



**SPECIAL MEETING  
OF THE  
BOARD OF COMMISSIONERS**

**December 14, 2015 at 8:30 a.m.**

King County Housing Authority  
Snoqualmie Conference Room  
700 Andover Park W  
Tukwila, WA 98188

**A G E N D A**

- I. Call to Order**
- II. Roll Call**
- III. Public Comment**
- IV. Approval of Minutes**
  - Special Board Meeting Minutes – November 16, 2015 **1**
- V. Approval of Agenda**
- VI. Consent Agenda**
  - A. Voucher Certification Reports for October 2015 **2**
  - B. **Resolution No. 5523:** Evidencing the intent of the Housing Authority of the County of King to operate Patricia Harris Manor as housing for persons 55 years of age or older under the terms of the Housing for Older Persons Act **3**
  - C. **Resolution No. 5524:** Authorizing the Executive Director to take actions that ensure the successful New Market Tax Credits unwind of the Greenbridge Early Learning Center Project **4**

**VII. Resolutions for Discussion & Possible Action**

- A. **Resolution No. 5525:** Authorizing the approval of the Comprehensive Operating Budget for Calendar Year beginning January 1, 2016 5
- B. **Resolution No. 5526:** Authorizing the Executive Director to negotiate and approve the execution on KCHA's behalf by the Washington State Department of Enterprise Services of an Energy Services proposal with Johnson Controls, Inc. 6
- C. **Resolution No. 5527:** Authorizing the issuance of a Revenue Bond of the Authority in a maximum principal amount of \$5,500,000 to finance the acquisition and rehabilitation of the Corinthian Apartments; authorizing the execution of documents in connection with the Board; and determining related matters 7
- D. **Resolution No. 5528:** Authorizing the issuance of a Revenue Bond of the Authority in a maximum principal amount of \$24,000,000 to finance the acquisition and rehabilitation of the Spiritwood Manor Apartments; authorizing the execution of documents in connection with the Bond; and determining related matters 8

**VIII. Executive Session**

- A. To review the performance of a public employee (RCW 42.30.110 (1) (g))

**IX. Resolutions for Discussion & Possible Action (Continued)**

- E. **Resolution No. 5529:** Extending the Executive Director's Employment Contract for up to 60 days 9

**X. Briefings & Reports**

- A. Commitments of Moving To Work - Working Capital Funds 10

**XI. Executive Director's Report**

**XII. KCHA in the News 11**

**XIII. Commissioner Comments**

**XIV. 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.

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

**Monday, November 16, 2015**

**I. CALL TO ORDER**

The meeting of the Board of Commissioners of the King County Housing Authority was held on Monday, November 16, 2015, at the King County Housing Authority, 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 Michael Brown (Vice-Chair), Commissioner TerryLynn Stewart, Commissioner Susan Palmer and Commissioner John Welch

**Staff:** Stephen Norman (Secretary), Knute Brinchmann, Bill Cook, Connie Davis, John Eliason, Tonya Harlan, Shawli Hathaway, Sean Heron, Megan Hyla, Gary Leaf, Jessica Olives, Nikki Parrott, Jennifer Ramirez-Robson, Mike Reilly, Rhonda Rosenberg, Craig Violante, Tim Walter, Dan Watson and Kristin Winkel

**III. PUBLIC COMMENT**

Sharon Bosteder submitted a request to provide public comment over the phone. Unfortunately, numerous attempts to contact Ms. Bosteder were unsuccessful; therefore no public comment was given.

**IV. APPROVAL OF MINUTES**

On motion by Commissioner Brown, seconded by Commissioner Stewart, and abstentions by Commissioners Palmer and Welch the Board approved the minutes from the Board of Commissioners' special meeting of October 12, 2015.

**V. APPROVAL OF AGENDA**

On motion by Commissioner Stewart, seconded by Commissioner Brown, the Board unanimously approved the November 16, 2015 Board of Commissioners' meeting agenda.

## VI. CONSENT AGENDA

### A. Voucher Certification Report for September 2015 (General and Bond Properties)

#### **September 2015**

##### GENERAL PROPERTIES

Bank Wires / ACH Withdrawals	3,517,961.13
<i>Subtotal</i>	<b><i>3,517,961.13</i></b>
Accounts Payable Vouchers	
Checks - #250907-#251463	4,616,363.61
Commerce Bank Direct Payment	1,476.79
<i>Subtotal</i>	<b><i>4,617,840.40</i></b>
Payroll Vouchers	
Checks - #83937 – #83936 -#83969	37,646.16
Direct Deposit	1,224,922.80
<i>Subtotal</i>	<b><i>1,262,568.96</i></b>
Section 8 Program Vouchers	
Checks - #611196-#611532	265,065.45
ACH - #323735-#326813	9,771,654.81
<i>Subtotal</i>	<b><i>10,036,720.26</i></b>
Purchase Card / ACH Withdrawal	183,609.73
<i>Subtotal</i>	<b><i>183,609.73</i></b>
<b>GRAND TOTAL</b>	<b><i>19,618,700.48</i></b>

##### BOND PROPERTIES

Bond Properties Total (30 different properties)	<b><i>2,126,067.62</i></b>
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### B. Resolution No. 5514: Authorizing the Executive Director to enter into Interlocal Purchasing Agreements with the Housing Authority of the City of Seattle

### C. Resolution No. 5515: A Resolution of the Housing Authority of the County of King (the "Authority") authorizing (i) the transfer of Village at Overlake Station project (the "Project") to the Authority through the acquisition of the subleasehold interest of limited partnership (the "Partnership") in the Premises (as hereinafter defined) by the Authority and/or the acquisition of the interests of the limited partner of the Partnership by the Authority; (ii) the submission to the Washington State Housing Finance Commission of a request for consent to transfer the Project; (iii) the assignment and assumption by the Authority of the obligations of the Partnership with respect to the Project and bonds issued to finance the Project; (iv) the approval, execution and delivery of all documents necessary to effectuate the foregoing; and (v) determining related matters

On motion by Commissioner Brown seconded by Commissioner Palmer the Board unanimously approved the consent items.

## **VII. RESOLUTIONS FOR DISCUSSION AND POSSIBLE ACTION**

- A. Resolution No. 5516: Acceptance of Washington State Auditor's Office Report on Financial Statements and Federal Single Audit (No. 1015201) and the Accountability Audit Report (No. 1015501), both for the Period Ended December 31, 2014

Craig Violante, Director of Finance, briefed the Board on the annual audits of KCHA, conducted by the State of Washington - Office of the State Auditor. Mr. Violante explained that two reports; (1) the Financial and Single Audit and (2) the Accountability Audit Report, were created for the period January 1, 2014 through December 31, 2014 to be presented to the Board for review and consideration. Mr. Violante mentioned that there were no findings in either reports and there were no management letter items.

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

On motion by Commissioner Palmer seconded by Commissioner Stewart, the Board unanimously approved Resolution No. 5516.

- B. Resolution No. 5517: Modifications to the King County Housing Authority's Investment Policy

Craig Violante, Director of Finance, presented the proposed modifications to the King County Housing Authority's Investment Policy.

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

On motion by Commissioner Stewart, seconded by Commissioner Brown, the Board unanimously approved Resolution No. 5517.

- C. Resolution No. 5518: Relating to the Salary Schedule for Housing Authority Employees represented by the Seattle/King County Building and Construction Trades Council authorizing a pay adjustment of \$.12 per hour and a .5% Cost of Living increase effective October 31, 2015 and a one-time payment equal to .5% of base pay to all bargaining unit members to be paid in December 2015

Connie Davis, Deputy Executive Director, presented Resolution No. 5518 to the board.

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

On motion by Commissioner Palmer, seconded by Commissioner Stewart, the Board unanimously approved Resolution No. 5518.

- D. Resolution No. 5519: A Resolution of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Corinthian rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Authority Loan Documents and Deferred Development Fee Documents

Tim Walter, Senior Director of Acquisitions and Asset Management, presented items No. 5519 and No. 5520. Mr. Walter provided a brief overview of the properties and discussed the proposed financing and the preliminary project schedule.

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

On motion by Commissioner Brown, seconded by Commissioner Stewart, the Board unanimously approved Resolution No. 5519.

- E. Resolution No. 5520: A Resolution of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Spiritwood Manor rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Loan Authority Debt Documents and Deferred Development Fee Documents

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

On motion by Commissioner Palmer, seconded by Commissioner Stewart, the Board unanimously approved Resolution No. 5520.

- F. Resolution No. 5521: A Resolution authorizing the submission of an application for and execution and delivery of a contingent loan agreement in connection with the financing or refinancing of the costs of acquisition and



preservation of the Corinthian Apartments located in SeaTac, Washington and the Villages at South Station Apartments located in Tukwila, Washington

Tim Walter provided an overview of Resolution No. 5521 and mentioned that it is an application for credit enhancement and would authorize the Executive Director to move forward with the Corinthian Apartments project.

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

On motion by Commissioner Brown, seconded by Commissioner Welch, the Board unanimously approved Resolution No. 5521.

**VIII. BRIEFINGS & REPORT**

A. New Bank Accounts

Craig Violante, Director of Finance, reported that KCHA opened one new full business checking account in relation to Vantage Point Apartments.

B. Third Quarter CY 2015 Financial Statements

Mr. Violante also briefed the Board on the Financial Statements for the Third Quarter of Calendar Year 2015. Mr. Violante mentioned that KCHA's fiscal outlook for 2015 continues to be stable and explained federal funding as provided in the written report.

C. Draft 2016 CY Budget Presentation

Connie Davis, Deputy Executive Director, presented an overview of the most critical assumptions driving the 2016 operating Budget. Ms. Davis also briefed the Board on the proposed organizational initiatives that will have a financial and operational impact on the KCHA 2016 Budget.

D. Third Quarter CY 2015 Procurement Report

Ms. Davis also reported on the procurement activities for the period July through September 2015. Ms. Davis mentioned that the report represents the activity involved in the award of contracts over the amount of \$100,000 and change orders that cumulatively exceed 10% of the original contract amount.

E. Executive Dashboard

Megan Hyla, Director of Policy and Intergovernmental Affairs, briefed the Board on the quarterly Executive Dashboard Report.

**IX. EXECUTIVE DIRECTOR'S REPORT**

Stephen Norman, Executive Director, provided an update on the Vantage Point Apartments leasing progress and the Moving to Work contract extension discussions with the U.S. Department of Housing and Urban Development.

**X. KCHA IN THE NEWS**

None.

**XI. EXECUTIVE SESSION**

Chair Barnes called for an Executive Session at 10:00 a.m. as authorized by RCW 42.30.110 (1) (g) – “To review the performance of a public employee”.

The meeting of the Board of Commissioners resumed at 10:19 a.m. by Chair Barnes.

No action was taken by the Board as a result of the Executive Session.

**XII. COMMISSIONER COMMENTS**

Commissioner Stewart recommended that fellow Commissioners consider attending the upcoming 2016 NAHRO Conference, which will feature a session for Public Housing Authority Commissioners and asked staff to provide detailed information.

Additionally, Commissioner Stewart asked that the 2016 KCHA Board of Commissioners meeting schedule be provided to the board for review and coordination.

Sean Heron, Chief of Staff, reminded the board to complete the on-line public meeting training.

**XIII. ADJOURNMENT**

On motion by Commissioner Palmer, seconded by Commissioner Brown, the Board adjourned the meeting at 10:23 a.m.

**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

# T A B N U M B E R



**To:** Board of Commissioners


**From:** Linda Riley, Controller

**Date:** November 23, 2015

**Re:** **VOUCHER CERTIFICATION FOR OCTOBER 2015**

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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  
Controller  
November 23, 2015


Bank Wires / ACH Withdrawals		3,647,949.94
	<i>Subtotal</i>	<b>3,647,949.94</b>
Accounts Payable Vouchers		
US Bank Checks - #251464-#252129		5,687,592.18
Commerce Bank Direct Payment		29,708.77
	<i>Subtotal</i>	<b>5,717,300.95</b>
Payroll Vouchers		
Checks - #83970-#84002		39,999.68
Direct Deposit		1,247,865.56
	<i>Subtotal</i>	<b>1,287,865.24</b>
Section 8 Program Vouchers		
Checks - #611533-#611878		247,611.90
ACH - #326814-#329875		9,797,687.15
	<i>Subtotal</i>	<b>10,045,299.05</b>
Purchase Card / ACH Withdrawal		164,920.13
	<i>Subtotal</i>	<b>164,920.13</b>
	<b>GRAND TOTAL</b>	<b>20,863,335.31</b>

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

FROM: Wen Xu

SUBJECT: VOUCHER CERTIFICATION FOR OCTOBER 2015

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  
Director, Managed Assets  
November 9, 2015

Property Oct-15	Wired to Operating Account(s) for Obligations of Property			Notes:
Date	\$	Claim		
<b>Bellepark East</b>	10/1/2015	\$8,591.78	A/P & Payroll	
	10/8/2015	\$4,857.53	A/P	
	10/9/2015	\$200,000.00	Excess Cash	
	10/15/2015	\$11,466.89	A/P & Payroll	
	10/22/2015	\$3,797.60	A/P	
	10/29/2015	\$10,534.69	A/P & Payroll	
<b>Colonial Gardens</b>	10/1/2015	\$11,015.32	A/P & Payroll	
	10/8/2015	\$3,238.93	A/P	
	10/15/2015	\$4,631.81	A/P & Payroll	
	10/22/2015	\$9,370.65	A/P	
	10/29/2015	\$18,417.29	A/P & Payroll	
<b>Corinthian</b>	10/9/2015	\$29,033.69	Funds to Allied	Transfer to new Management company account.
<b>Cottonwood</b>	10/1/2015	\$18,232.95	A/P & Payroll	
	10/8/2015	\$8,032.32	A/P	
	10/9/2015	\$30,000.00	Excess Cash	
	10/15/2015	\$10,302.25	A/P & Payroll	
	10/29/2015	\$11,877.46	A/P & Payroll	
<b>Cove East</b>	10/1/2015	\$16,955.63	A/P & Payroll	
	10/8/2015	\$13,343.12	A/P	
	10/9/2015	\$200,000.00	Excess Cash	
	10/15/2015	\$20,677.79	A/P & Payroll	
	10/22/2015	\$79,761.40	A/P	
	10/29/2015	\$35,957.27	A/P & Payroll	
<b>Landmark</b>	10/1/2015	\$16,805.00	A/P & Payroll	
	10/8/2015	\$9,837.47	A/P	
	10/9/2015	\$200,000.00	Excess Cash	
	10/15/2015	\$75,837.26	A/P & Payroll	
	10/22/2015	\$10,624.40	A/P	
	10/29/2015	\$13,513.37	A/P & Payroll	
<b>Timberwood</b>	10/1/2015	\$32,954.00	A/P & Payroll	
	10/8/2015	\$15,539.12	A/P	
	10/9/2015	\$200,000.00	Excess Cash	
	10/15/2015	\$24,847.95	A/P & Payroll	
	10/22/2015	\$2,638.96	A/P	
	10/29/2015	\$49,506.72	A/P & Payroll	
<b>Woodland North</b>	10/1/2015	\$5,919.93	A/P & Payroll	
	10/8/2015	\$3,492.86	A/P	
	10/15/2015	\$14,431.61	A/P & Payroll	
	10/22/2015	\$24,166.67	A/P	
	10/29/2015	\$36,985.58	A/P & Payroll	
<b>Woodside East</b>	10/1/2015	\$82,142.20	A/P & Payroll	
	10/8/2015	\$17,352.06	A/P	
	10/9/2015	\$200,000.00	Excess Cash	
	10/15/2015	\$29,660.36	A/P & Payroll	
	10/22/2015	\$1,808.71	A/P	
	10/29/2015	\$57,108.37	A/P & Payroll	
<b>Alpine Ridge, Aspen Ridge, Auburn Square, Carriage House, Cascadian, Corinthian, Fairwood, Heritage Park, Laurelwood, Meadows, Newporter, Parkwood, Somerset East, Somerset West, Walnut Park, Windsor Heights, Woodridge Park</b>	10/1/2015	\$137,946.95	Management Fee & OCR	
	10/8/2015	\$156,017.59	Payroll & A/P	
	10/9/2015	\$21,740.31	A/P	
	10/9/2015	\$700,000.00	Excess Cash	
	10/9/2015	\$617,000.00	Excess Cash	
	10/15/2015	\$636,536.39	A/P	
	10/15/2015	\$23,155.00	Debt Service	
	10/15/2015	\$16,588.33	Debt Service	
	10/22/2015	\$119,871.01	Payroll	
	10/29/2015	\$519,147.37	A/P & Management Fee & OCR	
<b>Gilman Square</b>	10/6/2015	\$7,252.09	Payroll	
	10/8/2015	\$46,782.56	A/P	
	10/9/2015	\$200,000.00	Excess Cash	
	10/20/2015	\$11,971.02	Payroll	
	10/22/2015	\$56,496.62	A/P	
<b>Meadowbrook</b>	10/6/2015	\$ 8,933.68	Payroll	*No CashPro for this account*
	10/8/2015	\$ 28,851.26	A/P	
	10/9/2015	\$ 9,579.11	Funds to Madrona	Transfer from Royal to new Management company account.
	10/20/2015	\$ 10,589.05	Payroll	
	10/22/2015	\$ 25,598.58	A/P	
<b>Villages at South Station</b>	10/6/2015	\$11,319.52	Payroll	
	10/8/2015	\$24,810.91	A/P	
	10/20/2015	\$17,883.09	Payroll	
	10/22/2015	\$35,576.85	A/P	

<u>Bellevue Manor</u>	10/1/2015	\$114,487.25	A/P	
	10/9/2015	\$250,000.00	Excess Cash	
	10/15/2015	\$15,560.57	A/P	
	10/29/2015	\$17,108.39	A/P	
<u>Charter House</u>	10/1/2015	\$1,570.15	A/P	
	10/15/2015	\$5,719.16	A/P	
	10/29/2015	\$4,133.19	A/P	
<u>Northwood Square</u>	10/1/2015	\$14,196.93	A/P	
	10/15/2015	\$27,546.09	A/P	
	10/29/2015	\$15,195.63	A/P	
<u>Patricia Harris</u>	10/1/2015	\$7,280.16	A/P	
	10/15/2015	\$18,180.76	A/P	
	10/29/2015	\$12,019.13	A/P	
<u>Vashon Terrace</u>	10/15/2015	\$16,754.60	A/P	
	10/29/2015	\$2,024.75	A/P	
<u>Rainier View I</u>	10/8/2015	\$6,395.91	A/P	
	10/20/2015	\$13,557.51	A/P	
	10/27/2015	\$5,977.99	A/P	
	10/29/2015	\$1,308.67	A/P	
<u>Rainier View II</u>	10/8/2015	\$4,613.29	A/P	
	10/20/2015	\$7,669.19	A/P	
	10/27/2015	\$4,483.48	A/P	
	10/29/2015	\$1,509.13	A/P	
<u>Si View</u>	10/8/2015	\$763.00	A/P	
	10/20/2015	\$9,538.26	A/P	
	10/27/2015	\$2,490.82	A/P	
	10/29/2015	\$723.23	A/P	
<b>Portfolio Total:</b>		<b>\$ 5,909,723.60</b>		

# T A B N U M B E R

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**TO:** Board of Commissioners

**FROM:** Beth Pearson, Director of Real Estate Initiatives

**DATE:** December 9, 2015

**RE:** **Resolution No. 5523: Evidencing the intent of the Housing Authority of the County of King to operate Patricia Harris Manor as housing for persons 55 years of age or older under the terms of the Housing for Older Persons Act**

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**Executive Summary:**

This resolution is submitted to confirm KCHA's on-going intent to operate Patricia Harris Manor as housing for persons 55 years of age or older under the terms of the Housing for Older Persons Act (HOPA). The resolution authorizes KCHA officers to take the actions described in the Resolution to ensure the development conforms to the HOPA exemption regarding familial discrimination under the Fair Housing Act.

