this particular articulation of KCHA's MTW goals, KCHA's "focus on those greatest in need" has always included an interest in helping to meet the housing and services needs of the homeless. While KCHA remains focused on promoting positive transitions out of assisted housing, its goals with respect to economic self-sufficiency have shifted over time, in part because of the economic challenges associated with the recent recession which made it harder for residents to earn enough to afford unsubsidized housing. In recent years, KCHA has begun to focus on boosting educational achievement for residents' children in the hope of influencing the long-term trajectory of economic mobility.

MTW Decision-Making Process

As described by KCHA staff, the process of developing their initial MTW plan involved soliciting the opinions of a large number of staff. On the public housing side, for example, KCHA leadership put a list of topic areas in a box, and asked staff members to pull a topic out of the box. Staff were then asked to answer the same question, "If you could change something about this topic, what would you change?"

In some cases, KCHA has learned over time the benefits of obtaining the views of a broader range of staff. For example, a comprehensive effort was made to obtain the views of line staff early on in the design of the WIN rent policy, in order to troubleshoot potential problems. This feedback led to fewer implementation problems than with the EASY rent policy that had previously been adopted and was not as widely vetted.

In subsequent years, KCHA has developed its MTW plans through a mix of accumulating ideas during the year for purposes of inclusion in the next year's MTW plan, and brainstorming new ideas at the time the report is prepared. To facilitate the identification of needed MTW waivers during the year, the MTW coordinator participates in separate monthly meetings that senior public housing and voucher program staff hold to review program progress. The MTW coordinator also sends out an email every year to lead staff in each operating department to solicit activities that need to be added to the plan.

KCHA staff describe a generally positive relationship with residents and other organizations with an interest in the outcomes of their programs. In general, it appears there are fewer advocacy groups active on housing issues in suburban King County than in a typical city environment, and KCHA's Executive Director said KCHA had made a point of inviting legal services in on the ground floor to obtain their input and anticipate and address any concerns. It also appears that some of the initial concerns that advocates in the region had about MTW were worked out in connection with the earlier implementation of the MTW program of Seattle Housing Authority, which began several years before KCHA's. Given KCHA's strong focus on using its MTW authority to help the homeless, KCHA has particularly strong support from homeless service providers.

Several KCHA staff members mentioned that they had benefitted from learning from other agencies, including Cambridge, Portland, San Antonio, Oakland, Seattle and San Mateo. One staff member credited Portland with facilitating a West Coast affinity group for MTW agencies, which meets periodically and provides an opportunity for sharing promising practices.

Performance Measurement and Evaluation

KCHA has a number of mechanisms in place to track outcomes of its MTW program. Some of these performance measurement systems are specific to MTW – in particular, those required by HUD in connection with the annual MTW reports and other required reporting. Others are part of KCHA's broader efforts to track outcomes so that adjustments can be made when needed.

KCHA's Executive Director described the broad area of performance measurement and evaluation as one that KCHA was still refining and which they expected to further improve. Nevertheless, KCHA appears generally to be an agency that values data and uses it to improve its understanding of its programs. Current performance measurement and evaluation mechanisms include a dashboard focused on key outcomes for the agency as a whole, relative to the FY 2003 pre-MTW baseline, and measures of what it calls "operational excellence." The key outcomes are shown in Exhibit 9-3 and the measures of operational excellence are shown in Exhibit 9-4.

Exhibit 9-3: KCHA Key Dashboard Outcomes

Measure	FY 2003	FY 2014
Number of households served	11,260	14,062
Number of transitional and supportive housing units	1,956	3,258
Share of vouchers being used in the higher payment standard areas, an indicator of access to opportunity	11.7%	19.3%
Share of assisted households that are very low-income	97%	97%
Share of voucher-holders with rent burdens above 30 percent	40.2%	44.3%

Exhibit 9-4: KCHA Operational Excellence Measures

Measure	FY 2003	FY 2014
Voucher success rates	82.4%	86.2%
Voucher utilization	98.8%	103.9%
Public housing occupancy rates	98.9%	98.3%
REAC Physical inspection scores for public housing	93.3%	94.4%