This Resolution is similar to Resolution No. 5465 approved by the Board of Commissioners on April 21, 2014 in connection with Bellevue Manor.

**Background:**

Patricia Harris Manor is a Section 8 Multifamily apartment complex for seniors located near downtown Redmond. In December 2013, the prior owner sold the site to KCHA, and in November 2014, KCHA gave notice to HUD that it would be opting out of the Housing Assistance Payments contract when it expires on November 30, 2015. Patricia Harris Manor has been operated as a 55+ community since acquisition.

KCHA will fill vacancies at this site with a target of 90% senior residents and 10% nonelderly disabled, similar to the policy in place at KCHA's other HOPA properties.

KCHA has met the occupancy guidelines for the HOPA exemption at Patricia Harris Manor and has published and adhered to policies that demonstrate its intent to operate the facility as housing for persons 55 years of age or older. Management follows age verification procedures and the property has been consistently marketed as senior housing.

Passage of Resolution No. 5523 is recommended.



**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5523**

**A RESOLUTION OF THE HOUSING AUTHORITY OF THE  
COUNTY OF KING EVIDENCING THE INTENT OF THE HOUSING  
AUTHORITY TO OPERATE PATRICIA HARRIS MANOR AS HOUSING  
FOR OCCUPANCY BY PERSONS AGE 55 OR OLDER UNDER THE  
TERMS FO THE HOUSING FOR OLDER PERSONS ACT**

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

**WHEREAS**, RCW 35.82.070(2) provides that a housing authority may “prepare, carry out, acquire, lease and operate housing projects. . .”; and,

**WHEREAS**, in December 2013, the Authority acquired Patricia Harris Manor, 16304 NE 81<sup>st</sup> Street, Redmond, WA, which is occupied entirely or primarily by senior residents; and,

**WHEREAS**, Title VIII of the Civil Rights Act of 1968, as amended (the “Fair Housing Act”) prohibits discrimination against persons because of race, color, religion, sex, national origin, handicap and family status in the provision of housing and housing-related services, with certain exemptions from the ban against discrimination based on familial status for housing that is intended and operated for occupancy by persons age 55 or older if the housing satisfies criteria under the Housing for Older Persons Act (“HOPA”); and,

**WHEREAS**, in order to claim exemption from the familial status provision of the Fair Housing Act for housing intended and operated for occupancy by persons 55 years of age or older, a housing program must meet the following requirements: (i) at least 80 percent of the occupied units are occupied by at least one person who is 55 years of age or older (24 CFR 100.305); (ii) the housing facility must publish and adhere to policies and procedures that demonstrate [such] intent

(24 CFR 100.306); and (iii) the housing facility must comply with rules issued by the Secretary [of HUD] for verification of occupancy (24 CFR 100.307); and

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

**Section 1: Intent to Operate Properties as Housing for Older Persons.** The Authority has opted out of the HUD Multifamily Section 8 contract for Housing Assistance Payments, which expired on November 30, 2015. It has been KCHA's intent, prior to and since that date, to operating Patricia Harris Manor for occupancy by persons 55 years of age or older, and otherwise in the fullest practical conformance with the provisions of the HOPA. In that regard, the Authority shall continue to:

i) maintain an up-to-date database containing the name, address and date of birth of all owners/occupants in the residential units, with the age of each owner/occupant to be verified by driver's license, passport, birth certificate, military record or other allowable document;

ii) conduct a biannual age verification of all owners/occupants based on information contained in the resident file and retain a written report accurately representing the number and percentage of owners/occupants conforming to the Authority's age restriction criteria;

iii) ensure that no less than 80 percent of the occupied residential units are occupied by one or more persons 55 years of age or older;

iv) publish and adhere to policies that demonstrate the Authority's intent to primarily provide housing for persons 55 years of age or older; and

v) ensure that these properties are represented, through signage and internal and external communications, as housing primarily for older persons.

**Section 2.** Governmental Filings; Other Agreements. The Executive Director is further authorized to execute, deliver and, if applicable, file (or cause to be executed, delivered and, if applicable, filed), on behalf of the Authority, any government forms, affidavits, certificates, letters, documents, agreements and instruments that he determines to be necessary or advisable to give effect to this resolution and to consummate the transactions contemplated herein,. He is further authorized to take such other actions as may be necessary or advisable to give effect to these resolutions.

**Section 3.** 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 SPECIAL  
MEETING THIS 14th DAY OF DECEMBER, 2015.**

**HOUSING AUTHORITY OF THE COUNTY  
OF KING**

By: \_\_\_\_\_  
**Doug Barnes, Chair**

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman, Secretary**

## HOPA Confirmation

This will confirm to the Commissioners of the Housing Authority of King County that Patricia Harris Manor qualifies for exemption from familial discrimination under the Housing for Older Persons Act (HOPA) and that the Authority intends to continue operating the property as housing primarily for persons aged 55 and older pursuant to HOPA requirements.

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Stephen J. Norman  
Executive Director

December 14, 2015

# CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting 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. 5523 (the “Resolution”) is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a special meeting of the Authority held on December 14, 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; 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 14th day of December, 2015.

---

Stephen J. Norman  
Executive Director of the Authority

# T A B N U M B E R



**TO:** Board of Commissioners

**FROM:** Wen Xu, Director of Asset Management

**DATE:** December 9, 2015

**RE:** **Resolution No. 5524: Authorizing the Executive Director to Take Actions that ensure the successful New Market Tax Credits unwind of the Greenbridge Early Learning Center Project**

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Resolution No. 5524 authorizes the Executive Director to take all actions necessary to unwind the New Markets Tax Credit (“NMTC”) structure created to facilitate the financing and development of the Greenbridge Early Learning Center Project (“GELC”), which provides a facility for early learning programs that support low-income children living in KCHA’s Greenbridge community and the surrounding White Center area. Upon termination, the ownership and operation of the GELC will be fully vested with the Puget Sound Educational Service District (“PSESD”), which has operated the GELC since its inception in 2009.

In 2008, KCHA received an allocation of \$22,000,000 in New Markets Tax Credits from the Community Development Financial Institutions Fund, a division of the United States Treasury Department. In July 2008, the Board of Commissioners approved Resolution No. 5174, which authorized KCHA to sub-allocate the tax credits to the GELC LLC, a Washington limited liability company created to finance the development of the Greenbridge Early Learning Center.

The NMTC program requires a seven year compliance period after which the NMTC structure can be unwound. By December 31, 2015 the compliance period for the GELC will have ended and all of the Investor’s tax credits will have been claimed. Termination of the transaction and the assumption of full ownership and operation of the early learning center by the PSESD are consistent with the original plan developed by KCHA and the PSESD. KCHA has no financial interest in, nor any property ownership associated with, the GELC. All costs incurred by KCHA associated with the termination of the NMTC overlay will be covered out of the project. This transaction poses no risks and creates no liabilities for KCHA.

Resolution No. 5524 authorizes the Executive Director to execute any and all agreements, documents, certificates and authorizations which may be necessary, convenient or advisable to accomplish the unwind of the transaction and to retain, authorize and instruct legal counsel and other consultants in regard to the foregoing.

Staff recommends passage of Resolution No. 5524.

**THE HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5524**

**AUTHORIZING THE EXECUTIVE DIRECTOR TO TAKE ACTIONS THAT  
ENSURE THE SUCCESSFUL NEW MARKET TAX CREDITS UNWIND OF  
THE GREENBRIDGE EARLY LEARNING CENTER PROJECT**

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**WHEREAS**, the King County Housing Authority (“KCHA”) is the owner and developer of Greenbridge, a master planned community consisting of over 1,000 units of new mixed-income housing along with community facilities such as schools, parks, trails, offices, retail and community support service facilities; and,

**WHEREAS**, the Puget Sound Education Service District (“PSESD”), a Washington municipal corporation, operates the Greenbridge Early Learning Center Project (“GELC”) at Greenbridge to provide a facility for early learning programs for low income children living in Greenbridge and in the general White Center area; and,

**WHEREAS**, the Community Development Financial Institutions Fund, a program of the United States Treasury Department, awarded KCHA a New Market Tax Credit (“NMTC”) allocation of \$22,000,000 to finance the GELC (“NMTC Allocation”); and,

**WHEREAS**, KCHA, pursuant to its authority granted by the KCHA Board of Commissioners under Resolution No. 5174, dated July 21, 2008, sub-allocated its NMTC Allocation to GELC LLC, a Washington limited liability company (“Subsidiary CDE”), of which KCHA is the managing member; and,

**WHEREAS**, in connection with the financing of the GELC, and as authorized by Resolution No. 5174, the Subsidiary CDE made a qualified low-income community investment loan to PSESD Foundation, a Washington nonprofit corporation, in the



aggregate principal amount of \$21,340,000 loan, evidenced by two promissory notes in the principal amounts of \$15,093,100 and \$6,246,900 (collectively, the “Notes”); and,

**WHEREAS**, the NMTC program and financing of the GELC must remain in place for a seven-year period (“Compliance Period”), which will end on or about December 30, 2015; and,

**WHEREAS**, KCHA desires to authorize the unwind of the NMTC Project upon the end of the Compliance Period (the “Unwind”) by engaging in certain transactions in order to complete the Unwind which may include, without limitation, executing and delivering, on its own behalf or as managing member of Subsidiary CDE, (i) a Redemption and Assignment Agreement, (ii) a Membership Interest Purchase Agreement, (iii) a Ratification of Indemnity, (iv) one or more Allonges to the Notes, and (v) any and all other documents that may be necessary to successfully complete the Unwind; and,

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

1. The Executive Director, or in his absence an Authorized Officer, on behalf of KCHA, is hereby authorized, empowered and directed to cause KCHA:
  - 1.1. to affirm its commitment and authorization of the accomplishment of all of the above-contemplated transactions (collectively, the “Unwind Steps”); and
  - 1.2. to do all things and to execute any and all agreements, documents, certificates and authorizations which may be necessary, convenient or advisable to

- accomplish all of the Unwind Steps, and to retain, authorize and instruct their attorneys and other consultants in regard to the foregoing.
2. On behalf of KCHA, on its own behalf or in its capacity as the allocatee and as the managing member of Subsidiary CDE, the Authorized Officer is hereby authorized, empowered and directed to take such actions set forth above and take such further actions, and to execute such additional documents and instruments to which KCHA or Subsidiary CDE is a party, as the Authorized Officer may deem necessary or appropriate in connection with the matters authorized in the foregoing resolutions, and the signature of such Authorized Officer on any document or instrument or the performance of any such actions shall be conclusive evidence of such Authorized Officer's authority to take such actions or execute such documents or instrument on behalf of KCHA and/or Subsidiary CDE.
  3. Any and all acts heretofore taken by the Authorized Officer in connection with the matters authorized by the foregoing resolutions are hereby ratified, confirmed, adopted and approved by the Board.
  4. These resolutions shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the King County Housing  
Authority at a special open public meeting this 14<sup>th</sup> day of December 2015.

THE HOUSING AUTHORITY OF  
THE COUNTY OF KING, WASHINGTON

By: \_\_\_\_\_  
**Doug Barnes**, Chair  
Board of Commissioners

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman**  
Secretary

## **CERTIFICATION**

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

1. That the attached Resolution No. 5524 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners (the "Board") of the Authority, as adopted at a special meeting of the Authority held on December 14, 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 14th day of December, 2015.

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Executive Director of the Authority

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**TO:** Board of Commissioners

**FROM:** Craig Violante, Director of Finance

**DATE:** December 9, 2015

**RE:** **Resolution No. 5525: Authorizing approval of the Comprehensive Operating and Capital Budgets for the Calendar Year beginning January 1, 2016**

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## **EXECUTIVE SUMMARY**

Attached for your review are the proposed 2016 Comprehensive Operating and Capital Budgets (Exhibits A and B, respectively). The budget seeks to balance the continuing uncertainty of federal support for housing programs against the growing regional need for housing and related assistance and the maintenance requirements of KCHA's current housing stock. KCHA will continue to invest its operating cash flows and use significant reserves for operating and capital activities in order to preserve and expand its housing resources across all of its programs.

This budget projects no increase in Federal funding for the MTW Housing Choice Voucher (HCV) program. This assumption, coupled with the need to raise the Section 8 payment standards in light of the rapidly-rising rental market, means that in 2016 KCHA will dip into reserves to meet ongoing commitments to the region's most vulnerable families. This is not a sustainable condition, and KCHA staff continues to seek an equitable solution to this lack of recognition of inflating markets by HUD.

The over-all financial condition of the Authority remains strong, with sufficient reserves and cash flows to support on-going commitments and debt obligations. Cash and reserves, both restricted and unrestricted, are projected to increase by a total of \$2.2 million during the year.

Guiding this budget and the entire budgeting process are the main goals of KCHA as approved by the Board:

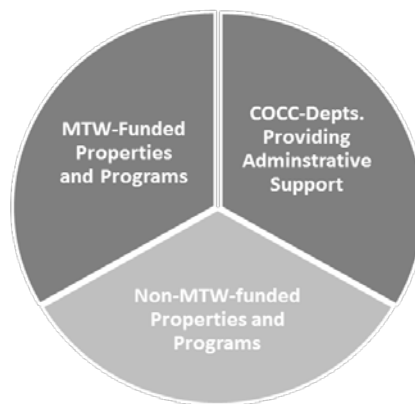
- Preserving and expanding the supply of affordable housing
- Helping the region end homelessness
- Promoting economic self-sufficiency for residents
- Strengthening the internal infrastructure of KCHA

To support KCHA's core mission, the 2016 budget includes:

- \$14 million for inventory expansion, including the direct purchase of new properties, land-banking activities, and other opportunities that may arise. This initiative assumes 100% debt-financing.
- \$13 million for the first year of the Energy Performance Contract (EPC) construction project
- \$46.5 million for the preservation of the existing housing stock, partially through the investment of current reserves, and partially by accessing private funding through the Low Income Housing Tax Credit program. In addition, although it is not included in this budget, an additional \$8.5 million will be spent on the Corinthian Apartments rehabilitation. This presentation is consistent with past budgeting practices due to Corinthian's status as a tax credit entity managed by outside property managers. The grand total of construction projects, including Corinthian, the EPC and some other small projects, is \$68.5 million.
- \$2.4 million for the projected 2016 impact of higher payments standards that will be brought to the Board in early 2016. After all eligible participants have transitioned to the new standards, the annual cost to KCHA is estimated at \$4.2 million.
- \$1.3 million for continued issuance of 126 Section 8 vouchers over the baseline funded by HUD.
- A funding commitment of \$3.1 million dedicated to locally-designed homeless programs, driven by an increase of \$472,000 in the Student Family Stability Initiative (SFSI). This program, with a 2016 budget of \$809,000, offers short-term rental assistance to families with students, enabling them to remain stably housed and providing the student an uninterrupted learning opportunity. This is addition to resources expended in the traditional Public Housing and Section 8 programs that target the homeless.
- \$6.9 million for a wide array of resident service programs focused on educational outcomes for youth, housing and student classroom stability, household mobility and self-sufficiency, and youth and elderly services
- A significant investment across nearly all departments in staff development and training to improve the efficiency and quality of operations and to enhance KCHA's commitment to providing outstanding service to both internal employees and external stakeholders and residents. Areas of focus will include management and leadership development training, process improvement, policy research and data analysis, internal auditing and program compliance and the on-going implementation of new software and technology systems. .

## **OPERATING BUDGET**

From a budgeting perspective, KCHA's operating budget can be broken out into three broad categories:



The two highlighted sections above require the greatest levels of decision-making during the budget process as they are either Federally-supported and thus dependent upon uncertain congressional appropriations, or rely on the cash flows of other programs to sustain them. While the non-MTW-funded properties and programs are vitally important to KCHA as they pay a significant portion of agency overhead, they are self-sustaining and in many cases budget decisions are constrained by agreements with bondholders and equity investors.

### **MTW-funded Properties and Programs**

KCHA entered the MTW Program in 2003. From a financial perspective, participation in the program gives KCHA three distinct benefits:

- 1) It allows the funding for the bulk of the vouchers in the Housing Choice Voucher (HCV) program (also known as the Section 8 program) to be received as a block grant.
- 2) Since funding is received as a block grant, savings realized in Housing Assistance Payment (HAP) or Section 8 administrative costs can be retained, and in combination with revenues from the Public Housing program (Operating Fund Subsidy and Capital Fund grants), can be used for any purpose allowed under the MTW program.