KCHC also evaluates its performance through the following mechanisms:

- The FY 2013 MTW report reports on 25 performance measures that match up to groups of waivers obtained through MTW. These measures are drawn from the HUD form 50900.
- While KCHA has not commissioned an overall evaluation of its Moving to Work program, it periodically commissions evaluations of specific initiatives. For example, the FY 2013 MTW report attached a third-year report on the Resident Opportunity Plan, conducted by Clegg & Associates. Another report, from 2010, documents lessons learned from KCHA's sponsor-based program to serve chronically homeless adults in south King County.
- For each of the past four years, KCHA has conducted a detailed analysis of the characteristics of households entering and exiting its housing programs. This report provides KCHA with information on trends in new occupants, as well as analysis to support KCHA's classification of those exiting the program into categories reflecting successful, unsuccessful, or neutral exits. KCHA classifies exits for homeownership or over-income as "successful" and moves to other rental housing or in with family as "likely successful." Information on the share of exits from KCHA housing that are successful or unsuccessful are among the statistics reported in a high-level dashboard report that KCHA provides its Board of Directors.
- Based on data sharing agreements with specific school systems, KCHA is in the process of developing dashboard reports to track educational outcomes for children in several of its housing developments. These reports will be considered by KCHA and its partners in developing programs to help children do better in school. Data from this effort has already led to the development of a rapid rehousing pilot to help the children of homeless families move from shelters into housing located within a neighborhood served by the children's existing school.

- KCHA has a data-sharing agreement with the Department of Health and Human Services and is looking at the overlap with households served by DHHS through such programs and services as TANF, Children's Administration, and health services.
- KCHA surveys its residents annually. The survey provides information on resident satisfaction with different aspects of management, resident complaints, services of interest, and languages that residents speak.

Consistent with KCHA's expressed interest in strengthening their data and evaluation capacity, KCHA plans to hire several new staff to augment this capacity.

Major Policy Changes enabled by MTW

This section describes the major policy changes enacted by KCHA as part of the MTW demonstration. Exhibit 9-5 is a brief summary of selected innovations adopted by KCHA through its MTW authority. The following sections provide additional detail on selected KCHA policy changes, organized by the innovation types used throughout this report.

Exhibit 9-5: Summary of KCHA's MTW Innovations

Increasing Cost Effectiveness	• EASY rent policy. Applicable to assisted households headed by an elderly individual or a person with a disability, the EASY rent policy largely eliminates deductions and switches to a three-year recertification cycle. • WIN rent policy. Applicable to non-elderly non-disabled assisted households, this policy switches to a two-year recertification cycle and replaces income-based rents with rents determined by broad income bands. • Using MTW authority, KCHA has been able to modernize individual public housing units when tenants vacate, utilizing capital funds to support in-house journeymen repair teams, rather than having to take whole developments offline. • Changes in HQS inspection protocol. To improve efficiency, KCHA does not conduct return inspections for minor problems; clusters inspections based on location to reduce travel time; and inspects its own properties. • KCHA does rent reasonableness checks upon move-in and whenever landlords request a rent increase, but not in intervening years unless there is evidence of systematic changes in rent levels.
Increasing the Quantity and Quality of Affordable Housing	• KCHA uses savings from the HCV program to fund its public housing program when HUD funding falls below the level specified in applicable funding formulas due to "proration," leading to improvements in unit quality. • KCHA reports that MTW single-fund flexibility has allowed it to address public housing modernization issues in a more thoughtful and cost-effective way and to be more innovative in securing financing for new development. • KCHA reports that it is able to provide more vouchers to more households than anticipated by its baseline number of vouchers due to reductions in per-unit costs relative to expectations in the funding formula.

	• KCHA uses its working capital to purchase small developments without debt, enabling it to turn-on public housing subsidies banked during earlier HOPE VI revitalizations.
Increasing Economic Self-Sufficiency	• To create incentives for self-sufficiency, KCHA has adopted a system of tiered rents in which households' rents only increase if their income increases enough to move into the next band. • KCHA's Resident Opportunity Plan is a five-year pilot initiative serving approximately 50 households designed to help residents increase their earnings to the point where they no longer need housing assistance. • KCHA has invested substantially in resident services coordinators and community coordinators in all of its developments using MTW single fund flexibility and the staff time freed-up by administrative streamlining. • To promote educational achievement – which over the long-term KCHA believes will support greater economic opportunity – KCHA has adopted a number of initiatives designed to improve school stability, provide early-learning and after-school services, and help residents with children to access high-opportunity neighborhoods with good schools.
Promoting Residential Stability for Targeted Households	• KCHA has invested MTW funds in providing sponsor-based assistance to help people with mental disabilities, including ex-offenders and formerly homeless individuals. • KCHA has obtained a number of waivers to allow it to expand its use of project-based vouchers to fund permanent supportive housing. • KCHA has stabilized its mixed population buildings by setting a cap of 22 percent non-elderly disabled at each building. • KCHA has a rapid rehousing pilot focused on helping homeless children stay in their school district during the school year. • KCHA has developed a step-down program for youth leaving transitional housing who would otherwise have no place to go.
Expanding Geographical Choices of Assisted Households	• KCHA helps voucher holders access high-opportunity neighborhoods by adopting a higher payment standard than would otherwise be allowed under HUD policy in east King County. • KCHA has made changes designed to facilitate the project-basing of vouchers in housing units owned by the housing authority, which facilitates mobility because many of these units are located in high opportunity neighborhoods. • KCHA's Community Choice program focuses on helping voucher holders in south King County move to high-opportunity neighborhoods.

Increasing Cost Effectiveness

One of the steps that KCHA has taken to increase cost effectiveness is to streamline its approach to modernizing its public housing inventory. Using MTW authority, KCHA has been able to modernize individual interior units of public housing when tenants vacate, rather than having to relocate residents and take the entire development offline to do modernization of all units at the same time. KCHA is also able to use in-house crews, rather than outside contractors, generating further savings. In total, KCHA staff indicate these changes allow them to modernize units for around $22,000 per unit rather than around $60,000 under standard procedures. Under standard HUD rules, a PHA may take public housing units offline only while work is being done (not while waiting for crews to arrive). The exception is when there's a construction contract with an outside contractor in place, in which case the unit can be taken offline even if work is not currently underway. If the units are vacant but not taken offline, the agency's occupancy rate is negatively affected, which can affect an agency's PHAS rating and funding levels. This drives non-MTW agencies to take the more expensive route of relocating residents and hiring outside contractors to do the entire development at the same time.

Another step that KCHA has taken to improve cost effectiveness is to adopt a voucher payment standard for south King County that is not tied directly to HUD's published FMR for King County and is, for some household sizes, below the 90 percent of FMR typically allowed by HUD. KCHA believes that adopting this lower payment standard in the area where the majority of KCHA residents live has led to lower average HAP payments for the voucher program as a whole than would have been possible with a single payment standard for the entire service area. The lower payment standard frees up funds for their various initiatives through single fund flexibility, including providing more vouchers that anticipated under their baseline, fully funding the public housing program, and funding sponsor-based assistance. At the same time, as noted below, KCHA has adopted a voucher payment standard for east King County that is higher than would generally be allowed by HUD without MTW authority (110 percent of the FMR), increasing per-unit costs for those units while facilitating moves to higher opportunity areas.

Another area in which KCHA may have increased cost effectiveness is through its ownership of bond or LIHTC properties. About 16 percent of the units in this portfolio have tenant-based or project-based Housing Choice Vouchers. That works out to around 860 units or 7.5 percent of all vouchers administered by KCHA. KCHA believes its ownership of these units has kept rents lower than if the units had been left in private hands, as some would likely have been converted to market-rate housing, while others may have been allowed to deteriorate or the land used for purposes other than rental housing. Thus, the expanded use of project-based vouchers in connection with KCHA's affordable housing portfolio may have generated cost savings in the HCV program although this is difficult to determine with certainty due to the absence of a counterfactual.