- 3) Full funding for all vouchers that are part of the block grant is automatically renewed each year, enabling KCHA to continue to receive the benefit of savings realized through efficiencies in program operations. This is in contrast to non-block-grant programs where renewal funding is limited to the actual cost of vouchers leased in the prior year.

Even with these benefits, programs funded using the MTW block grant will be under stress in 2016. Revenues have been stagnant since 2012 when HUD adopted a new formula for awarding inflation increases (called a Replacement Funding Inflation Factor or RFIF) that looks at inflation on a national level rather than based on local conditions. Coupled with rising area rental rates and the resulting increases in Housing Assistance Payments (HAP) to landlords, it is projected that in the short term the MTW fund will have more operating expenses than current revenue. Management is committed to continuing to fund core programs utilizing MTW working capital while we seek to resolve the RFIF issue.

Following are two tables detailing how MTW resources will be used in 2016. The first chart focuses on new 2016 HCV block grant funding:

Block grant eligibility	\$103,771,907
Estimated Loss due to prorate	<u>(1,037,719)</u>
Budgeted block grant revenue	102,734,188
HAP payments to landlords	(85,987,304)
HCV program administrative costs	<u>(7,755,540)</u>
Block grant available for other uses	8,991,344
Other revenues	322,063
Resident services programs	(5,337,921)
Homeless initiatives	(3,058,583)
Additional Public Housing support	(2,553,722)
Support of other programs	(214,994)
Administrative costs	(1,026,994)
Excess of Current Year Sources over Uses	<u>(2,878,807)</u>
Plus: Draw from Working Capital Reserves	2,878,807
2016 Net Change	<u><u>\$0</u></u>

The second chart shows how current working capital reserves and amounts returned to the MTW program will be used:

Non-committed working capital carried over from 2015	(\$3,585,180)
Repayment of MTW-sourced Loans	13,445,000
Release of MTW funds used as collateral	1,763,636
Draws from reserves committed by Board	2,472,484
Repayment of MTW-sourced Loans	1,679,991
Other sources	371,455
	<hr/> 16,147,386
Capital construction projects	(11,772,603)
Tenmast software project	(281,060)
Used for debt service	(980,228)
Used for lending purposes	(988,653)
Other uses	0
Used to supplement 2016 sources	(2,878,807)
	<hr/>
NET	<hr/> (\$753,965) <hr/>

Properties and Programs that fall under the MTW umbrella include:

- Block-granted Housing Choice Vouchers
- Public Housing
- Resident Service programs
- Homeless Initiatives

### **Block-granted Housing Choice Vouchers**

87% of the vouchers administered under of the Housing Choice Voucher Program are “Block Granted” and are part of the MTW program. The Block Grant HCV program currently includes 8,109 vouchers (with 40 more to be included in 2016) with funding received from HUD in a monthly “block” of cash. Assuming no inflation factor is awarded in 2016, KCHA will be eligible to receive \$103.772 million in block grant funding. HUD is currently forecasting that Congressional appropriations will be sufficient to allow funding of most of this eligibility, so the 2016 budget is assuming a 99% prorate, or \$102.734 million.

Out of this revenue, KCHA subsidizes the rent of program participants by making monthly Housing Assistance Payments (HAP) directly to landlords and pays the administrative costs of the program. Within the HCV program, the Authority uses its MTW authority in two key ways:

- KCHA supports more households than the baseline number of households for which KCHA is funded. This “over-leasing” has been set at 126 vouchers for

2016, meaning that KCHA will lease 101.6% of the HUD-funded voucher baseline. The over-leasing number is lower than in 2015 to adjust for the increase in the SFSI program, one of KCHA's locally-designed rental assistance programs not reflected in our HUD Section 8 reporting. When all locally-designed programs are factored in, KCHA anticipates housing 409 households above the number called for in the HUD baseline.

- KCHA has the flexibility to set different subsidy limits for vouchers, depending upon the number of bedrooms in the rental unit and its geographic location. These subsidy ceilings are known as Payment Standards. MTW allows KCHA to provide payment standards in high opportunity neighborhoods significantly above the regional Fair Market Rents. This expands geographic choice for program participants and supports KCHA's goal of increasing the number households living in these neighborhoods. The Board last adopted new payments standards in December 2014 with a resulting increase in 2015 HAP costs of approximately \$1.6 million. Since then, the Puget Sound region has seen a continuing rise in rental rates, making it very challenging for voucher holders to find units or even to remain in their current units. Staff will be bringing a proposal to increase the Payment Standards to the Board in early 2016. As part of this budget proposal, 2016 HAP costs for existing program participants have been increased by \$2.4 million, and the total annualized cost of increased payment standards is projected to be close to \$4.3 million once all qualified participants move to the new standards.

### **Public Housing**

For 2016, it is projected that KCHA's **Public Housing** program is eligible, based on HUD's funding formula, to receive \$8.466 million of Operating Fund Subsidy. However, due to chronic congressional underfunding, it is estimated that only 83.5% of eligible funding, or \$7.069 million, will actually be received, resulting in a gap of \$1.4 million. Transfers of available cash flows from the Section 8 Block Grant revenue stream will backfill this shortfall and also provide approximately \$1.3 million in additional funds for extraordinary maintenance projects to be performed by members of KCHA's Central Maintenance crew.

### **Resident Services**

The Resident Services department has a proposed budget of \$6.9 million in 2016, of which 76.7% is funded from the MTW block grant, 6.5% from Public Housing Operating Fund subsidy, 11.4% from the Gates foundation (limited-term funding) and the remainder from various grants and partner agencies. Funds are utilized to support a mix of in-house staff and contracts with non-profit service providers who operate programs at our sites. There is a continuing focus on education and housing stability in 2016.

Key program groups being funded include:

- \$2.1 million for after school/educational initiatives
- \$1.0 million for self-sufficiency and mobility programs
- \$2.3 million for elderly and family services
- \$1.3 for other purposes, including relocation, reasonable accommodations and Section 8 resident outreach

### **Homeless Initiatives**

KCHA's Public Housing and Section 8 programs continue their focus on ending regional homelessness. In 2014, (the most recent year for which data is available) 42% of new housings in the federally subsidized programs were formerly homeless households. The Homeless Housing Initiatives (HHI) department develops innovative programs tailored to households including chronically homeless individuals, homeless youth, rapid rehousing for families with children referred by the Highline School District and survivors of domestic violence. HHI's 2016 budget of \$3.2 million supports these locally-designed rental assistance programs.

Highlights of the 2016 work plan include:

- Continued lease-up of VASH vouchers in partnership with the VA Puget Sound Health Care Services to meet the goal of full utilization by the end of the first quarter of 2016. At that point we will have 449 VASH vouchers leased.
- Doubling the size of the Highline School District Student Family Stability Initiative (SFSI) program to serve 100 families & approximately 250 homeless students in partnership with the Highline School District
- Creation of a new project-based flat rent subsidy program to serve homeless families and young adults
- Implementation of a new sponsor-based supportive housing program serving up to 20 homeless individuals exiting Western State Hospital

### **Central Office Cost Center (COCC)**

Expenses for most administrative departments are aggregated in the COCC, and the costs are then recovered through a series of fees charged to properties and programs, and the transfer of excess cash flow from workforce housing sites. The COCC covers most activities within the Human Resources, Information Technology, Administrative Services, Communications and Executive departments, as well as certain functions within Asset Management, Housing Management and Capital Construction.

A summary of the core COCC budget is below. Although reserves exist to cover the projected shortfall, delays in filling open positions and other cost savings will likely mitigate the deficit.

Total overhead expenses of the COCC	\$12,937,602
Costs recovered through:	
Fees charged to properties	3,648,418
Fees charged to Section 8 program	2,642,621
Fees charged to construction projects	1,070,242
Cash transferred from workforce housing	4,607,601
Repayments of COCC-sourced lending	227,391
Other sources	350,000
	<hr/> 12,546,273
COCC operating shortfall	<hr/> <hr/> ( \$391,329)

77.5% of COCC costs are attributable to personnel, making it a challenge to reduce costs. The complexity of the organization generally requires the staff size the Authority maintains. KCHA will need to continue to identify operational efficiencies or additional sources of revenue in future years to support operations at this level.

### **Non-MTW-funded Properties and Programs**

In its **Workforce Housing** portfolio, including properties funded with tax-exempt bonds, and properties under the ownership of tax credit investors, KCHA currently has 34 separate properties with 4,337 apartments. These properties are managed by outside fee-based property management companies. All properties have some form of debt outstanding, and the servicing of this debt comes out of the cash flow of each of the properties. In addition, each property makes monthly contributions to replacement reserve accounts and annually self-funds capital repair and rehabilitation projects. The net cash flow for these properties also supports general KCHA overhead via transfers to the COCC, projected to be \$4.6 million in 2016.

The **Weatherization program** provides energy conservation improvements to low income residents of King County living in single family residences, mobile homes, and multifamily housing. The 2015 budget includes \$3.5 million in weatherization measures in 625 housing units. Both conservation measures and program operating costs are fully funded through five separate federal, state and local grants. Program revenues for 2016 reflect a 25% increase over 2015, reflective of this Department's success in providing high value services to these funders.

## CAPITAL BUDGET

Below is a summary of the capital budget. Full detail can be found on Attachment B.

Category	Budgeted Amount	Managed by	Funding Sources
Rehabilitation of existing properties	\$11,613,919	Capital Construction Department	Existing MTW reserves, CFP grant, existing FHLB debt proceeds, CFP grant, COCC
	\$7,099,361	Housing Management Department	Existing MTW reserves, Operating Fund subsidy, site cash flow
	\$16,164,590	Development Department	LOC and internal loans, ultimately tax credit equity
	\$11,644,397	Asset Management Department	Replacement reserves and site cash flow
Acquisition of new properties	\$14,000,000	Development Department	New debt
Energy conservation measures	\$13,000,000	Administrative Services Department	New debt, possible internal loans
Work at Greenbridge site	\$1,430,645	Development Department	Internal loans, HOPE VI program income
Other	\$740,125	Various	Various
<b>Total</b>	<b>\$75,693,037</b>		

Highlights of the capital budget include:

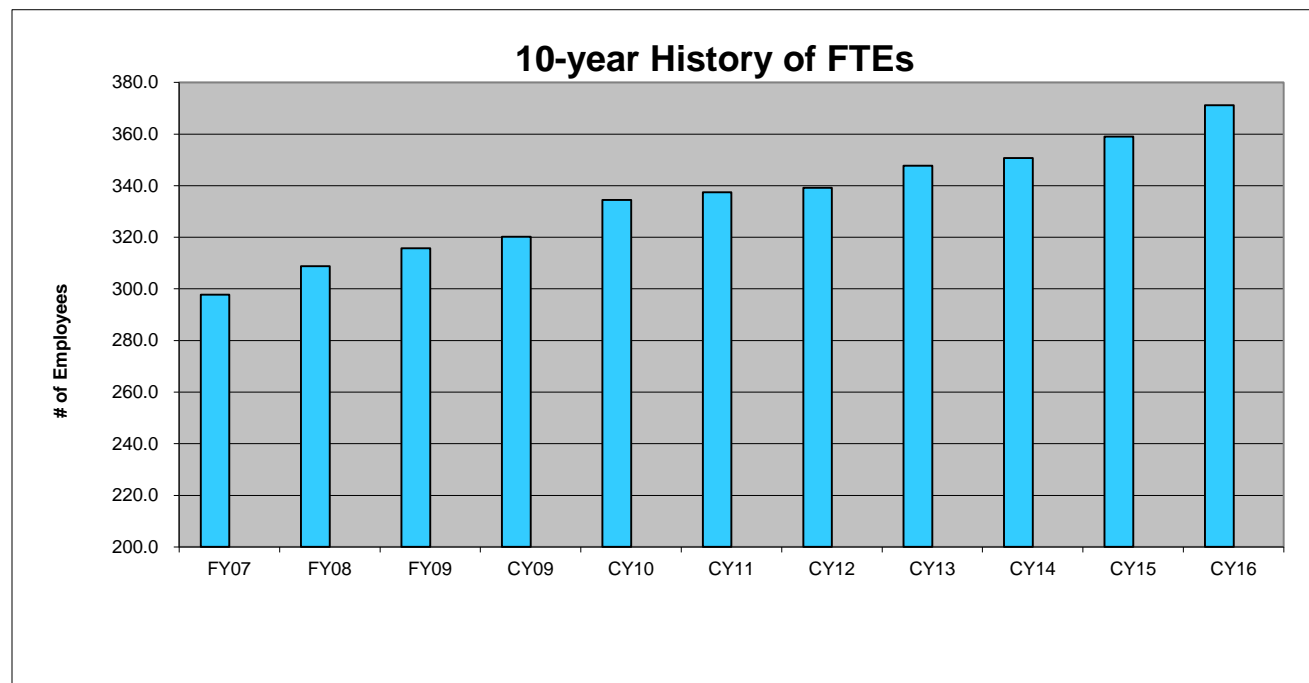
- \$12.5 million to be spent on the current Public Housing stock through a variety of projects, managed by both the Capital Construction and Housing Management departments, including some of the unit upgrades and extraordinary projects listed below
- \$4.1 million for 150 units upgrades to be completed at various portfolios including Public Housing (\$2.0 million), MKCRF (\$825,000), Egis (\$587,000), and various others
- A total of \$13.2 million of extraordinary maintenance projects to be completed on nearly all KCHA properties, including Public Housing (\$540,000), MKCRF (\$475,000) and Egis (\$994,000)
- \$16 million for the rehabilitation of Spiritwood, a 128-unit complex located in Bellevue that is being syndicated as a tax credit property at the end of 2015.
- Not included in the budget is \$8.5 million toward the rehabilitation of the newly-acquired Corinthian Apartments as it is also being syndicated as a tax credit property at the end of 2015 but is not KCHA-managed. Past practice is to not budget for the activities of a tax credit property managed by third parties.
- \$14 million for the acquisition of new properties

- \$13 million for the first year of the Energy Performance Contract (EPC) construction project

## **THE INVESTMENT IN KCHA'S INTERNAL INFRASTRUCTURE**

### ***Employee Count***

The budget includes 371.2 full-time equivalent (FTE) positions, an increase of 12.2 over the 2015 budget. Seven of these additions have already been approved, 6.2 new positions are being proposed, and the position of one retired employee is being eliminated.



Most of these new positions are in support of one of KCHA's key goals: the drive to transform the agency into a learning organization:

- Two positions in support of KCHA's research agenda which lays out the research priorities of the coming years and provides a roadmap for key research projects and collaborations
- Two positions in the Housing Management Apprenticeship program, designed to enhance the technical skills and upward mobility of maintenance staff
- One position focusing on continuous process improvement, driving KCHA toward lean management practices
- Three positions to strengthen the Housing Management department through new positions focusing on training, customer service, compliance and succession planning

Other key initiatives supported by new positions include:

- Implementation of Tenmast phases 2 and 3, plus ongoing training and support of other technology initiatives, such as OnBase.
- Expansion of the Homeless Housing department by providing analytical and contract expertise in support of the core programs.

### ***Personal Service Costs***

A Board-approved Cost of Living Adjustment (COLA) wage increase of 0.5% was awarded to all employees in November 2015. An estimated COLA of 2.5% was factored into the budget for November, 2016. The actual amount of the COLA will be determined by the mid-year CPI index.

The Public Employees Retirement System (PERS) contribution rate is currently set at 11% and is expected to continue to rise in future years. The average health insurance cost per employee for 2016 is projected to be \$12,670, the same as 2015.

## **CASH BALANCES**

Below is a summary of the 2016 cash budget:

	Projected Cash 12/31/2015	Budgeted 2016 Activity	Projected Cash 12/31/2016
Unrestricted	\$47,019,363	\$3,681,238	\$50,700,601
Program-Restricted	4,225,410	2,831,215	7,056,625
Designated	48,331,426	(1,659,270)	46,672,156
Restricted	26,486,986	(2,542,251)	23,944,735
Set-aside to pay short-term debt	3,176,209	0	3,176,209
	<u>\$129,239,393</u>	<u>\$2,310,932</u>	<u>\$131,550,325</u>

The main components of the change in cash are:

- \$14.5 million of tax credit equity received from the Vantage Point investor, RBC
- \$8.6 million of current MTW reserves spent to rehabilitate Public Housing properties
- \$2.8 million use of reserves to supplement current year block grant funding due to projected fourth consecutive year of no inflation factor funding

In addition to the cash balances listed above, KCHA is also awarded annual Capital Fund Program grants. These grants are on a reimbursement-only basis and thus are not shown as an asset of KCHA. However, it is forecast that as of the end of 2016, \$11.5 million of untapped grant awards will be available for capital purposes.

The complete cash budget is found on Exhibit C.