KCHA also notes that they have achieved costs savings by conducting their own physical inspections and rent reasonableness assessments of units in properties that they own, rather than hiring third parties to inspect the units as normally required by HUD. In this regard, it is important to highlight the trust in KCHA's fair dealing that is required for this arrangement to work. Given KCHA's MTW funding formula that provides for flat voucher funding, the agency could not generate increased HUD funding by inflating rents in properties it owns, but it could conceivably use inflated rents to generate program income for struggling properties in its affordable housing portfolio, reducing the availability of voucher funds to help other families. Given KCHA's strong focus on helping households in greatest need, and the high quality of its overall administration, *there is every reason to believe they are acting fairly and honestly* and so this observation should be understood as a cautionary note for future policy development rather than a comment on KCHA's activities specifically.

Increasing the Quantity and Quality of Affordable Housing

KCHA uses the "single-fund" flexibility of MTW in a number of ways that it asserts lead to an increase in the quantity and quality of affordable housing in King County. The following are key examples:

- KCHA has used single-fund flexibility to increase funding for public housing operation and renovation and to increase the number of households served with housing vouchers above the baseline on the basis of which KCHA's federal voucher funding is calculated. As of the end of FY 2012, KCHA was serving 275 voucher holders more than its baseline unit count. It also was able to backfill the hole in public housing funding created by HUD's proration of public housing funds due to limited congressional appropriations. Both of these were made possible by a level of housing voucher funding that exceeds what KCHA needs to serve its baseline number of households. KCHA asserts these excess funds are the result of programmatic changes such as the reduction in the payment standard in south King County, changes in their policies for assigning voucher unit sizes that have led to smaller voucher sizes, and policies that have improved administrative efficiency. Additional analysis would be needed to determine to what extent other factors may have played a role in contributing to this surplus, such as deviations over time between the expected and actual pace of changes in contract rents and household incomes.
- Single-fund flexibility has allowed KCHA to be more flexible in how it meets its modernization needs, leading to improved efficiencies and speedier upgrades in housing quality. For example, the Valley Kee development needed to have its interior sewage piping replaced. As the development was vacant, KCHA decided to shift funds around to allow the interiors to be upgraded at the same time.
- Single-fund flexibility has allowed KCHA to be more creative on the development side, leading to increased production of affordable housing. For example, at one property, KCHA took the 10-year replacement factor funding from the demolition of public housing as part of HOPE VI, paired it with capital and operating funding, and used the combined funds as security for a bond issue. KCHA staff say that it is possible they could have received waivers to use these funding sources as bond security through the regulatory process at HUD, but it would have been very difficult. This innovative financing allowed them to essentially do a HOPE VI-style redevelopment without a HOPE VI grant.

Increasing Economic Self-Sufficiency

KCHA has adopted the following policies to promote adult economic self-sufficiency:

- To reduce the disincentives for assisted households to increase their earnings, KCHA structured the WIN Rent policy in a manner that causes the rents of non-elderly non-disabled households to rise only when their incomes reach the next band.
- As discussed in more detail below, KCHA has adopted a pilot initiative, the Resident Opportunity Plan, to test a new approach for promoting self-sufficiency, even as KCHA has continued to run a traditional FSS program.

- KCHA has constructed (or partnered with other agencies) to create a number of facilities to support adult education and employment, including the Kent Family Center (where Neighborhood House administers an employment program) and the YWCA Adult Center (co-located with a new library) at Greenbridge.
- As discussed under the expanding geographical choices section, KCHA has adopted a number of policies to promote moves to areas with a strong employment base that KCHA hopes will spark increases in economic self-sufficiency.
- KCHA has funded ESL and computer literacy programs in multiple locations.

The Resident Opportunity Program (ROP) is a five-year pilot which is now in its fourth year. Serving 50 people, ROP's goal is to help participants increase their earnings, access education, and move out of KCHA housing within five years. ROP differs from KCHA's Family Self-Sufficiency program in the following ways: (a) ROP participants must be attached to the labor market (or recently employed) or in school or recently in school, and must live within certain geographical areas; (b) rather than getting an escrow deposit tied to earnings growth, ROP participants receive a flat $200 per month deposit into their accounts if (and only if) they comply with their goals; (c) no interim withdrawals of escrow are allowed; (d) the ROP program requires more contact than KCHA's FSS program, with at least monthly contact between the clients and their case managers. Finally, in order to access the money in their escrow accounts, ROP participants must leave subsidized housing. To help address concerns that their incomes may fall and they may need subsidized housing again, ROP graduates have a two-year right of return giving them a priority for admission to public housing (though not housing vouchers).

KCHA has also focused on assigning Family Development Coordinators to all of its developments to improve the quality of services. In addition to linking KCHA families to resources that help stabilize their housing during crises, these Coordinators provide support to KCHA providers that directly engage families in after-school programs and career development activities.

Finally, as discussed above, KCHA has focused particular attention in recent years on its education initiatives to help the next generation acquire the skills they need to move up the economic ladder. This is motivated in part by a determination that, in light of the Great Recession and its aftermath, the ability of existing residents to increase their earnings sufficiently to move up and out of assisted housing may be limited.

Promoting Residential Stability for Targeted Households

A major focus of KCHA's MTW program has been on providing housing and services for people who would otherwise be homeless, including those with severe mental illness. Based on a review of KCHA's programs and conversations with KCHA staff and an individual who ran a key partner organization, it is clear that MTW has allowed KCHA a great deal of flexibility to try new ideas and partner effectively with other organizations, leveraging KCHA's housing resources to access supportive services that the individuals need to maintain residential stability.

For example, KCHA used MTW funding flexibility to create its sponsor-based housing initiative, which currently provides service-enriched housing for 137 people. Under this initiative, partner agencies find rental units that they master lease and then fill with individuals who are being discharged from the mental health system and/or prison and would otherwise be homeless or residentially unstable. Although some of these initiatives use a "housing first approach" in which individuals are encouraged but not required to participate in services, a key component of the sponsor-based assistance – and a key benefit for KCHA – is the provision of mental health, chemical dependency, and other services by partner agencies, using non-KCHA funds, to promote residential stability. Unlike comparable initiatives at other MTW agencies that are run basically as housing vouchers with waivers, the participants in this initiative are not formally issued a housing voucher, eliminating the need to formally "admit" them to the voucher program, which would add a layer of bureaucracy that KCHA staff say would add cost as well as creating more opportunities for individuals to fall through the cracks and fail to get housing support. In fact, one of the lessons that KCHA staff say they have learned from the program thus far is that they need to go even further in reducing the recordkeeping requirements for their partners to ensure the program is manageable by organizations without substantial housing expertise.

Other pilot initiatives focused on targeted households include a rapid rehousing initiative for homeless families who need a place to live to maintain school stability for their children (serving up to 60 households) and a step-down initiative designed to help young adults leaving transitional living programs get accustomed to paying market rents for housing (serving up to 15 individuals). These initiatives are examples of new ideas that KCHA is testing through MTW to determine whether to continue or expand them. KCHA's executive director says that he does have some questions about whether the rapid rehousing approach can be successful when not followed by a long-term subsidy. However, when the issue of homeless children maintaining school stability bubbled up through KCHA's conversations with school districts on how to promote educational achievement for low-income families, the agency identified the rapid rehousing initiative as a potential way to address the concern. Without MTW, they would not have been able to experiment with this approach.

One final component of KCHA's efforts to house the homeless has been the enhanced use of project-based vouchers to create transitional housing for families with minor children (240 units in 18 developments) and permanent supportive housing for households that need on-site services of longer duration (145 units in 13 developments). Transitional housing services include individualized case management, which connects families to benefits, workforce training, and family support services. Permanent supportive housing serves predominantly individuals who are transitioning out of chronic homelessness and provides individualized case management that focuses on access to benefits, mental health and addiction services, and basic life skills training.