**KING COUNTY HOUSING AUTHORITY**
**2016 Working Capital Budget\***

(In \$1,000's; excludes non-KCHA-managed component units)

EXHIBIT A

	FEDERALLY-SUPPORTED PROGRAMS (managed by KCHA)						LOCAL PROGRAMS						Memo: KCHA COMBINED
	Public Housing		Other Housing		Other Programs		KCHA	Outside	Tax Credit				
	KCHA Owned	Outside Owned	KCHA Owned	Outside Owned	Section 8 Program	MTW Program	Owned Housing	Owned Housing	Gen Ptnr Activity	Develop Activity	Other	COCC	
<b>Revenues</b>													
Tenant Revenue	\$4,742.2	\$1,927.6	\$5,335.5	\$13,459.7	\$127.2	\$0	\$47,640.8	\$1,448.9	\$0	\$0	\$0	\$0	\$74,681.9
Operating Fund Subsidy from HUD	4,155.1	5,692.2	.0	.0	.0	371.5	.0	.0	.0	.0	385.1	.0	10,603.8
Section 8 Subsidy from HUD	.0	.0	411.1	.0	105,289.1	8,991.3	.0	.0	.0	.0	.0	.0	114,691.6
Other Operating Revenue	39.9	93.5	407.0	2,692.2	28,635.1	10.9	539.1	138.0	7,282.0	761.7	5,831.7	12,337.9	58,769.1
Non-operating Revenue	7.3	4,171.5	34.6	4,944.1	.0	319.1	83.4	795.5	3,009.5	.0	.0	1,431.6	14,796.9
<b>Total Revenues</b>	<b>8,944.5</b>	<b>11,884.9</b>	<b>6,188.3</b>	<b>21,096.0</b>	<b>134,051.4</b>	<b>9,692.8</b>	<b>48,263.4</b>	<b>2,382.4</b>	<b>10,291.6</b>	<b>761.8</b>	<b>6,216.8</b>	<b>13,769.5</b>	<b>273,543.3</b>
<b>Expenses</b>													
Salaries & Benefits	2,091.1	1,086.2	708.5	1,605.6	6,144.0	1,818.8	4,259.1	304.9	226.5	608.8	1,066.7	11,006.1	30,926.1
Routine Maintenance, Utilities, Taxes & Insurance	4,424.2	2,177.8	1,722.2	3,646.2	253.2	.0	12,011.3	495.4	11.8	.0	8.9	1,849.2	26,600.2
Direct Social Service Salaries & Benefits	.0	.0	.0	.0	122.5	2,082.5	.0	.0	.0	40.5	58.7	.0	2,304.3
Other Social Service Support Expenses & HAP	117.5	3,995.1	52.8	24.7	124,349.1	4,908.8	141.3	122.7	.0	60.8	4,419.6	.0	138,192.4
Administrative Support Expenses	3,027.3	936.2	500.7	1,253.0	3,509.7	600.0	4,327.9	232.6	416.2	296.0	104.6	3,255.5	18,459.6
Non-operating Expenses	14.3	2,666.1	368.4	6,392.5	.0	.0	6,178.9	601.4	849.1	978.3	265.4	617.4	18,931.8
<b>Total Expenses</b>	<b>9,674.6</b>	<b>10,861.5</b>	<b>3,352.6</b>	<b>12,922.0</b>	<b>134,378.4</b>	<b>9,410.1</b>	<b>26,918.5</b>	<b>1,756.9</b>	<b>1,503.5</b>	<b>1,984.3</b>	<b>5,924.0</b>	<b>16,728.2</b>	<b>235,414.5</b>
<b>Net Income</b>	<b>(730.0)</b>	<b>1,023.3</b>	<b>2,835.7</b>	<b>8,174.1</b>	<b>(326.9)</b>	<b>282.7</b>	<b>21,344.9</b>	<b>625.5</b>	<b>8,788.1</b>	<b>(1,222.6)</b>	<b>292.8</b>	<b>(2,958.7)</b>	<b>38,128.9</b>
<b>Other Sources/(Uses) of Working Capital</b>													
(Increase) in Restricted/Designated Cash	(11.2)	(203.8)	(140.4)	(2,098.6)	.0	.0	(1,278.0)	(66.0)	(300.0)	(68.0)	.0	(19.5)	(4,185.5)
Decrease in Restricted/Designated Cash	.0	.0	10.0	950.0	.0	4,236.1	3,397.5	160.0	300.0	14.0	.0	52.0	9,119.6
(Increase) in LT Receivables	.0	(2,840.4)	.0	(265.8)	.0	(988.7)	.0	(365.6)	(7,154.8)	.0	.0	(391.3)	(12,006.5)
Decrease in LT Receivables	.0	398.4	.0	1,191.8	.0	1,680.0	.0	214.9	561.6	.0	.0	746.8	4,793.5
Acquisition of Capital Assets	(11,208.5)	(2,090.7)	(1,942.7)	(3,456.4)	(10.5)	(281.1)	(11,724.5)	(271.2)	.0	(31,487.0)	(13,000.1)	(220.4)	(75,693.0)
Disposition of Capital Assets	.0	.0	.0	.0	.0	.0	.0	.0	.0	2,020.0	.0	.0	2,020.0
Change in Suspense	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Change in Other Assets	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	(2,000.0)	(2,000.0)
Change in Deferrals	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Increase in LT Debt	.0	.0	.0	.7	.0	.0	.0	.0	5,895.0	16,930.8	13,000.0	.0	35,826.6
(Decrease) in LT Debt	(195.0)	(221.4)	(290.8)	(4,583.2)	.0	.0	(6,572.9)	(273.1)	(2,979.6)	(3,633.1)	.0	(900.0)	(19,649.1)
Change in Other Liabilities	(22.1)	1,277.2	(81.7)	339.0	.0	.0	.0	162.2	20.8	(261.3)	.0	.0	1,434.0
Other Non-Working Capital Inc/Exp	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Non Income/Expense Change in Equity	.0	15,279.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	15,279.1
<b>Total Other Sources/(Uses) of Working Capital</b>	<b>(11,436.7)</b>	<b>11,598.4</b>	<b>(2,445.6)</b>	<b>(7,922.5)</b>	<b>(10.5)</b>	<b>4,646.4</b>	<b>(16,177.9)</b>	<b>(438.8)</b>	<b>(3,657.0)</b>	<b>(16,484.7)</b>	<b>(.1)</b>	<b>(2,732.4)</b>	<b>(45,061.4)</b>
<b>Transfer In from (Out to) Other Funds</b>													
Transfers In from Other Funds	12,166.8	2,389.1	1,073.9	2,841.6	.0	.0	137.8	.0	.0	909.8	1,152.9	5,807.6	26,479.5
Transfers Out to Other Funds	.0	(1,295.0)	(80.7)	(2,676.2)	.0	(15,542.9)	(3,419.3)	(217.5)	(890.1)	.0	(1,138.9)	(1,219.0)	(26,479.5)
<b>Net Transfer In/(Out)</b>	<b>12,166.8</b>	<b>1,094.1</b>	<b>993.3</b>	<b>165.4</b>	<b>.0</b>	<b>(15,542.9)</b>	<b>(3,281.5)</b>	<b>(217.5)</b>	<b>(890.1)</b>	<b>909.8</b>	<b>14.0</b>	<b>4,588.6</b>	<b>.0</b>
<b>Net Change in Working Capital</b>	<b>.0</b>	<b>13,715.9</b>	<b>1,383.3</b>	<b>417.0</b>	<b>(337.5)</b>	<b>(10,613.8)</b>	<b>1,885.5</b>	<b>(30.8)</b>	<b>4,240.9</b>	<b>(16,797.5)</b>	<b>306.7</b>	<b>(1,102.4)</b>	<b>(6,932.5)</b>
Projected Working Capital, 12/31/2015	4,270.1	2,663.4	5,019.8	2,304.6	(158.2)	(3,585.2)	3,440.2	1,672.5	717.7	(16,357.0)	461.8	38,052.1	38,501.8
Projected Working Capital, 12/31/2016	\$4,270.1	\$16,379.2	\$6,403.1	\$2,721.6	\$(495.7)	\$(14,199.0)	\$5,325.7	\$1,641.7	\$4,958.7	\$(33,154.5)	\$768.5	\$36,949.7	\$31,569.3

\*Excludes operations of Village at Overlake Station and Harrison House. Although staff is in the final stages of negotiating the early exit of both properties from the Tax Credit program and into ownership by KCHA, as of this writing no contracts are in place

King County Housing Authority  
Capital Budget  
By Responsible Department  
2016 Budget

EXHIBIT B

**CONSTRUCTION ACTIVITIES**

***Managed by the Capital Construction Department***

Public Housing Properties	\$8,687,060	
MKCRF Properties	1,830,183	
Other Properties	<u>1,096,676</u>	\$11,613,919

***Managed by the Housing Management Department***

Unit Upgrade Program	4,053,279	
Other Projects	<u>3,046,082</u>	7,099,361

***Managed by the Asset Management Department***

Projects at Workforce Housing Properties	11,103,447	
Projects at Mobile Home Properties and Nike	<u>540,950</u>	11,644,397

***Managed by the Development/HOPE VI Departments\****

Spiritwood Rehabilitation	<u>16,164,590</u>	16,164,590
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***Managed by the Administrative Service Department***

Energy Performance Contract	<u>13,000,000</u>	13,000,000
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**DEVELOPMENT/ACQUISITION ACTIVITIES**

***Managed by the Development Department***

New Acquisitions	14,000,000	
Hope VI Properties	1,430,645	
Other Projects	<u>229,065</u>	15,659,710

**OTHER ACTIVITIES**

Tenmast Expenses	281,060	
Vehicles	220,000	
Other	<u>10,000</u>	511,060

\$75,693,037

\* Does not include \$8.5 million for Corinthian rehabilitation as it is a tax credit property not managed by KCHA

**King County Housing Authority**  
**Cash Budget\***  
**2015**

EXHIBIT C

	Balance 12/31/2015	Changes 2016	Balance 12/31/2016
<i>Unrestricted Cash</i>			
COCC	\$26,552,678	\$3,681,238	\$30,233,916
Other Funds	20,466,684		20,466,684
<i>Cash for Use Only within Programs</i>			
MTW	(2,823,079)	2,831,215	8,136
Other Funds	7,048,489	0	7,048,489
<i>Reserves</i>			
Replacement Reserves (Dedicated and Restricted)	18,761,668	(1,564,179)	17,197,489
Exit Tax Reserves (Dedicated)	6,052,827	0	6,052,827
Hope VI Program Income (Restricted for Use within Program)	5,994,168	68,000	6,062,168
Reserves Pledged as Collateral (Restricted MTW)	12,773,364	(1,763,636)	11,009,728
Committed by Board Action (Dedicated MTW)	4,432,393	(2,472,484)	1,959,909
Held by Properties for Future Use	3,615,000	0	3,615,000
Cash at Former PH Sites-Set Aside for Future Use	6,800,000	1,840,000	8,640,000
Security Deposits and FSS Reserves	2,940,481	0	2,940,481
Stablization Reserve-Overlake	1,993,771	0	1,993,771
Other Reserves	2,454,741	(341,722)	2,113,019
Debt Service Principal and Interest Reserves	3,176,209	0	3,176,209
Reserve Set-Aside to Fulfill Credit Enhancement Requirement	9,000,000	0	9,000,000
	<u>\$129,239,393</u>	<u>\$2,278,432</u>	<u>\$131,517,825</u>

\* In addition to the cash balances listed above, KCHA is also awarded annual Capital Fund Program grants. These grants are on a reimbursement-only basis and thus are not shown as an asset of KCHA. However, it is forecast that as of the end of 2016, \$11.5 million of untapped grant awards will be available for capital purposes.

**THE HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5525**

**AUTHORIZING APPROVAL OF THE COMPREHENSIVE OPERATING AND  
CAPITAL BUDGETS FOR CALENDAR YEAR BEGINNING JANUARY 1, 2016**

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**WHEREAS**, the Executive Director has submitted a Comprehensive Operating and Capital Budget for the Calendar Year beginning January 1, 2016 (Calendar Year 2016); and

**WHEREAS**, the Board of Commissioners has determined that the proposed expenditures are necessary for the efficient and economical operation of the Housing Authority for the purpose of serving low-income families; and

**WHEREAS**, the Budget indicates sources of funding adequate to cover all proposed expenditures; and

**WHEREAS**, all proposed rental charges and expenditures will be consistent with provisions of the Washington State Housing Authority Law (RCW 35.82) and the Annual Contributions Contract (where applicable); and

**WHEREAS**, the Authority hereby certifies that no employee of the Housing Authority is serving in a variety of positions which will exceed 100% of his/her time. This certification includes the proration of an employee's time between the various programs administered by the Housing Authority of the County of King; and

**WHEREAS**, the Authority certifies that none of the funds in the budget authorized under Section 8 (only with respect to the tenant-based rental assistance program) and Section 9 of the United States Housing Act of 1937 will be used for any amount of salary for any employee that exceeds the annual rate of basic pay payable for a position at Level IV of the Federal Executive Schedule; and

**WHEREAS**, the Authority certifies that a drug-free workplace is provided to employees as required by the Drug-Free Workplace Act of 1988; and

**WHEREAS**, the Authority certifies that no Federally appropriated funds will be paid on behalf of the Housing Authority to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement.

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

SECTION 1: The following expenditures are hereby authorized for the Calendar Year beginning January 1, 2016:

Fund Groups	Total Expenditures	Other Uses of Working Capital	Total
Public Housing, KCHA-owned	\$9,674,551	\$11,436,713	\$21,111,264
Public Housing, other ownership	10,861,524	5,356,295	16,217,819
Other Federal housing, KCHA-owned	3,352,601	2,455,630	5,808,231
Other Federal housing, other ownership	12,921,982	10,403,973	23,325,955
Section 8 program	134,378,393	10,508	134,388,901
MTW program	9,410,098	1,269,713	10,679,811
Local housing, KCHA-owned	26,918,484	19,575,398	46,493,882
Local housing, other ownership	1,756,850	975,933	2,732,783
Tax credit properties	1,503,501	10,434,408	11,937,909
Development program	1,984,344	35,449,543	37,433,887
Other funds	5,923,968	13,000,096	18,924,064
Central Services	16,728,165	3,531,146	20,259,311
Total 2016 Expenditures	<u>\$235,414,461</u>	<u>\$113,899,356</u>	<u>\$349,313,817</u>

SECTION 2: The Detail of Budgeted Revenues and Expenses as found in Exhibit A are hereby incorporated into this resolution.

**ADOPTED AT A SPECIAL MEETING OF THE BOARD OF  
COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF  
KING THE 14<sup>TH</sup> DAY OF DECEMBER, 2015**

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

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**Doug Barnes**, Chair  
Board of Commissioners

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**Stephen J. Norman**  
Secretary-Treasurer

# T A B N U M B E R

6



**TO:** Board of Commissioners

**FROM:** Connie Davis, Deputy Executive Director

**DATE:** December 9, 2015

**RE:** **Resolution No. 5526: Authorizing the KCHA Executive Director to negotiate and approve the execution on KCHA's behalf by the Washington State Department of Enterprise Services of an Energy Services Proposal with Johnson Controls, Inc.**

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Resolution No. 5526 authorizes the Executive Director to negotiate and approve execution by the Washington State Department of Enterprise Services (DES), on KCHA's behalf, of an energy performance contract with Johnson Controls, Inc. for project management and construction services related to the installation of up to \$25.44 million in energy conservation measures in KCHA's public housing inventory.

A key value of KCHA is the reduction of the Authority's environmental footprint. Another, equally key value, is the efficient use of our funding in order to operate the best public housing program in the country. An Energy Performance Contract, or EPC, is an important tool that assists KCHA in achieving both of these goals.

An EPC is an alternative financing mechanism authorized by the United States Congress to accelerate investment in cost effective energy conservation measures (ECMs) in buildings or other government infrastructure. The utility cost savings generated over twenty years by these ECMs are calculated by an independent energy contractor following an investment grade audit (IGA). The financing for the upfront installation of the ECMs is sized upon these projected savings, which are subsequently utilized to pay the debt service and related project costs. Measures may benefit both the owner and tenant. In the case of public housing, HUD provides adjustments to tenant rent and utility subsidies to allow savings accruing to residents to be included in the total savings projections for the project. Calculations provided for this project do not contemplate any immediate changes in rents for residents and tenants should see their actual cost of utilities decrease. The related utility allowances provided by KCHA to tenants will also not change although they may increase in the future due to rate changes, something which would occur with or without an EPC.

KCHA already participates in an EPC. That project, dating to 2006, has had a major impact on the Authority's water and other utilities usage and has over its initial 8



years, produced more than \$6.0 million in savings which have been used to pay for the conservation measures as well as other KCHA public housing operating expenses. HUD now allows existing EPCs, like KCHA's, to be extended from initial twelve year contracts to twenty-year terms. KCHA, through a partnership with the Department of Executive Services authorized by the Board in March 2015 (Resolution 5499), engaged the services of Johnson Controls, Inc. (JCI) as its energy services consultant to structure the extension of the KCHA's existing EPC. JCI'S work to date has optimized the savings contained in the first EPC, now dubbed EPC1, and proposed a second EPC (EPC2) which will install more measures and last for a full 20 years. A full description of the project, including risks and mitigation, is attached to this memo.

It is anticipated that this initiative, after repayment of the cost of financing the proposed energy efficiency upgrades to our public housing inventory and related project costs, will generate approximately \$14.5 million in additional cash flow to KCHA over the next 20 years.

Once project details have been fully finalized, this Resolution will enable the Executive Director to authorize execution of the contract between DES and JCI. As soon as the construction is ready to begin, DES will issue the notice to proceed and act as Project Administrator during the term of the project, under terms of the Inter-local Agreement authorized in Resolution No. 5499.

Passage of Resolution No. 5526 is recommended.

## **ENERGY PERFORMANCE CONTRACT PROJECT PROFILE**

An energy performance contract (EPC) is an alternative financing mechanism authorized by the United States Congress to accelerate investment in cost effective energy conservation measures (ECMs) in buildings or other government infrastructure. The utility cost savings generated over twenty years by these ECMs are calculated by an independent energy contractor following an investment grade audit (IGA). The financing for the upfront installation of the ECMs is sized upon the projected utility savings, which are subsequently utilized to pay the debt service and related project costs. Measures may benefit both the owner and tenant. In the case of public housing, HUD provides adjustments to tenant rent and utility subsidies to allow savings accruing to residents to be included in the total savings projections for the project.

In 2006, KCHA entered into an EPC (EPC1) with Siemens Buildings Technologies, Inc., which conducted the IGA and subsequently oversaw the installation of approximately \$4.0 million in ECMs. Through its MTW status, KCHA was able to act as its own Energy Services Company (ESCO) which allowed us to include in the savings calculations not only the measures installed by Siemens, but also measures installed by directly by the Housing Authority in subsequent years. At the time that EPC1 was executed, EPCs were limited to a twelve year savings horizon. HUD subsequently allowed housing authorities to extend that time period to twenty years, provided an independent energy contractor reviewed the ECMs to assure that they had not reached the end of their useful lives and would continue to generate savings over the entire twenty year period. As part of this current project, the term of EPC1 will be extended for an additional eight years. EPC1 resulted in an initial debt of \$3.9 million. \$3.2 million has been repaid, leaving \$700 thousand outstanding. That debt will be retired from project savings over the next four years.