While KCHA owns some of these properties, most have other owners; in some cases, the owner is also the service provider while in others, the owner contracts with an outside service provider. KCHA has made a number of changes to facilitate the project-basing of vouchers for these and other purposes – including making it easier to project-base vouchers in its own properties. While recognizing that different clients have different needs and that some clients can be effectively placed into more mainstream settings, in general, KCHA's Executive Director believes that permanent supportive housing has important advantages over sponsor-based assistance in which sponsors master lease units in scattered locations. The project-based setting of permanent supportive housing allows the provider to provide a concierge level of services, including front-door monitoring, while also allowing services to be delivered efficiently at a single location and providing opportunities for peer support. However, because the ability to site permanent supportive housing in a suburban landscape is limited, KCHA has also used the sponsor-based assistance model described above.

Expanding Geographical Choices of Assisted Households

From the outset of its MTW program, KCHA has focused on helping its residents to access communities of greater opportunity. Its two major policy initiatives to achieve this goal are: (a) project-basing vouchers in areas of opportunity and (b) setting a higher payment standard in east King County. In all, KCHA reports that 22 percent of its tenant-based housing vouchers are in high or very high opportunity neighborhoods – roughly double the FY 2003 baseline – and that 44 percent of its roughly 2,000 project-based vouchers are located in such neighborhoods. KCHA has adopted a local definition of neighborhoods that are “high” or “very” high opportunity based on data provided by the Kirwan Institute’s Opportunity Mapping initiative.

KCHA currently has two payment standard schedules for its tenant-based voucher program that apply to different parts of King County, and is considering going to four once its computer systems are upgraded. Using MTW authority, KCHA has decoupled its payment standards from the FMR, basing them instead on local rent studies. Payment standards for four bedroom sizes in east King County are currently over 130 percent of FMR, while the lowest payment standards in south King County are in the mid-80 percentages of FMR. Without MTW or an approved exception payment standard by HUD, PHAs are required to set their payment standards between 90 and 110 percent of the FMR.

To facilitate project-basing in areas of opportunity, KCHA project bases vouchers in developments in its own portfolio located in areas of high opportunity and also encourages project-basing in developments in such neighborhoods owned by other entities. One process for achieving the latter is to work through a regional housing intermediary, A Regional Coalition for Housing (ARCH), which KCHA has empowered to assign project-based vouchers to appropriate LIHTC and other new housing in high-opportunity areas.

KCHA also has a new initiative, called Community Choice, which focuses on helping voucher holders with children in south King County move to high opportunity neighborhoods with good schools. Enrollment just started in 2014. So far, there have been about 23 signed enrollment agreements and only one move to an opportunity area. According to participants, the payment standard for east King County is still too low to facilitate access to an adequate supply of housing in that region, limiting the success of this program. KCHA is currently considering raising the payment standard further.

Through MTW, KCHA has obtained a number of waivers to the project-basing authority, including changes to facilitate project-basing in its own properties, changes to streamline the process for awarding project-based vouchers (for example, to permit the ARCH process), and the elimination of the requirement that KCHA provide residents departing project-based voucher units with first preference for an exit voucher. Given KCHA’s extensive use of project-based vouchers, it was concerned that the latter requirement would prevent them from offering vouchers to people on the regular voucher waiting list.

Administrative Efficiencies Enabled by MTW

In its FY 2013 MTW report, KCHA summarizes the net impact of the administrative efficiencies it has adopted through MTW as follows:

- More than 35,000 accumulated hours saved to date through implementation of MTW-modified policies and procedures;
- $11.4 million saved and 834 units renovated through completion of interior rehabilitation of Public Housing units using "in-house" crews under KCHA's MTW-supported Unit Upgrade program; and
- 50 percent reduction in Housing Quality Standards re-inspections required due to minor unit deficiency protocol that allows landlords to self-certify corrections.

The FY 2012 report also noted that “4,200 households [were] added to HCV administrative and inspection caseloads without a significant increase in FTEs.” Many of the MTW waivers that KCHA cites as leading to these savings have already been referenced, including: (a) reductions in the frequency of rent recertifications and a streamlining in rent calculation procedures through EASY and WIN; (b) the use of in-house crews for public housing modernization rather than outside contractors; (c) elimination of re-inspections for minor deficiencies identified through HQS and the grouping of HQS inspections by geographic area to reduce travel time; and (d) streamlining of the project-based voucher process. KCHA conducted a study to estimate the impact of the changes in recertification procedures on staffing, and found a savings of 21 percent of total staff time in the voucher program and 16 percent in the public housing program.

In addition to these changes, KCHA has streamlined the applications process. Clients can now apply for assistance at any development or at the authority headquarters. The household self-certifies its eligibility for preferences, reducing workload for KCHA. When a household gets to the top of the waiting list, a packet is sent by mail, seeking information to verify income, preference status, etc. A case worker figures out what is missing and follows up with the applicant.

Changes in PHA Culture

It can be challenging to determine how much of the culture at KCHA is attributable to MTW as opposed to the high quality of its management and staff. In fact, the two are interrelated, as KCHA staff report that the MTW status of the agency was one of the things that attracted them to the agency. Given the strong commitment of KCHA’s long-time Executive Director, Stephen Norman, to addressing homelessness – he brought a strong background in homelessness to KCHA based on his work as founding national vice president of the Corporation for Supportive Housing – it is clear the agency would have focused resources on achieving this goal even without MTW. KCHA’s focus on using data to inform decision-making likewise would have been present in any event, as the staff are highly committed to maximizing the effectiveness of their programs to achieve their programmatic objectives. KCHA has also benefitted from a long period of stable leadership; the Executive Director has been with KCHA since 1997.

At the same time, it seems likely that MTW has contributed to this culture in several important ways. First and foremost, it has empowered the agency to think creatively about how to maximize the utility of its resources. As noted above, the longer KCHA has been in MTW, the more the inquiry has shifted from 'what do I want to change about HUD's regulations?' to more simply, 'how can I advance KCHA's overall goals?' As the Executive Director put it, "With MTW, PHAs grow up. HUD is no longer telling you what to do so you need to make your own choices and decide how to invest your resources." While liberating, this is also challenging. It "shifts the onus of leadership onto the agency," which now has the responsibility for determining much more of its own future and will rise and fall with the strength of the agency's management and vision.

MTW has also allowed the agency to experiment with new approaches, some of which it anticipates will prove successful, but others of which may well prove to be less successful. As one staff member commented, "At KCHA, there is a willingness to try something different." As with the greater degrees of freedom allowed by MTW itself, this can have upsides and downsides. The upside is that KCHA may develop innovative approaches for meeting the housing and services needs of its community, such as sponsor-based assistance to help individuals with severe mental illness. The downside is that it could end up investing resources in approaches that ultimately prove to be less effective than the standard approaches.

A third contribution of MTW to KCHA's culture that is closely related to the freedom of KCHA to chart its own course is a focus at KCHA on long-term outcomes, rather than very short-term outputs. One example of how this has influenced the agency's programs is in the area of education. It will likely take many years for an educational initiative to bear its full fruit in terms of better-educated youth graduating from high school and college and increasing their long-term earnings. Without the ability to think long-term, it seems unlikely KCHA would have chosen to partner with the school systems to the extent it has to focus on strengthening educational outcomes for the children of KCHA residents.

At the staff level, KCHA staff report that MTW has led to a breakdown in programmatic silos as staff across the different departments have focused on aligning resources to achieve a common set of goals. KCHA staff also report that they now invest more energy in solving problems that they previously may have assumed were unsolvable in light of HUD's prescriptive rules. As one staff member put it, MTW provides an "ability to solve problems in the way that makes the most sense, rather than doing things the way they have always been done." It allows KCHA to "solve problems in an innovative way. About half of the time, we probably wouldn't need MTW authority" to solve the problem, but "without MTW, we probably wouldn't have" invested as much energy into trying to solve the problem.

Finally, MTW has given KCHA stronger incentives to run a leaner program and free up funds to serve more households and invest in creative approaches. This outcome appears to be closely related to the way in which KCHA is funded – receiving the same funding level regardless of how many households they served – rather than simply the ability to obtain waivers of HUD regulations. An MTW agency without this funding arrangement would not have the same incentives since any reductions in per-unit costs would lead to lower funding levels from HUD the next year.