In March 2015, KCHA through a partnership with the Department of Executive Services authorized by the Board (Resolution 5499), entered into an agreement with Johnson Controls, Inc. (JCI) to review KCHA's housing portfolio for possible additional energy savings measures; to conduct an IGA on selected properties; and to optimize the EPC1 by both verifying existing measures and updating performance reporting to HUD. That process has now been completed. JCI is proposing that we commence a second EPC (EPC2) designed to cover public housing properties which have been added to KCHA's portfolio since 2006 as well as to install additional measures in the EPC1 properties. KCHA will again be acting as its own ESCO in the execution of EPC2. Certain portions of the EPC2 work will be deferred and self-performed by KCHA in later 2016 and 2017. In addition, KCHA will have the ability to add new energy savings measures throughout the extended EPC2 term.

Limitations proposed by HUD in the MTW extension agreement currently under negotiation would not impact KCHA's ability to act as an ESCO or complete this EPC,

but it could possibly impair KCHA's ability to apply for specific HUD incentives that are currently available for tenant paid utilities (see discussion of Project Savings on page 4 below). Accordingly, KCHA plans to execute the JCI contract prior to the signing of the new MTW agreement. In addition, KCHA will submit a complete project description to HUD for their files to support such incentives if a question arises.

The Washington State Department of Enterprise Services (DES) will serve as the contract administrator for the duration of the installation stage of the project. The scope of its responsibilities will include: (i) providing contract documentation to ensure the parties have clear expectations for the project and to minimize owner risk; (ii) reviewing Applications for Payment from JCI, its subcontractors and vendors; and (iii) final cost reconciliation at completion of the project.

KCHA is still reviewing the exact measures to be installed and the specific properties to be included in the EPC2. However, the current proposal is as follows:

Total Capital Investment: \$27,400,000 (NTE value of contract)

Total Estimated Rebates: (1,960,000)

Net Capital Investment      \$25,440,000

Debt Service                      4,078,000

EPC Replacement Reserve    1,200,000(over the life of the project-20 years)

M&V-HUD filings                1,724,000 (over the life of the project-20 years)

Internal Costs to Maintain   3,273,000(over the life of the project-20 years)

Total Project Cost              \$35,781,000

Total Estimated Savings  
(20 years)                      \$50,356,000

Net 20 year cash flow        \$14,575,000  
=====

**Financing:** As currently scoped, the EPC will require approximately \$25.4 million in additional debt be incurred. HUD regulations require debt as part of the EPC project structure. KCHA is currently pursuing two debt instruments:

- **Qualified Energy Conservation Bonds (QECBs):** Congress established this program in 2008 and since that time it has been used to install a variety of ECMs nationwide. These are long term fixed rate taxable bonds issued by the Washington State Housing Finance Commission for capital improvements made as a part of an energy-qualified project. The program provides an interest rebate on the loan which is expected to reduce KCHA's annual rate of borrowing to around 2%. Following project finalization and closing, these bond proceeds should be available in early spring of 2016 to fund initial

construction costs. The Commission has preliminarily granted KCHA \$9.0 million in QECB volume cap for this project. An additional allocation of QECBs may be available from the Commission but is not included in the current financing plan.

- The bulk of the remaining financing will take the form of a long-term tax exempt municipal lease of the energy improvements. Under this structure, a bank or other entity will loan KCHA funds to be drawn as needed over the construction period and will be repaid through regular lease payments. The new energy equipment will be shown as an asset on KCHA's books, will effectively secure the loan, and will be owned entirely by KCHA at the end of the lease term. KCHA will begin seeking commitments from lenders later this year. The total lease price could be as high as \$15.4 million with an expected fixed interest rate of 4–4.5%. KCHA will seek a lease with no prepayment fee in order to maximize options for future refinancing.

KCHA may over time replace a portion of the municipal lease with an internal loan of MTW funds should sufficient MTW working capital be available.

**Construction Plan:** Construction is tentatively scheduled to start at an initial set of buildings in late March 2016, with the final measures to be installed by the end of 2017. A construction schedule will be established with JCI before KCHA issues the initial Notice to Proceed and closely monitored.

Installation of energy measures will be performed by JCI subcontractors who will focus on one group of geographically-clustered buildings at a time. Work on the measures specific to each cluster is expected to take from 3 to 6 weeks. Prior to construction start at a particular site, JCI will hold on-site resident and staff orientation meetings to describe the upcoming work and construction process, train residents and staff on the new products and answer questions. Product samples will be available and interpreters will be provided for non-English speaking residents. In order to expedite the work and minimize impact to residents, project work will be sequenced by trade (for example, all water measures will be installed at a building, then lighting measures, etc.). Although this approach requires multiple access to the same units, residents will only be disturbed for 2-3 hours for each installation.

No interruption of regular utility service at the buildings is expected, and the relocation of residents is not required for this project. An unforeseen failure of a pipe or other construction event could potentially create the need to temporarily relocate a household.

**Risks and Mitigations:**

The most important areas of risk for this project relate to installation costs, achievement of projected utility cost savings, the impact on on-going maintenance

operations and project financing risks. These risk areas are described below, followed by mitigating circumstances:

Installation Costs: As part of its physical audit, JCI sampled approximately 10% of KCHA's units, and the project plan is built around that sample. The risk to KCHA is that efficiency measures necessary in the uninspected units are more extensive than indicated in the sample, resulting in a more extensive scope and increased installation costs.

- KCHA has performed significant upgrades to many of these units over the years and the IGA sample focused on the non-upgraded units. Although the measures that are already installed in upgraded units will need to be assessed for viability, it is more likely that the JCI sampling approach has resulted in an over-scoping of the project, rather than an under-scoping. In addition, the contract will have a Guaranteed Maximum Project Price (excluding owner directed work, sales tax, the DES project administration fee and unknown conditions not included in scope) which will transfer some risk regarding construction cost escalation to JCI.
- Some site conditions such as the presence of asbestos are unknown. KCHA has a general understanding of the condition of these older buildings based on prior renovation projects and JCI has broad experience doing these energy improvements within this type of public housing portfolio. Removal of asbestos is not expected to be required. If it should be necessary due to atypical building conditions, KCHA will use project contingency or adjust the project scope to remain within the NTE.

Achievement of Projected Savings: Repayment of financed project costs and the realization of additional cash flow is dependent upon the project generating energy savings that can be captured through the HUD subsidy calculations.

HUD calculates the public housing operating subsidy for each public housing site by adding the assumed operating expenses (this is calculated formulaically and is known as the Project Expense Level or PEL) and the actual cost of authority-paid utilities, typically water and common area electricity (this is the Utility Expense Level or UEL), and subtracting tenant paid rents. In the case of metered utilities, such as individual apartment electricity, tenants pay their own utilities and are provided an allowance to do so; this reduces the rent they pay to KCHA such that their total tenant payment is approximately 30% of their net income. Normally, if a tenant's utility allowance decreases (due to conservation measures), their rent would increase.

When a housing authority enters into an EPC, its UEL is frozen at its **pre-EPC** utility consumption level. This base remains frozen over the life of the project and is called the Frozen Rolling Baseline or FRBL. As actual consumption declines due to newly-installed measures, the difference in utility costs between the actual and frozen consumption levels constitutes the savings which are used to pay for the cost of the

measures. On the tenant side, HUD allows an EPC housing authority to exclude decreases in utility allowances which would otherwise raise tenant rents. This HUD incentive results in continued subsidy equal to the differential between the old and new utility allowances, which is also used to pay for measures.

The projected formula savings described above are sensitive to various factors that could potentially reduce the actual funds available to retire the debt incurred to finance the cost measures and provide additional cash flow. These include the actual efficacy of the measures installed, tenant behaviors that impact consumption, significant changes in utility rates outside of the parameters utilized to calculate savings, or pro-rations in public housing operating subsidies by Congress.

As these risks are anticipated, mitigations have been built into the project design and conservative assumptions have been utilized in projecting actual savings:

- Approximately 35.5% of the projected EPC savings are based on the HUD adjustments to the tenant paid utility calculation described above. The calculation for these savings is approved by HUD at the beginning of the project and remains in place for the duration of the contract. No additional proof of savings are required in subsequent years - the analysis done as part of the initial IGA is all that HUD requires to provide this on-going subsidy.
- The remaining 64.5% of calculated savings are due to the Frozen Rolling Baseline incentive. \$20 million (or 60%) of these savings are associated with the EPC1 measures already installed. KCHA is currently achieving these results, so unless consumption rises unexpectedly or utility rates actually decrease from 2015 levels, these savings can be considered relatively risk free.
- \$31 million (or 61.5%) of total project savings are due to water conservation measures. Water savings are almost exclusively achieved through the installation of measures which directly reduce water consumption. Tenant behavior is not expected to have a significant impact on the performance of these measures.
- JCI has underwritten the 20 year savings projections utilizing a 2% inflation rate for electricity costs and a 4% inflation rate for water/sewer charges. The actual five year rate performance history for these utilities is 3% and 7.5% respectively. HUD's subsidies to KCHA increase as utility rates increase, so it is likely that the project will over perform and generate higher savings than estimated.
- Regarding the impact of inadequate Congressional appropriations, the project has been stress tested at an 85% pro-rate, which has been the average pro-ration over the past few years. Even at these levels, the ability of KCHA to repay debt and generate sufficient cash flow can be assumed. KCHA will enter into a Monitoring and Verification contract with JCI to perform an annual review. This will assure measures are performing as

planned and will also identify future opportunities for savings and additional measures.

- JCI, for a fee, is guaranteeing that all costs of the project, including repayment of debt, exclusive of internal costs to maintain the measures, will be covered by the savings generated. A trigger of this guarantee is unlikely, and it would mean no excess savings going to KCHA, but it also would mean that KCHA will not be out of pocket to cover any fixed costs. Such a guarantee, in addition to KCHA's overall financial strength, also assists in securing financing. There is a risk that JCI will not be in business to honor the guarantee through the entire 20 year term of the new EPC2. This is not seen as a major risk. JCI is a global diversified business with over 125 years' history and is one of the largest companies providing energy performance services today. After financing is secured and EPC2 construction is complete, KCHA may also determine that the guaranty has a lower value and consider terminating it.

On-going Operational Risks: There are a series of risks associated with the installation of energy conservation measures that could potentially result in tenant dissatisfaction or increase maintenance costs for the housing authority. Tenant concerns include inadequate lighting levels from new fixtures, unfamiliarity with new heating technology and increased noise from toilet installations. Maintenance concerns include possible increased maintenance requirements and replacement costs, and the need for staff training associated with more complex building elements such as heat pumps and gravity assisted toilets. In mitigation:

- Experienced maintenance and weatherization staff have been heavily involved in the selection of measures to be installed and in the development of product specifications. Mock-ups have been installed in several KCHA buildings and tested for adequacy. Recommended heat pumps and the ventilation measures have been vetted to assure they are user friendly and work for both staff and residents.
- At \$1.2 million, we believe the replacement reserves included in the financing are adequate. With the exception of the heat pumps, many of the measures, such as LED lighting or exhaust fans, have fairly low replacement costs. We are currently anticipating the installation of heat pumps at only nine sites, so even a broad systemic failure of this measure would not have a major financial impact on the project. More importantly, the specified heat pumps are widely used around the world and JCI has installed a significant number of them in other EPC projects with good results.
- JCI will work with KCHA staff to make sure they understand the warranties on installed measures and how to replace failed equipment. Due to the volume of purchasing, KCHA expects to receive an extended manufacturer's warranty on some products. In addition, maintenance manuals and training on the new ECMs will be provided authority-wide. This training will

emphasize proper replacements as cheaper goods are unlikely to support the expected savings for the project.

**Financing:** The primary risks associated with financing are the availability of willing lenders with acceptable terms, the cost of early termination of the loan and interest rate exposure:

- The QECB program is a well-established form of financing energy improvements, with over \$1 billion in projects completed nationwide. The low financing costs of these bonds result in a stable financing with low default rates that are generally desirable from a lender's perspective, so KCHA staff does not expect difficulties in placing the bonds. QECBs will be subject to interest rate risk, and as rates are expected to rise, it will be important to close on the bonds and lock in a rate in a timely fashion once the EPC2 contract is signed.
- JCI has contacts with lenders who work on municipal leasing and will be assisting KCHA at no additional cost to complete a request for proposals and finalize lender selection. KCHA will seek specific loan terms intended to mitigate risk and cost, such as the ability to terminate the lease with no prepayment fee and a lease structure that allows the project to draw construction funds during the construction period rather than advancing all funds upfront into escrow. While the ability to obtain these terms is uncertain, JCI believes that they are widely available in the market.
- Both funding sources above are long term and are at fixed rates. Financing will need to be in place by the end of 2016 which provides some protection against interest rate increases which, while expected to rise, should not increase wildly over the next year. In addition, the project has savings above the HUD maximum and could absorb some interest rate increases. All financing will be retired through anticipated project cash flows.

The Board will have the opportunity to review and approve the final debt structure prior to any commitment by KCHA.



**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5526**

**A RESOLUTION OF THE HOUSING AUTHORITY OF THE COUNTY OF KING  
AUTHORIZING ITS EXECUTIVE DIRECTOR TO NEGOTIATE AND CAUSE THE  
WASHINGTON STATE DEPARTMENT OF ENTERPRISE SERVICES TO EXECUTE  
ON ITS BEHALF AN ENERGY SERVICES AGREEMENT**

**WHEREAS**, in March 2015 the Board of Commissioners of the Housing Authority of the County of King (KCHA) adopted Resolution No. 5499 authorizing KCHA to enter into an inter-local agreement with the Washington State Department of Enterprise Services (DES) for the purpose of retaining Johnson Controls Inc. (JCI), a DEC pre-qualified vendor, to perform energy savings analyses; and

**WHEREAS**, KCHA and JCI have completed an Investment Grade Audit (IGA), identifying projected savings to KCHA from installation of energy conservation measures (ECMs) at KCHA properties and from energy performance incentives offered by the Department of Housing and Urban Development (HUD); and

**WHEREAS**, JCI will prepare an Energy Services Proposal (ESP) based on the results of the IGA that will allow KCHA to realize approximately \$50.4 million over a 20 year period through installation of ECMs and HUD incentives, 75% of which savings will be guaranteed by JCI under the ESP (the Project); and

**WHEREAS**, the ESP will provide for KCHA to repay the costs of the Project (not to exceed \$25.440 million) over a 20 year period from HUD incentives and from energy consumption reduction based on the upgrades to KCHA properties, and shall otherwise be on such terms as are acceptable to KCHA; and,

**WHEREAS**, the exact scope of the ECMs to be installed shall not exceed those identified in the IGA and the Project shall be as reflected in the Executive Summary of Energy Services Proposal dated December 1, 2015; and,

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

1. The Executive Director of the Housing Authority of the County of King is hereby authorized to negotiate and approve the execution of an ESP on KCHA's behalf by DES in accordance with DES procedures, which contains such terms and conditions as are customary in such transactions and as are deemed by the Executive Director to be in the best interests of KCHA.
2. The Executive Director is hereby authorized to arrange interim and permanent financing for the Project, provided that the terms of such financing shall be subject to final prior approval of the Board of Commissioners at a later meeting to be scheduled.
3. The Executive Director is authorized to take such additional steps and to execute and deliver any approvals for the ESP and any and all related forms, affidavits and documents related thereto that the Executive Director determines to be necessary or advisable to give effect to this resolution.
4. All actions heretofore taken by the Commissioners, officers or agents of KCHA in connection with energy performance and energy savings planning and contracting be, and such actions hereby are, ratified, approved and affirmed.

5. The Executive Summary of the Energy Services Proposal dated December 1, 2015 is attached hereto and made a part hereof.

**ADOPTED AT A REGULAR MEETING OF THE BOARD OF THE  
COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING  
THIS 14TH DAY OF DECEMBER, 2015.**

**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 NORMAN**  
Secretary

## Executive Summary of Energy Services Proposal (ESP)

The Johnson Controls Public Housing Team is pleased to present the King County Housing Authority (KCHA) with this summary of our ESP. The ESP is based on an Investment Grade Audit (IGA) we conducted per the IGA agreement dated July 13, 2015 and in accordance with the Washington State Department of Enterprise Services (DES) Master Energy Services Agreement 2011-169 G(7).

The ESP includes the optimization and proposed extension of the original Public Housing Energy Performance Contract (EPC Phase I) of 2007<sup>1</sup>. The ESP also includes improvements for developments that were included in the original EPC, but not implemented.

The ESP provides the customer with a turn-key plan for installation and a business case for taking action. This proposal describes a specific set of Energy Conservation Measures (ECMs) with associated guarantees of utility savings and performance, a proposed schedule, and a guaranteed maximum price for installation. In addition to the financial criteria established in the IGA proposal, this EPC achieves the following additional benefits:

1. Captures resident paid utility incentives (RPUI) with no impact to the existing Energy Assistance Supplement (EAS) structure.
2. Maximizes the savings retained by KCHA after all project costs are paid each year of the EPC program while also maintaining compliance with the 75/25% savings retention rule.
3. Ensures adequate buffers exist to mitigate the impact of annual funding proration.
4. Provides sufficient funding for component replacement and EPC maintenance staffing in future years to ensure ECMs continue to perform for the duration of the project term.
5. Develops, installs, and guarantees performance of measures that have a lasting and substantial benefit to tenants.
6. Ensures ECMs for properties that include ERV scope are designed to meet ventilation code requirements as per WAC51-52-0403 Section 403
7. Reduces electricity cost by roughly 30%, natural gas cost by 12%, and water cost by 16%

Based upon the results of the IGA and considering guaranteed maximum installation costs, utility savings, HUD incentives, project scope, finance options, and rebates, we have created a project scenario that maximizes both retained excess savings and capital improvements.

This scenario includes the Egis tax credit properties and Sixth Place, but excludes Nia and Salmon Creek. This scenario requires no change to the EAS and shows estimated savings after 85% proration.

Total Project Capital Investment	Cumulative EPC Savings Over Term	Estimated Rebates	Total EPC Staff & Replacement Funds	Total Excess Subsidy Retained by KCHA
\$25,303,438	\$39,534,287 *	\$1,960,000**	\$4,472,909	\$10,616,819 *

\* Values do not include construction period savings/subsidies and are based on 85% proration

\*\*Rebates are estimates only and not guaranteed

<sup>1</sup> The first year that EPC utility incentives were claimed was 2007 therefore 2007 is EPC year 1 for incentives projection purposes.

Johnson Controls EPC Phase II Benefits (1 <sup>st</sup> Year Estimated Savings)				
JCI Implemented Phase I RPUI	Shift Phase I Add-On to FRBL <sup>2</sup> Incentive	Optimize Phase I FRBL Incentive for Water	Phase II FRBL Incentives	Phase II RPUI Incentives w/o Change to EAS
\$509,832	\$69,804	\$178,503	\$436,332	\$435,447

This project includes portfolio-wide upgrades to lighting, plumbing fixtures, and common area HVAC systems, as well as new installations of ductless heat pumps (DHPs), heating furnaces, appliances, exhaust fans, and energy recovery ventilators (ERVs). A full list of proposed ECMs appears in the ECM matrix at the end of this summary.

Several financial safety factors are built into this project to provide substantial buffers for proration as well as opportunities for additional excess savings:

1. Johnson Controls does not use 100% of the calculated savings in the financial model. For this scenario, Phase I and II ECM savings will be carried at 85% of calculated or demonstrated values in the HUD Workbook.
2. Although not applied in the financial analysis nor guaranteed, we anticipate \$1.13M in O&M savings to accrue to KCHA over the term.
3. Actual rebates may be higher than current estimates, resulting in a buy-down of the project. Rebates are not guaranteed by Johnson Controls.
4. Current subcontractor pricing is guaranteed maximum, any reduction in direct costs will reduce financed amount and increase excess cash to KCHA.
5. Large EPC staff and replacement funds can serve as a buffer if savings or proration fluctuate.
6. Owner-controlled contingency (\$450k) covers unknown or unplanned construction expenses, and is included as part of the total project cost. If unused, the total financed amount will be reduced, increasing excess cash to KCHA.
7. EPC utility incentives do not take into consideration recent utility escalation and are limited to relatively low escalation rates over the term. If rates escalate more than projected, additional incentives will accrue.
8. KCHA can reduce total project costs by approximately \$600k by self-implementing the tax credit portion of the project. This would eliminate project level expenses and Johnson Controls overhead and profit (actual direct costs would be carried as owner controlled contingency to demonstrate compliance). This would result in additional excess cash to KCHA.
9. The allocation of additional QECBs would reduce borrowing costs, thereby increasing savings. Alternatively, an additional \$7M in QECBs would equate to an increase of almost \$1.6M in scope.
10. Although no change to the EAS is currently anticipated, if KCHA decides to implement post-EPC allowances in the future, additional incentives savings will accrue (at least \$167k/yr).
11. Energy savings are guaranteed by Johnson Controls.

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<sup>2</sup> Frozen Rolling Base Line

Johnson Controls in conjunction with the State of Washington's Department of Enterprise Services (DES) is proud to partner with the King County Housing Authority in its efforts to build on an excellent foundation of energy stewardship and conservation.

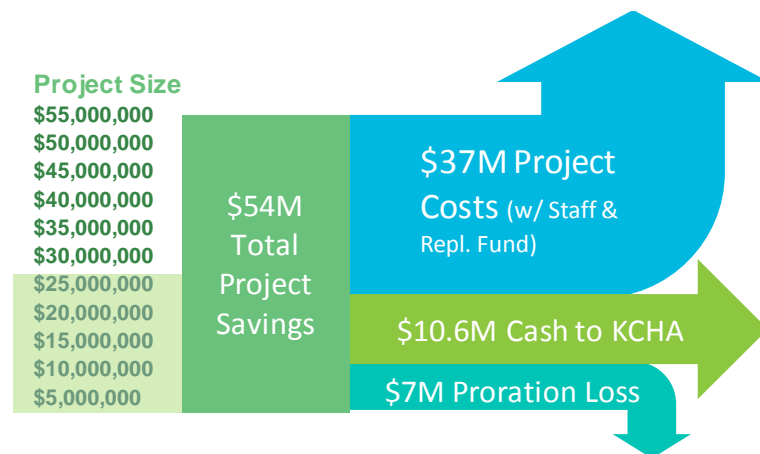
We believe this creative and ambitious effort to reduce utility costs in KCHA's portfolio of Public Housing properties aligns with your mission of housing more low and moderate income individuals and families in your communities.

## Next Steps

To implement the ESP, the KCHA Board must approve a resolution authorizing the Executive Director to enter into a funding authorization provided by the DES.

## Financial Overview (Including Egis Properties)

ESCO Guaranteed Project Price	\$23,677,250
Taxes, DES Fees & Owner Contingency	\$1,626,188
<b>Total Project Capital Investment</b>	<b>\$25,303,438</b>
Approximate Construction Term Interest Paid from MTW Funds	\$1,650,000
Down Payment (Weatherization Funds)	\$0
Financed Amount	\$25,303,438
Source 1 - QECB Loan (20 year @ 1.6%)	\$10,300,000
Source 2 - Municipal Lease (20 year @ 4%) <sup>3</sup>	\$15,003,438
Total M&V Over Term	\$1,723,945
EPC staff & Replacement Funds	\$4,472,909
Total EPC Savings Before Proration (Including Construction Period)	\$54,421,478
Total EPC Expenses (Includes M&V, EPC Staff & Replacement Funds)	\$36,773,737
Total Excess Savings Before Proration (Including Construction Period)	\$17,647,741
<b>Excess Savings (Before Proration, EPC Term Only)</b>	<b>36.7%</b>



<sup>3</sup> Indicative rates are used for financial modeling purposes at this time; actual rates may vary and impact financial performance accordingly

## Financial Overview (*Excluding* Egis Properties)

ESCO Guaranteed Project Price	\$20,982,635
Taxes, DES Fees & Owner Contingency (Includes \$2.4M for TC work)	\$3,985,760
<b>Total Project Capital Investment</b>	<b>\$24,968,395</b>

Approximate Construction Term Interest Paid from MTW Funds	\$1,600,000
Down Payment (Weatherization Funds)	\$0
Financed Amount	\$24,968,395
Source 1 - QECB Loan (20 year @ 1.6%)	\$10,300,000
Source 2 - Municipal Lease (20 year @ 4%) <sup>4</sup>	\$14,668,395
Total M&V Over Term	\$1,723,945
EPC staff & Replacement Funds	\$4,472,909
Total EPC Savings Before Proration (Including Construction Period)	\$54,407,496
Total EPC Expenses (Includes M&V, EPC Staff & Replacement Funds)	\$35,955,635
Total Excess Savings Before Proration (Including Construction Period)	\$18,451,861
<b>Excess Savings (Before Proration, EPC Term Only)</b>	<b>38.3%</b>

<sup>4</sup> Indicative rates are used for financial modeling purposes at this time; actual rates may vary and impact financial performance accordingly

## Proposed Energy Conservation Measures – ECM Matrix

Site Name	ECM 1 ERV	ECM 2 Bath EF	ECM 3 Lighting LED	ECM 4 Water Conservation	ECM 5 - Appliances		ECM 8 DHP	HVAC	
					Refrigerators (Unit)	Stoves (Unit)		ECM 6 HVAC	ECM 7 DHW Heater
Ballinger Homes	110	41	x	x			110		
Boulevard Manor		70	x	x	71	71			
Briarwood	70	70	x	x			70	MAU-1	
Brittany Park			x	x					
Burien Park			x	x					
Burndale Homes	50	60	x	x				50 F / 3 C	50
Casa Juanita	80	80	x	x					
Casa Madrona		70	x	x					
Cascade Apartments	8	51	x	x	107	107	108		
Cedar Grove	20	80	x	x				21 F / 1 C	
College Place	51		x	x			51		
Eastside Terrace	40	15	x	x	1	1	50/5		
Firwood Circle	50	60	x	x				50 F	50
Gustaves Manor			x	x				MAU-1	
Hillsvew	60	60	x	x					
Island Crest	17	12	x	x	17	17			



Site Name	ECM 1 ERV	ECM 2 Bath EF	ECM 3 Lighting LED	ECM 4 Water Conservation	ECM 5 - Appliances		ECM 8 DHP	HVAC	
					Refrigerators (Unit)	Stoves (Unit)		ECM 6 HVAC	ECM 7 DHW Heater
Kirkland Place	6	9	x	x					
Lake House		70	x	x			70/2	MAU-1&2	
Mardi Gras		61	x	x				MAU-1	
Munro Manor			x	x	61	61		MAU-1&2	
Northlake House			x	x					
Northridge 1	70		x	x				MAU-1&2	
Northridge 2	70		x	x				MAU-1&2	
Northwood	34	34	x	x			34		
Northwood Square (Chaussee)			x	x			24		
Pacific Court	32	15	x	x	20	20	32/2		
Paramount House		70	x	x	71	71			
Park Royal	23		x	x	23	23			
Peppertree			x	x	26	26			
Plaza Seventeen	70	70	x	x					
Riverton Terrace I – Sr.	30	32	x	x		1		MAU-1	
Shelcor	8	8	x	x			8		
Sixth Place (GB)	24	24	x	x					
Southridge House		80	x	x				MAU-1&2	
Valli Kee	115		x	x	1	1		20 F	

Site Name	ECM 1 ERV	ECM 2 Bath EF	ECM 3 Lighting LED	ECM 4 Water Conservation	ECM 5 - Appliances		ECM 8 DHP	HVAC	
					Refrigerators (Unit)	Stoves (Unit)		ECM 6 HVAC	ECM 7 DHW Heater
Wayland Arms	67	67	x	x					
Westminster		60	x	x	36	36			1
Yardley Arms		67	x	x	67	67		MAU-1	
Forest Glen	40	39	x	x					
KCHA Central Office (600 Bldg)				x				RTU-1	
<b>Total</b>	<b>1,035</b>	<b>1,375</b>			<b>501</b>	<b>502</b>	<b>515</b>		

\* x/x = Unit space/common area

F Furnace

C Condensing unit

These properties have some or all units that are 4-plexes (or less) units in each building, and qualify for \$3407 / DHP unit rebate from utilities



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**TO:** Board of Commissioners

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

**DATE:** December 9, 2015

**RE:** **Resolution No. 5527: Authorizing the issuance of a Revenue Bond of the Authority in a maximum principal amount of \$5,500,000 to finance the acquisition and rehabilitation of the Corinthian Apartments; authorizing the execution of documents in connection with the Board; and determining related matters**

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Resolution No. 5527 authorizes the Executive Director to enter into a line of credit in the form of a general revenue bond with Bank of America Merrill Lynch in the amount of \$5.5 million for the purposes of providing interim financing for the tax credit conversion and rehabilitation of the Corinthian Apartments.

In November, 2015 the Board of Commissioners approved Resolution No. 5519 authorizing the transfer of the Corinthian Apartments to a low income housing tax credit partnership of which KCHA will be the managing general partner. The resolution further authorized the execution of the agreements with the partnership necessary to facilitate the conversion and finance the rehabilitation of the property. The \$5.5 million in bridge financing was described in the Project Profile and discussed as part of the board presentation preceding the Board's approval of Resolution No. 5519.

Resolution No. 5527 authorizes KCHA to proceed with opening this line of credit with Bank of America and to re-loan the proceeds to the partnership to provide short term financing for a portion of Corinthian's development costs. The line of credit will be repaid with the tax credit investor equity contribution as well as proceeds from a subordinate loan the Housing Authority will make to the partnership.

The interest rate on the line of credit is a variable rate expressed as 70% of LIBOR plus 1.75%. Based on the current one month LIBOR rate of .24%, the rate today would be 1.92%. In addition, there is a .45% unused credit facility fee which is assessed against the portion of the line of credit that is not drawn. Once the line has been fully drawn, there will be no residual unused credit facility fee. The interest rate on the line of credit represents an excellent rate for the Housing Authority.

Staff recommends passage of Resolution No. 5527.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5527

A RESOLUTION providing for the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2016 (Corinthian Apartments Project), in the principal amount of not to exceed \$5,500,000, the proceeds of which will be used to make a loan to Corinthian TOD LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner, for the purpose of providing a portion of the funds with which to finance the acquisition and rehabilitation of a 95-unit multifamily housing complex, known as Corinthian Apartments, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a loan agreement, a regulatory agreement, a credit agreement and other note and loan documents; approving the sale and providing for the delivery of the note to Bank of America, N.A.; and authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution.

Adopted December 14, 2015

*This document was prepared by:*

*FOSTER PEPPER PLLC  
1111 Third Avenue, Suite 3400  
Seattle, Washington 98101  
(206) 447-4400*

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5527

A RESOLUTION providing for the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2016 (Corinthian Apartments Project), in the principal amount of not to exceed \$5,500,000, the proceeds of which will be used to make a loan to Corinthian TOD LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner, for the purpose of providing a portion of the funds with which to finance the acquisition and rehabilitation of a 95-unit multifamily housing complex, known as Corinthian Apartments, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a loan agreement, a regulatory agreement, a credit agreement and other note and loan documents; approving the sale and providing for the delivery of the note to Bank of America, N.A.; and authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution.

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

**WHEREAS**, RCW 35.82.020 defines "housing project" to include, among other things, "any work or undertaking . . . to provide decent, safe and sanitary urban or rural dwellings, apartments, mobile home parks or other living accommodations for persons of low income"; and

**WHEREAS**, RCW 35.82.070(5) provides that a housing authority may, among other things, "lease any . . . lands . . . embraced in any housing project and . . . establish and revise the rents or charges therefor"; and "sell, lease, exchange, transfer . . . or dispose of any real or personal property or any interest therein . . ."; 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 . . . rehabilitation, improvement . . . 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**, Corinthian TOD LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Borrower”), has applied to the Authority for the financial assistance in the principal amount of up to \$5,500,000 for the purpose of providing a portion of the funds with which to finance the acquisition and rehabilitation of a 95-unit multifamily housing complex, known as Corinthian Apartments, located at 3039 154<sup>th</sup> Street, SeaTac, Washington, to provide housing for low-income persons in the County (the “Project”); and

**WHEREAS**, the Borrower has requested that the Authority issue and sell its non-revolving line of credit revenue note for the purpose of assisting the Borrower in financing the Project; and

**WHEREAS**, the Project will be used by the Borrower to provide housing for low-income persons, and no more than an insubstantial portion of the proceeds of the Note (defined below) will be used in connection with the financing or refinancing of any portion of the Project to be used by the Borrower for any other purpose; and

**WHEREAS**, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority issue the Note, in a principal amount not to exceed



\$5,500,000, the proceeds of which will be lent to the Borrower for the purposes described herein; and

**WHEREAS**, Bank of America, N.A. (the “Bank”) has proposed to extend a non-revolving line of credit evidenced by a line of credit note of the Authority on the terms set forth in this resolution to provide money for those purposes; and

**WHEREAS**, RCW 35.82.040 provides that a housing authority may delegate to one or more of its agents or employees such powers or duties as it may deem proper; and,

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

Section 1. Definitions. As used in this resolution, the following words have the following meanings:

“Authority” means the Housing Authority of the County of King, a public body corporate and politic duly organized and existing under and by virtue of the laws of the State of Washington.

“Bank” means Bank of America, N.A., as registered owner of the Note.

“Board” means the Board of Commissioners of the Authority.

“Borrower” means Corinthian TOD LLLP, a Washington limited liability limited partnership.

“Credit Agreement” means the credit agreement between the Authority and the Bank setting forth certain covenants and conditions relating to the Note, as such terms are generally described in the Proposal Letter, including such variation and further description of such terms as the Bank may require and as may be acceptable to the Executive Director of the

Authority, including any supplements or amendments thereto made in conformity herewith and therewith.

“Code” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

“County” means King County, Washington.

“Draws” means incremental draws upon the Note.

“General Revenues” means all revenues of the Authority from any source, but only to the extent that those revenues are available to pay debt service on the Note and are not now or hereafter pledged, by law, regulation, contract, covenant, resolution, deed of trust or otherwise (including restrictions relating to funds made available to the Authority under the U.S. Housing Act of 1937), solely to another particular purpose.

“Lease” means the lease agreement by and between the Authority and the Borrower relating to the lease of the Project to the Borrower, and including any supplements or amendments thereto.

“Loan” means the loan to the Borrower of proceeds of Draws on the Note.

“Loan Agreement” means the Loan Agreement between the Authority and the Borrower providing for, evidencing and securing the obligation of the Borrower to repay the Loan, and including any supplements or amendments thereto made in conformity herewith and therewith.

“Note” means the Authority’s Non-Revolving Line of Credit Revenue Note, 2016 (Corinthian Apartments Project).

“Note Fund” means the Authority’s Non-Revolving Line of Credit Revenue Note Fund, 2016 (Corinthian Apartments Project), created by this resolution for the purpose of paying principal of and interest on the Note.

“Note Registrar” means the Executive Director of the Authority.

“Permanent Loan” means a permanent loan to the Borrower, from the Authority’s own funds, to be used for such purposes as the Authority and the Borrower may determine.

“Project” means, depending on the context, (1) the acquisition and rehabilitation of the 95-unit multifamily housing complex known as Corinthian Apartments located at 3039 154<sup>th</sup> Street, SeaTac, Washington, or (2) the Corinthian Apartments.

“Proposal Letter” means the proposal letter to the Authority from the Bank dated November 24, 2015, as it may be amended, proposing to purchase the Note on the terms set forth therein and herein.

“Regulatory Agreement” means the Regulatory Agreement executed by the Borrower for the benefit of the Authority in connection with the Loan, governing the use of the Project, and including any supplements or amendments thereto made in conformity herewith and therewith.

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Loan Agreement.

Section 2. Authorization of Note and Application of Proceeds. The Authority shall issue the Note in a principal amount not to exceed \$5,500,000 for the purpose of making a loan to the Borrower to provide a portion of the funds required to accomplish the Project and pay costs of issuing the Note. Such Note financing is declared and determined to be important for the feasibility of the Project. All proceeds from Draws of the Note shall be lent to the Borrower for

those purposes. The Board finds that it is in the best interest of the Authority to issue the Note for the purposes set forth in this resolution.

Section 3 Description of the Note. The Note shall be called the Non-Revolving Line of Credit Revenue Note, 2016 (Corinthian Apartments Project), of the Authority; shall be in a principal amount of not to exceed \$5,500,000; shall be dated its date of delivery; and shall be numbered R-1. The Note shall bear interest payable on such dates and at such rate or rates selected by the Authority as described in the Proposal Letter (which may include variable rates based London interbank offered rate and/or fixed rates), and, as more fully described in the Credit Agreement, shall mature at such time, shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as are set forth in the Note and the Credit Agreement. The Authority finds that the fixing of the interest rate indices described in the Proposal Letter is in the best interest of the Authority and the Borrower.