Conclusion

MTW status has emboldened KCHA to take on major challenges, such as breaking up concentrations of poverty in its service area and helping high-needs households to access housing and critical services. This focus on long-term outcomes, rather than day-to-day compliance with regulations, has allowed KCHA programs to align its programs with partners' initiatives, providing broader opportunities for residents to benefit from a coordinated approach. At the same time, KCHA has realized efficiencies in implementing its programs that have enabled the agency to assist a larger number of households than might otherwise be served.

TAB NUMBER 9

To: Board of Commissioners

From: Jenn Ramirez Robson, Director of Resident Services

Date: January 14, 2015

Re: Briefing on Seniors Living in Family Developments

At the recent Board retreat a question was raised regarding the service needs of seniors living in KCHA's family developments. As a follow up, the Department of Resident Services performed an analysis of the 28 family developments and found that of the 5,886 residents within the Family Developments 519 are seniors (aged 62+), representing approximately 9% of the total population at these sites.

The analysis provided information on family composition (e.g. living along, raising grandchildren, etc.) as well as information on sites where significant concentrations would allow for a greater level of services targeted specifically to the needs of seniors.

Staff will present the findings from the analysis as well as some preliminary actions Resident Services is taking to enhance services for seniors living in KCHA's family developments.

TAB NUMBER 10

KCHA IN THE NEWS

The Seattle Times
Winner of Nine Pulitzer Prizes

Local News

Originally published Wednesday, December 24, 2014 at 4:54 PM

King County to spend $6 million on 6 housing projects in 2015

King County officials will allocate more than $6.4 million for six local housing projects for construction in 2015, County Executive Dow Constantine said Wednesday.

By Daniel Beekman

Seattle Times staff reporter

King County officials will allocate more than $6.4 million for six local housing projects for construction in 2015, County Executive Dow Constantine said Wednesday.

The forgivable loans will help nonprofit organizations create and preserve at least 365 units of housing, including more than 70 units reserved for low-income working households and more than 100 for homeless people, officials said.

Some of the units will be set aside for veterans and their families, Constantine added.

The projects will create a total of 260 new housing units ranging from studio apartments to three-bedroom homes, officials said.

"It's nearly impossible to build a successful future without a stable place to call home," Constantine said in a news release.

The county allocates money for housing on an annual basis via a competitive request-for-proposals process, said John deChadenedes, King County Housing Finance Program coordinator. The funding will come out of next year's budget.

• The King County Housing Authority will receive $665,251 to help acquire and renovate four properties for people using Section 8 rent vouchers. Two of the properties will serve frail elderly people and non-elderly people with disabilities. The other two will serve low-income families.

• Plymouth Housing will receive $537,000 to help construct a new building with 77 studio units of permanent supportive housing for chronically homeless people in Seattle. Rents will be set at a level considered affordable for someone making 40 percent of the area median income. That's about $600 a month for a single-person household.

• The Low Income Housing Institute will receive $693,032 to construct a new building with 48 studio units of permanent rental housing for homeless young adults and others. Rents will target people with incomes of 60 percent of the area median or less.

• Compass Housing Alliance will receive $2.85 million to help construct a new building in Shoreline with 58 one-, two- and three-bedroom units. Some of the units will be dedicated for homeless veterans and veteran families, and some for people with developmental disabilities. The ground floor will have a food bank and a service center.

• Providence Health & Services/Shelter Resources will receive $1.5 million to help construct a new building in Redmond with 74 housing units for people at least 62 years old. Rents will target people with incomes of 60 percent of the area median or less. The ground floor will have an elder-care center.

• Parkview Services will receive $164,405 to help acquire and renovate one single-family home that will provide three beds and 24-hour staffing for adults with developmental disabilities. Rents will target people with 30 percent of area median income or less.

The funding comes from local and federal sources, including the county's Veterans and Human Services Levy and the HOME Investment Partnership Program, Constantine said.

Five other housing projects in Seattle will receive $22 million in long-term loans from the city, Mayor Ed Murray announced earlier this month.

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