If the Note is not paid when properly presented at its maturity date, the Authority shall be obligated to pay interest on the Note at then-applicable default rate of interest thereon from and after the maturity date until the Note, both principal and interest, is paid in full.

Section 4. Draws on the Note. The Board authorizes the Executive Director, or his or her designee, to make Draws on the Note in such amounts, at such times and with such interest rate option as he or she may determine, those Draws to be made in accordance with the terms and provisions set forth herein and in Loan Agreement and Credit Agreement. Draws shall be recorded in such form as the Authority and the Bank may agree. Draws shall be limited to an aggregate principal amount of \$5,500,000.

Section 5. Note Registrar; Registration and Transfer of Note. The Note shall be issued only in registered form as to both principal and interest and shall be recorded on books or records maintained for the Note by the Note Registrar (the “Note Register”). The Executive Director of the Authority shall serve as Note Registrar for the Note. The Note Register shall contain the name and mailing address of the registered owner of the Note. The Note Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Note in accordance with the provisions of the Note and this resolution, to serve as the Authority’s paying agent for the Note and to carry out all of the Note Registrar’s powers and duties under this resolution.

The Note may be assigned or transferred only (i) to another financial institution, (ii) if endorsed in the manner provided thereon and surrendered to the Note Register, and (iii) upon the assignee or transferee delivering to the Authority an executed Certificate of Transferee in the form attached to the Note. The Note Registrar shall not be obligated to exchange or transfer any Note during the five days preceding any interest payment date, prepayment date or the maturity date. The consent of the Authority will be required for any transfer or assignment of the Note, unless (i) an event of default with respect to the Note has occurred and is continuing, or (ii) the assignment is to an affiliate of the Bank or an Approved Fund (as such term shall be defined in the Credit Agreement).

Section 6. Payment of the Note. Both principal of and interest on the Note shall be payable in lawful money of the United States of America and shall be paid by check mailed to arrive on or before each payment date, or in immediately available funds delivered on or before each payment date, to the Registered Owner at the address appearing on the Note Register on the date payment is mailed or delivered. Upon the final payment of principal of and interest on the

Note, the Registered Owner shall surrender the Note at the principal office of the Note Registrar in Tukwila, Washington, for destruction in accordance with law.

Section 7. Note Fund; Security for the Note. The Note Fund is hereby established as a special fund of the Authority designated the Non-Revolving Line of Credit Revenue Note Fund, 2016 (Corinthian Apartments Project). The Note Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. The Authority pledges to deposit into the Note Fund, from amounts owed or paid by the Borrower under the Loan Agreement, (a) from amounts received by the Borrower from one or more limited partners of the Borrower from the sale by the Borrower of low-income housing tax credits in connection with the Project and used by the Borrower to repay the Loan under the terms of the Loan Agreement, (b) from amounts owed or paid by the Borrower under the Permanent Loan, but only to the extent the Note is not able to repaid from other sources pledged under this paragraph, and without restricting the Borrower from using the proceeds of the Permanent Loan for such other purposes as the Authority and the Borrower may determine, and (c) from General Revenues, amounts sufficient to pay the principal of and interest on the Note when due.

The Authority reserves without limitation the right to issue other obligations, the principal of and interest on which are to be paid from the General Revenues on a parity with payments on the Note. At its option, the Authority may pledge any portion of the General Revenues to the payment of other obligations of the Authority, such payments to have priority over the payments to be made on the Note with respect to that portion of the General Revenues so pledged.

The Note shall not be a debt of King County, the State of Washington or any political subdivision thereof (except the Authority from the sources specified herein), and the Note shall

so state on its face. Neither King County, the State of Washington nor any political subdivision thereof (except the Authority from the sources specified herein) shall be liable for payment of the Note nor in any event shall principal of and interest on the Note be payable out of any funds other than the Note Fund of the Authority established herein. The owner of the Note shall not have recourse to any other fund of the Authority other than the Note Fund, or to any other receipts, revenues or properties of the Authority other than as described herein and in the Note. The Authority has no taxing power.

Neither the Authority (except to the extent of the pledge of its General Revenues) nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Note.

Section 8.     Form and Execution of Note.     The Note shall be prepared in a form consistent with the provisions of this resolution and state law, shall bear the manual or facsimile signatures of the Chair of the Board and Executive Director of the Authority and shall be impressed with the seal of the Authority or shall bear a facsimile thereof.

Only a Note bearing a Certificate of Authentication in the following form, manually signed by the Note Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution:

#### CERTIFICATE OF AUTHENTICATION

This Note is the fully registered Non-Revolving Line of Credit Revenue Note, 2016 (Corinthian Apartments Project), of the Authority described in the Note Resolution.

\_\_\_\_\_  
[specimen]  
Executive Director of the Authority and Note Registrar

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Note ceases to be an officer of the Authority authorized to sign notes before the Note bearing his or her facsimile signature is authenticated or delivered by the Note Registrar or issued by the Authority, the Note nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign notes. The Note also may be signed on behalf of the Authority by any person who, on the actual date of signing of the Note, is an officer of the Authority authorized to sign notes, although he or she did not hold the required office on the date of issuance of the Note.

Section 9.     Preservation of Tax Exemption for Interest. Subject to the last paragraph of this section, the Authority covenants that it will take all actions necessary to prevent interest on the Note from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Note or other funds of the Authority treated as proceeds of the Note at any time during the term of the Note which would cause interest on the Note to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Note, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Note, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under



Section 148 of the Code to prevent interest on the Note from being included in gross income for federal income tax purposes (but only from amounts received by the Authority from the Borrower as payments for those purposes).

The Borrower will agree in the Loan Agreement to reimburse the Authority for all costs to the Authority of its compliance with the covenants contained in this section, and the Authority shall not be required to expend any funds, other than such amounts to be reimbursed or other money received under the terms of the Loan Agreement, in so complying.

Section 10. Authorization of Documents and Execution Thereof. The Board authorizes the Executive Director to negotiate and approve the Regulatory Agreement, the Loan Agreement, the Credit Agreement and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Note, the sale of the Note to the Bank and the making of the Loan to the Borrower. The Board authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Note, the Loan Agreement, the Credit Agreement, other documents executed by the Authority in connection with the Note, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Note. The Board authorizes and directs the Executive Director of the Authority to execute on behalf of the Authority and to deliver the Regulatory Agreement, the Loan Agreement, the Credit Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Note, the sale of the Note to the Bank and the Loan to the Borrower. The Board further authorizes the Executive Direct to do everything necessary or appropriate for the issuance, execution and delivery of the Note to the purchaser thereof and to

execute and deliver any other documents that may be useful or necessary to ensure the proper use and application of the proceeds from the sale of the Note.

The Note will be prepared at the Authority's expense and will be delivered to the Bank together with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Note.

Section 11. Authorization of Borrower Documents and Execution Thereof. The Board authorizes and directs the Executive Director of the Authority to negotiate, execute and deliver, on behalf of the Authority in its capacity as general partner of the Borrower, the Loan Agreement, the Regulatory Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Note, the sale of the Note to the Bank and the Loan to the Borrower.

Section 12. Approval of Transaction. The Bank has offered to purchase the Note at a price of par, under the terms and conditions contained in this resolution and the Proposal Letter, including the payment of fees to the Bank, the fees and expenses of the Bank's legal counsel, and other out-of-pocket costs incurred by the Bank, and payment of an unused commitment fee as described in the Proposal Letter and to be fully documents in the Credit Agreement. The Board finds that the Bank's proposal is in the best interest of the Authority and the Borrower, and therefore authorizes the Executive Director to accept an offer on the same terms and conditions as set forth in the Proposal Letter. The Authority covenants that it will comply with all terms and conditions of the Proposal Letter.

Section 13. Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board or Executive Director of the Authority may in the absence of

such person be taken by the duly authorized acting Chair of the Board or a Deputy Executive Director of the Authority, respectively.

Section 14.    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 15.    Changes to Titles or Parties. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.

Section 16.    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 14<sup>th</sup> day of December, 2015.**

HOUSING AUTHORITY OF THE COUNTY OF  
KING

By: \_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer

## APPENDIX I

## CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary 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 copy of Resolution No. 5527 (the "Resolution") is a full, true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a special meeting of the Authority held on December 14, 2015, and duly recorded in the minute books of the Authority;

2. That written notice specifying the time and place of the special meeting and noting the business to be transacted was given to all members of the Board of Commissioners by mail, fax, electronic mail or personal delivery at least 24 hours prior to the special meeting, a true and complete copy of which notice is attached hereto as Appendix I;

3. That the written notice described above was also posted on the Authority's website and prominently displayed at the main entrance of the Authority's administrative office at 600 Andover Park W., Tukwila, Washington 98188 and at the meeting site, if different, at least 24 hours prior to the special meeting;

4. That the written notice described above was given to each local radio or television station and to each newspaper of general circulation that has on file with the Authority a written request to be notified of special meetings and to any others to which such notices are customarily given by the Authority; and

5. That such meeting was duly convened and held in all respects in accordance with law; 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 14<sup>th</sup> day of December, 2015.

---

Stephen Norman, Secretary and Executive Director  
of the Authority

CERTIFICATE

# T A B N U M B E R

8



**TO:** Board of Commissioners

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

**DATE:** December 9, 2015

**RE:** **Resolution No. 5528: Authorizing the issuance of a Revenue Bond of the Authority in a maximum principal amount of \$24,000,000 to finance the acquisition and rehabilitation of the Spiritwood Manor Apartments; authorizing the execution of documents in connection with the Bond; and determining related matters**

---

Resolution No. 5528 authorizes the Executive Director to enter into a line of credit in the form of a general revenue bond with Bank of America Merrill Lynch in the amount of \$24 million for the purposes of providing interim financing for the tax credit conversion and rehabilitation of the Spiritwood Manor Apartments.

In November, 2015 the Board of Commissioners approved Resolution No. 5520 authorizing the transfer of the Spiritwood Manor Apartments to a low income housing tax credit partnership of which KCHA will be the managing general partner. The resolution further authorized the execution of the agreements with the partnership necessary to facilitate the conversion and finance the rehabilitation of the property. The \$24 million in bridge financing was described in the Project Profile and discussed as part of the board presentation preceding the Board's approval of Resolution No. 5520.

Resolution No. 5528 authorizes KCHA to proceed with opening this line of credit with Bank of America and to re-loan the proceeds to the partnership to provide short term financing for a portion of Spiritwood Manor's development costs. The line of credit will be repaid with the tax credit investor equity contribution as well as proceeds from a subordinate loan the Housing Authority will make to the partnership.

The interest rate on the line of credit is a variable rate expressed as 70% of LIBOR plus 1.75%. Based on the current one month LIBOR rate of .24%, the rate today would be 1.92%. In addition, there is a .45% unused credit facility fee which is assessed against the portion of the line of credit that is not drawn. Once the line has been fully drawn, there will be no residual unused credit facility fee. The interest rate on the line of credit represents an excellent rate for the Housing Authority.

Staff recommends passage of Resolution No. 5528.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5528

A RESOLUTION providing for the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2016 (Spiritwood Manor Project), in the principal amount of not to exceed \$24,000,000, the proceeds of which will be used to make a loan to Spiritwood Manor Limited Liability Limited Partnership, a Washington limited liability limited partnership of which the Authority is the sole general partner, for the purpose of providing a portion of the funds with which to finance the acquisition and rehabilitation of a 128-unit multifamily housing complex, known as Spiritwood Manor, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a loan agreement, a regulatory agreement, a credit agreement and other note and loan documents; approving the sale and providing for the delivery of the note to Bank of America, N.A.; and authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution.

Adopted December 14, 2015

*This document was prepared by:*

*FOSTER PEPPER PLLC  
1111 Third Avenue, Suite 3400  
Seattle, Washington 98101  
(206) 447-4400*



HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5528

A RESOLUTION providing for the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2016 (Spiritwood Manor Project), in the principal amount of not to exceed \$24,000,000, the proceeds of which will be used to make a loan to Spiritwood Manor Limited Liability Partnership, a Washington limited liability partnership of which the Authority is the sole general partner, for the purpose of providing a portion of the funds with which to finance the acquisition and rehabilitation of a 128-unit multifamily housing complex, known as Spiritwood Manor, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a loan agreement, a regulatory agreement, a credit agreement and other note and loan documents; approving the sale and providing for the delivery of the note to Bank of America, N.A.; and authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution.

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

**WHEREAS**, RCW 35.82.020 defines "housing project" to include, among other things, "any work or undertaking . . . to provide decent, safe and sanitary urban or rural dwellings, apartments, mobile home parks or other living accommodations for persons of low income"; and

**WHEREAS**, RCW 35.82.070(5) provides that a housing authority may, among other things, "lease any . . . lands . . . embraced in any housing project and . . . establish and revise the rents or charges therefor"; and "sell, lease, exchange, transfer . . . or dispose of any real or personal property or any interest therein . . ."; 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 . . . rehabilitation, improvement . . . 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**, Spiritwood Manor Limited Liability Limited Partnership, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Borrower”), has applied to the Authority for the financial assistance in the principal amount of up to \$24,000,000 for the purpose of providing a portion of the funds with which to finance the acquisition and rehabilitation of a 128-unit multifamily housing complex, known as Spiritwood Manor, located at 1424 148<sup>th</sup> Avenue SE, Bellevue, Washington, to provide housing for low-income persons in the County (the “Project”); and

**WHEREAS**, the Borrower has requested that the Authority issue and sell its non-revolving line of credit revenue note for the purpose of assisting the Borrower in financing the Project; and

**WHEREAS**, the Project will be used by the Borrower to provide housing for low-income persons, and no more than an insubstantial portion of the proceeds of the Note (defined below) will be used in connection with the financing or refinancing of any portion of the Project to be used by the Borrower for any other purpose; and

**WHEREAS**, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority issue the Note, in a principal amount not to exceed

\$24,000,000, the proceeds of which will be lent to the Borrower for the purposes described herein; and

**WHEREAS**, Bank of America, N.A. (the “Bank”) has proposed to extend a non-revolving line of credit evidenced by a line of credit note of the Authority on the terms set forth in this resolution to provide money for those purposes; and

**WHEREAS**, RCW 35.82.040 provides that a housing authority may delegate to one or more of its agents or employees such powers or duties as it may deem proper;

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

Section 1. Definitions. As used in this resolution, the following words have the following meanings:

“Authority” means the Housing Authority of the County of King, a public body corporate and politic duly organized and existing under and by virtue of the laws of the State of Washington.

“Bank” means Bank of America, N.A., as registered owner of the Note.

“Board” means the Board of Commissioners of the Authority.

“Borrower” means Spiritwood Manor Limited Liability Limited Partnership, a Washington limited liability limited partnership.

“Credit Agreement” means the credit agreement between the Authority and the Bank setting forth certain covenants and conditions relating to the Note, as such terms are generally described in the Proposal Letter, including such variation and further description of such terms as the Bank may require and as may be acceptable to the Executive Director of the

Authority, including any supplements or amendments thereto made in conformity herewith and therewith.

“Code” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

“County” means King County, Washington.

“Draws” means incremental draws upon the Note.

“General Revenues” means all revenues of the Authority from any source, but only to the extent that those revenues are available to pay debt service on the Note and are not now or hereafter pledged, by law, regulation, contract, covenant, resolution, deed of trust or otherwise (including restrictions relating to funds made available to the Authority under the U.S. Housing Act of 1937), solely to another particular purpose.

“Lease” means the lease agreement by and between the Authority and the Borrower relating to the lease of the Project to the Borrower, and including any supplements or amendments thereto.

“Loan” means the loan to the Borrower of proceeds of Draws on the Note.

“Loan Agreement” means the Loan Agreement between the Authority and the Borrower providing for, evidencing and securing the obligation of the Borrower to repay the Loan, and including any supplements or amendments thereto made in conformity herewith and therewith.

“Note” means the Authority’s Non-Revolving Line of Credit Revenue Note, 2016 (Spiritwood Manor Project).

“Note Fund” means the Authority’s Non-Revolving Line of Credit Revenue Note Fund, 2016 (Spiritwood Manor Project), created by this resolution for the purpose of paying principal of and interest on the Note.

“Note Registrar” means the Executive Director of the Authority.

“Permanent Loan” means a permanent loan to the Borrower, from the Authority’s own funds, to be used for such purposes as the Authority and the Borrower may determine.

“Project” means, depending on the context, (1) the acquisition and rehabilitation of the 128-unit multifamily housing complex known as Spiritwood Manor located at 1424 148<sup>th</sup> Avenue SE, Bellevue, Washington, or (2) Spiritwood Manor.

“Proposal Letter” means the proposal letter to the Authority from the Bank dated November 24, 2015, as it may be amended, proposing to purchase the Note on the terms set forth therein and herein.

“Regulatory Agreement” means the Regulatory Agreement executed by the Borrower for the benefit of the Authority in connection with the Loan, governing the use of the Project, and including any supplements or amendments thereto made in conformity herewith and therewith.

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Loan Agreement.

Section 2. Authorization of Note and Application of Proceeds. The Authority shall issue the Note in a principal amount not to exceed \$24,000,000 for the purpose of making a loan to the Borrower to provide a portion of the funds required to accomplish the Project and pay costs of issuing the Note. Such Note financing is declared and determined to be important for the feasibility of the Project. All proceeds from Draws of the Note shall be lent to the Borrower for

those purposes. The Board finds that it is in the best interest of the Authority to issue the Note for the purposes set forth in this resolution.

Section 3 Description of the Note. The Note shall be called the Non-Revolving Line of Credit Revenue Note, 2016 (Spiritwood Manor Project), of the Authority; shall be in a principal amount of not to exceed \$24,000,000; shall be dated its date of delivery; and shall be numbered R-1. The Note shall bear interest payable on such dates and at such rate or rates selected by the Authority as described in the Proposal Letter (which may include variable rates based London interbank offered rate and/or fixed rates), and, as more fully described in the Credit Agreement, shall mature at such time, shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as are set forth in the Note and the Credit Agreement. The Authority finds that the fixing of the interest rate indices described in the Proposal Letter is in the best interest of the Authority and the Borrower.

If the Note is not paid when properly presented at its maturity date, the Authority shall be obligated to pay interest on the Note at then-applicable default rate of interest thereon from and after the maturity date until the Note, both principal and interest, is paid in full.

Section 4. Draws on the Note. The Board authorizes the Executive Director, or his or her designee, to make Draws on the Note in such amounts, at such times and with such interest rate option as he or she may determine, those Draws to be made in accordance with the terms and provisions set forth herein and in Loan Agreement and Credit Agreement. Draws shall be recorded in such form as the Authority and the Bank may agree. Draws shall be limited to an aggregate principal amount of \$24,000,000.

Section 5. Note Registrar; Registration and Transfer of Note. The Note shall be issued only in registered form as to both principal and interest and shall be recorded on books or records

maintained for the Note by the Note Registrar (the “Note Register”). The Executive Director of the Authority shall serve as Note Registrar for the Note. The Note Register shall contain the name and mailing address of the registered owner of the Note. The Note Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Note in accordance with the provisions of the Note and this resolution, to serve as the Authority’s paying agent for the Note and to carry out all of the Note Registrar’s powers and duties under this resolution.

The Note may be assigned or transferred only (i) to another financial institution, (ii) if endorsed in the manner provided thereon and surrendered to the Note Register, and (iii) upon the assignee or transferee delivering to the Authority an executed Certificate of Transferee in the form attached to the Note. The Note Registrar shall not be obligated to exchange or transfer any Note during the five days preceding any interest payment date, prepayment date or the maturity date. The consent of the Authority will be required for any transfer or assignment of the Note, unless (i) an event of default with respect to the Note has occurred and is continuing, or (ii) the assignment is to an affiliate of the Bank or an Approved Fund (as such term shall be defined in the Credit Agreement).

Section 6.     Payment of the Note. Both principal of and interest on the Note shall be payable in lawful money of the United States of America and shall be paid by check mailed to arrive on or before each payment date, or in immediately available funds delivered on or before each payment date, to the Registered Owner at the address appearing on the Note Register on the date payment is mailed or delivered. Upon the final payment of principal of and interest on the Note, the Registered Owner shall surrender the Note at the principal office of the Note Registrar in Tukwila, Washington, for destruction in accordance with law.

Section 7.     Note Fund; Security for the Note. The Note Fund is hereby established as a special fund of the Authority designated the Non-Revolving Line of Credit Revenue Note Fund, 2016 (Spiritwood Manor Project). The Note Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. The Authority pledges to deposit into the Note Fund, from amounts owed or paid by the Borrower under the Loan Agreement, (a) from amounts received by the Borrower from one or more limited partners of the Borrower from the sale by the Borrower of low-income housing tax credits in connection with the Project and used by the Borrower to repay the Loan under the terms of the Loan Agreement, (b) from amounts owed or paid by the Borrower under the Permanent Loan, and (c) from General Revenues, amounts sufficient to pay the principal of and interest on the Note when due.

The Authority reserves without limitation the right to issue other obligations, the principal of and interest on which are to be paid from the General Revenues on a parity with payments on the Note. At its option, the Authority may pledge any portion of the General Revenues to the payment of other obligations of the Authority, such payments to have priority over the payments to be made on the Note with respect to that portion of the General Revenues so pledged.

The Note shall not be a debt of King County, the State of Washington or any political subdivision thereof (except the Authority from the sources specified herein), and the Note shall so state on its face. Neither King County, the State of Washington nor any political subdivision thereof (except the Authority from the sources specified herein) shall be liable for payment of the Note nor in any event shall principal of and interest on the Note be payable out of any funds other than the Note Fund of the Authority established herein. The owner of the Note shall not have recourse to any other fund of the Authority other than the Note Fund, or to any other



receipts, revenues or properties of the Authority other than as described herein and in the Note.

The Authority has no taxing power.

Neither the Authority (except to the extent of the pledge of its General Revenues) nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Note.

Section 8.     Form and Execution of Note.     The Note shall be prepared in a form consistent with the provisions of this resolution and state law, shall bear the manual or facsimile signatures of the Chair of the Board and Executive Director of the Authority and shall be impressed with the seal of the Authority or shall bear a facsimile thereof.

Only a Note bearing a Certificate of Authentication in the following form, manually signed by the Note Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution:

#### CERTIFICATE OF AUTHENTICATION

This Note is the fully registered Non-Revolving Line of Credit Revenue Note, 2016 (Spiritwood Manor Project), of the Authority described in the Note Resolution.

\_\_\_\_\_  
[specimen]  
Executive Director of the Authority and Note Registrar

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Note ceases to be an officer of the Authority authorized to sign notes before the Note bearing his or her facsimile signature is authenticated or delivered by the Note Registrar or issued by the Authority, the Note

nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign notes. The Note also may be signed on behalf of the Authority by any person who, on the actual date of signing of the Note, is an officer of the Authority authorized to sign notes, although he or she did not hold the required office on the date of issuance of the Note.

Section 9.     Preservation of Tax Exemption for Interest. Subject to the last paragraph of this section, the Authority covenants that it will take all actions necessary to prevent interest on the Note from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Note or other funds of the Authority treated as proceeds of the Note at any time during the term of the Note which would cause interest on the Note to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Note, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Note, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Note from being included in gross income for federal income tax purposes (but only from amounts received by the Authority from the Borrower as payments for those purposes).

The Borrower will agree in the Loan Agreement to reimburse the Authority for all costs to the Authority of its compliance with the covenants contained in this section, and the Authority

shall not be required to expend any funds, other than such amounts to be reimbursed or other money received under the terms of the Loan Agreement, in so complying.

Section 10. Authorization of Documents and Execution Thereof. The Board authorizes the Executive Director to negotiate and approve the Regulatory Agreement, the Loan Agreement, the Credit Agreement and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Note, the sale of the Note to the Bank and the making of the Loan to the Borrower. The Board authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Note, the Loan Agreement, the Credit Agreement, other documents executed by the Authority in connection with the Note, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Note. The Board authorizes and directs the Executive Director of the Authority to execute on behalf of the Authority and to deliver the Regulatory Agreement, the Loan Agreement, the Credit Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Note, the sale of the Note to the Bank and the Loan to the Borrower. The Board further authorizes the Executive Direct to do everything necessary or appropriate for the issuance, execution and delivery of the Note to the purchaser thereof and to execute and deliver any other documents that may be useful or necessary to ensure the proper use and application of the proceeds from the sale of the Note.

The Note will be prepared at the Authority's expense and will be delivered to the Bank together with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Note.

Section 11. Authorization of Borrower Documents and Execution Thereof. The Board authorizes and directs the Executive Director of the Authority to negotiate, execute and deliver, on behalf of the Authority in its capacity as general partner of the Borrower, the Loan Agreement, the Regulatory Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Note, the sale of the Note to the Bank and the Loan to the Borrower.

Section 12. Approval of Transaction. The Bank has offered to purchase the Note at a price of par, under the terms and conditions contained in this resolution and the Proposal Letter, including the payment of fees to the Bank, the fees and expenses of the Bank's legal counsel, and other out-of-pocket costs incurred by the Bank, and payment of an unused commitment fee as described in the Proposal Letter and to be fully documented in the Credit Agreement. The Board finds that the Bank's proposal is in the best interest of the Authority and the Borrower, and therefore authorizes the Executive Director to accept an offer on the same terms and conditions as set forth in the Proposal Letter. The Authority covenants that it will comply with all terms and conditions of the Proposal Letter.

Section 13. Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board or Executive Director of the Authority may in the absence of such person be taken by the duly authorized acting Chair of the Board or a Deputy Executive Director of the Authority, respectively.

Section 14. 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 15.    Changes to Titles or Parties. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.

Section 16.    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 14<sup>th</sup> day of December, 2015.**

HOUSING AUTHORITY OF THE COUNTY OF  
KING

By: \_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer

## APPENDIX I

## CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary 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 copy of Resolution No. 5528 (the "Resolution") is a full, true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a special meeting of the Authority held on December 14, 2015, and duly recorded in the minute books of the Authority;

2. That written notice specifying the time and place of the special meeting and noting the business to be transacted was given to all members of the Board of Commissioners by mail, fax, electronic mail or personal delivery at least 24 hours prior to the special meeting, a true and complete copy of which notice is attached hereto as Appendix I;

3. That the written notice described above was also posted on the Authority's website and prominently displayed at the main entrance of the Authority's administrative office at 600 Andover Park W., Tukwila, Washington 98188 and at the meeting site, if different, at least 24 hours prior to the special meeting;

4. That the written notice described above was given to each local radio or television station and to each newspaper of general circulation that has on file with the Authority a written request to be notified of special meetings and to any others to which such notices are customarily given by the Authority; and

5. That such meeting was duly convened and held in all respects in accordance with law; 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 14<sup>th</sup> day of December, 2015.

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Stephen Norman, Secretary and Executive Director  
of the Authority

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**TO:** Board of Commissioners

**FROM:** Connie Davis, Deputy Executive Director

**DATE:** December 9, 2015

**RE: Resolution No. 5529: Extending the Executive Director's  
Employment Contract for up to 60 days**

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**Executive Summary:** This resolution extends the employment contract of the Executive Director for up to two months, with a new expiration date of February 29, 2016.

**Background:** The Board of Commissioners entered into an employment contract with Stephen J. Norman, Executive Director of KCHA as of March 1, 2013. That contract expires on January 1, 2016.

The Board has begun its review of Mr. Norman's performance during the contract term, but this review will not be completed until after the current contract's expiration date. This resolution extends that contract for up to 60 days in order for the Board to complete its review.

**THE HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5529**

**EXTENDING THE EXECUTIVE DIRECTOR'S CONTRACT FOR UP TO 60 DAYS**

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**WHEREAS**, the Executive Director of the Housing Authority of the County of King entered into two year and ten month's Employment Contract with the Authority effective March 1, 2013 until January 1, 2016; and,

**WHEREAS**, during this period the Authority has continued to expand and strengthen the safety net for low income households in King County; and,

**WHEREAS**, KCHA continues to be recognized as one of the highest performing housing authorities in the nation by the U.S. Department of Housing and Urban Development; and,

**WHEREAS**, the Authority's finances and internal administrative systems continue to strengthen; and,

**WHEREAS**, the Board of Commissioners has determined that they wish to enter into another multi-year employment contract with Stephen J. Norman; and,

**WHEREAS**, the Board is reviewing Mr. Norman's performance during 2015; and,

**WHEREAS**, such review will not be completed by the expiration of the term of Mr. Norman's current employment contract; and

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

**SECTION 1:** Stephen J. Norman's existing contract will be extended until a new contract is executed or for 60 days, whichever shall occur first.

**SECTION 2:** The Board of Commissioners' Chair is authorized to prepare and present to the Board a new employment agreement based upon the recommendations of that review process.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING  
AUTHORITY OF THE COUNTY OF KING AT A SPECIAL MEETING THEREOF THIS  
14th DAY OF DECEMBER 2015.**

**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

# T A B N U M B E R

10



**TO:** Board of Commissioners

**FROM:** Connie Davis, Deputy Executive Director

**DATE:** December 9, 2015

**RE:** Commitments of Moving To Work - Working Capital Funds

**Executive Summary:**

KCHA is engaged in a number of multi-year projects utilizing working capital available to the agency through its Moving to Work Program (MTW). In order to assure that adequate resources are available to complete these projects and fulfill funding commitments that the Housing Authority has made, the Board of Commissioners has reserved specified amounts of KCHA's MTW reserves for the completion of these projects. As a requirement accompanying the restriction of reserves to specified projects by the Board, KCHA staff report annually on the status of these initiatives.

Through December 2014, the Board had committed a total of \$8.8345 million in MTW working capital to specified multi-year projects. These projects are proceeding according to schedule. Staff currently projects \$4.729 million will remain unspent as of December 31, 2015 and \$2.257 million will remain unspent at the end of 2016. This memo discusses the uses of committed funds in 2015 and their projected use in 2016. No additional commitments are being sought at this time.

**Background:**

The Government Accounting Board defines a commitment as "an amount constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint".

As an MTW housing authority, KCHA can use its single fund flexibility to combine all sources of funds from Sections 8 (Vouchers) and 9 (public housing operating and capital) of the 1937 U.S. Housing Act to support eligible activities. Due largely to administrative simplification, which has resulted in costs savings, KCHA has generated MTW working capital, that is, reserves remaining after payment of core Section 8 and

public housing support. Although KCHA cannot reflect these “commitments” on its GAAP-based financial statements, it is critical that adequate funds be reserved to assure successful completion of multi-year projects and that these funds be distinguished from un-restricted reserves.

There are three areas for which the Board has approved commitments:

Technology	\$2,500,000 (Resolution 5389-7/11/2012)
Capital Construction	2,988,500 (Resolution 5489-12/15/2014)
Sponsor Based Housing	<u>3,346,000</u> (Resolution 5488-12/15/2014)
Total	\$8,834,500

The three commitments are anticipated to have \$4,729,333 unspent at the end of CY 2015. The CY 2016 budget projects an additional \$2,472,484 will be expended from this source, leaving a balance of \$2.257 million in commitments unspent as of December 31, 2016. Below is a summary of the three commitments of MTW working capital funds:

Technology: The Technology commitment set aside \$2.5 million to cover the projected costs of the Housing Management Information Systems conversion. This project continues to operate within the parameters set by the budget, and staff currently projects that \$862 thousand will remain unspent at the end of CY 2016. Major software projects such as this conversion involve lengthy implementation phases. The Authority anticipates a continued need through 2017 for refinement of the software which has been highly customized for KCHA as an MTW housing authority. The commitment supports the costs of the product, internal resources necessary to manage the ongoing conversion and the maintenance fees in the early years of its use. If there is excess capacity in this commitment, the Board will be asked to release the funds when that is determined.

Capital Construction: The capital construction commitment recognized the need to set aside funds for the completion of capital projects initiated in 2015. At the end of CY 2016, all remaining committed funds will be fully expended.

Sponsor Based Housing: The third area of commitments was for the Sponsor Based Housing Program, managed by the Homeless Housing Initiatives (HHI) department. This program offers housing and services to highly vulnerable, homeless persons who otherwise could not find a suitable unit due to credit or criminal history problems. The Department has entered into long-term contracts that guarantee funding to three service providers who master lease units that serve the chronically homeless, including those who are released either from prison or Western State Hospital; and homeless youth, including those who have aged out of foster care. Multi-year commitments of funding were necessary to leverage matching service funding commitments from the behavioral health care system. Funding for the various providers is committed through the end of the contract period, or 2017. Rental subsidies for these households are being

provided above and beyond KCHA's baseline commitment under the Housing Choice Voucher program. In CY 2015, \$888,000 was expended for these purposes; the CY 2016 budget anticipates an additional \$1.063 million in assistance. This will leave \$1.394 million to be spent through the end of 2017.

# T A B N U M B E R



# **KCHA IN THE NEWS**

# Capitol Hill Times

## Committee approves affordable housing interlocal agreement

• December 2, 2015

**By Genesee Martin**

The Seattle City Council's Planning, Land Use and Sustainability Committee took the first step toward making an affordable housing initiative a reality on Tuesday, approving an interlocal agreement to secure housing sites, as well as administration of funds for that purpose.

The interlocal agreement execution for the Seattle area is expected to be approved by other municipalities and counties in the coming months, and the first projects are expected to start next year, with reports to follow in 2017 as the initiative rolls out.

The interlocal agreement includes King, Pierce and Snohomish counties as well as the cities of Bellevue, Issaquah, Kenmore, Kirkland, Mercer Island, Redmond and Woodinville. The agreement has to go to the full city council for final approval.

"It's taken a number of years to get there but we have actually gotten there," said council central staff Traci Ratzliff, when asked if she thought the city could get everyone to agree on the affordable housing initiative. "Over a year ago, the city council adopted a resolution that committed the city to financial participation in the Regional Equity Development Initiative Fund, the REDI Fund is what we refer to."

Ratzliff said the resolution follows a \$1 million allotment in both the 2015 and 2016 budget, funds that were not to be touched until an interlocal agreement was developed and approved by the city council.

"So, we are here today with legislation that would authorize the office of housing to sign and administer that agreement," Ratzliff said.

Seattle Office of Housing Deputy Director Miriam Roskin said the idea behind the REDI Fund was to leverage public monies to create a regional loan fund in order to secure sites for affordable housing with access public transportation.

Roskin reported the department had secured \$5 million in public funds, which now could be used along with private investments for the the construction or creation of affordable housing. National nonprofit Enterprise Community Partners had been selected as the administering agent for the fund, and to organize the business plan and soliciting of private investment for the last year.

<http://www.capitolhilltimes.com/2015/12/committee-approves-affordable-housing-interlocal-agreement/>

# Capitol Hill Times

“A lot of the work we’ve done over the summer is to develop the interlocal agreement that’s before you today,” Roskin told the committee.

Enterprise representative Devin Culbertson said the fund would provide loans with 7-year terms at an interest rate of 3.5-4 percent. The REDI Fund amount totals \$21 million, with Enterprise Community Partners being a major contributor, providing \$10.5 million of the total fund.

“Enterprise is a national nonprofit, and we do a lot of things around our mission of ending housing insecurity,” Culbertson said. “We are also acting as a lender into the fund. While the public investment is really the catalytic piece that allows this fund to happen, the easiest way to think about the capital structure is to start with the senior debt. Most senior lenders and institutions are comfortable doing about 50 percent of an acquisition. The goal is to fill the gap, so that the fund could close on 100 percent of the cost of a site.”

He also reported the organization raised capital from both the King County Housing Authority and Living Cities to make up a good portion of the funding. Public investment monies make up the balance, Culbertson said.

The first five years would be the origination period, in which one- to three-year loans would be made, giving funds a chance to revolve within the REDI Fund, which was limited to a 10-year lifespan. The Seattle area would be the recipient of 38 percent or \$8 million of the total fund, with target areas outlined as within a half-mile walking distance from light rail and commuter stations and a quarter-mile walking distance from bus rapid transit and street car stops.