



**SPECIAL MEETING
OF THE
BOARD OF COMMISSIONERS**

July 25, 2016 at 8:30 a.m.

Nia Apartments at Greenbridge
Conference Room (Large)
9935 8th Avenue SW
Seattle, WA 98106

A G E N D A

- I. Call to Order**
- II. Roll Call & Welcome**
- III. Public Comment**
- IV. Approval of Minutes** **1**
Board Meeting Minutes – June 20, 2016
- V. Approval of Agenda**
- VI. Consent Agenda**
 - A. Voucher Certification Reports May 2016 (General & Bond Properties) **2**
 - B. **Resolution No. 5540:** A Resolution of the Housing Authority of the County of King authorizing the transfer of the Arbor Heights Apartments project from, KCHA-Cones LP (the Company) to the Housing Authority, including, but not limited to the acquisition of the investor member interest in the Company's obligations, subsequent dissolution of the Company and all related matters **3**
 - C. **Resolution No. 5541:** A Resolution of the Housing Authority of the County of King authorizing the transfer of the Southwood Square Apartments project from KCHA-Southwood Square LP (the Company) to the Housing Authority, including, but not limited to the acquisition of the investor member interest in the Company's obligations, subsequent dissolution of the Company and all related matters **3**

VII. Executive Session (RCW 42.30.110 (b)-purchase of real estate)

VIII. Resolutions for Discussion & Possible Action

- A. **Resolution No. 5542:** A Resolution authorizing the acquisition of the Highland Village Apartments **4**
- B. **Resolution No. 5543:** A Resolution providing for the issuance of revenue bonds of the Authority in aggregate principal amount of not to exceed \$7,000,000, 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; and determining related matters **5**
- C. **Resolution No. 5544:** A Resolution authorizing the acquisition of the Abbey Ridge Apartments **6**

IX. Briefings & Reports

- A. Risk Management & Insurance Programs Update **7**
- B. Second Quarter 2016 Procurement Report **8**
- C. Budget Forecast CY 2016 **9**
- D. Second Quarter 2016 Summary Write-offs **10**

X. Executive Director's Report

XI. KCHA in the News **11**

XII. Commissioner Comments

XIII. 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
SPECIAL BOARD OF COMMISSIONERS OF THE
KING COUNTY HOUSING AUTHORITY**

Monday, June 20, 2016

I. CALL TO ORDER

The Special Meeting of the Board of Commissioners of the King County Housing Authority was held on Monday, June 20, 2016 at the Renton Housing Authority, 2900 NE 10th Street, Renton, WA 98056. There being a quorum, the meeting was called to order by Chair Doug Barnes at 8:30 a.m.

II. ROLL CALL

Present: Commissioner Doug Barnes (Chair), Commissioner Michael Brown (Vice-Chair) arrived at 8:42 a.m., Commissioner TerryLynn Stewart, Commissioner Susan Palmer (via telephone) and Commissioner John Welch

Staff: Stephen Norman (Secretary), Andrew Calkins, Connie Davis, John Eliason, Dan Landes, Beth Pearson, Mike Reilly, Jessica Olives, Jennifer Ramirez-Robson, Craig Violante, Tim Walter, and Dan Watson

Guests: Mark Santos-Johnson with the City of Renton, Mark Gropper and Kellee Rodriguez with the Renton Housing Authority

III. PUBLIC COMMENT

None.

IV. TOUR OF PROPOSED CHOICE NEIGHBORHOOD INITIATIVE SITE – RENTON

Mark Gropper, Executive Director of the Renton Housing Authority, welcomed board members and KCHA staff to the Renton Housing Authority.

Chair Barnes announced the start of the tour and mentioned the Board will reconvene the meeting upon return.

The meeting was reconvened at 8:50 a.m. Mark Santos-Johnson provided more information regarding the Choice Neighborhood Grant process, project execution plan and funding.

V. APPROVAL OF MINUTES

The Board unanimously approved the minutes from the Board of Commissioners' meeting of May 16, 2016.

V. APPROVAL OF AGENDA

Commissioner Susan Palmer disclosed that she is a Board member of the Renton Technical College that will be discussing the City of Renton's Choice Neighborhoods Application, but stated that there is no conflict of interest pertaining to this matter.

The Board unanimously approved the June 20, 2016 Board of Commissioners' meeting agenda.

VI. CONSENT AGENDA

A. Voucher Certification Report for April 2016 (General and Bond Properties)

April 2016

GENERAL PROPERTIES

Bank Wires / ACH Withdrawals	3,351,881.23
<i>Subtotal</i>	<i>3,351,881.23</i>
Accounts Payable Vouchers	
Key Bank Checks #302151-#302807	5,088,967.58
Tenant Accounting Checks #10088- #10114	3,832.38
Commerce Bank Direct Payment	62,090.24
<i>Subtotal</i>	<i>5,154,890.20</i>
Payroll Vouchers	
Checks - #90085 – #90112	33,964.27
Direct Deposit	1,257,181.87
<i>Subtotal</i>	<i>1,291,146.14</i>
Section 8 Program Vouchers	
Checks - #613538-#613828	219,427.26
ACH - #345211-#348130	9,995,610.37
<i>Subtotal</i>	<i>10,175,037.63</i>
Purchase Card / ACH Withdrawal	180,636.73
<i>Subtotal</i>	<i>180,636.73</i>
GRAND TOTAL	<i>20,153,591.93</i>

BOND PROPERTIES

Bond Properties Total (30 different properties)	<i>2,051,917.85</i>
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On motion by Commissioner Brown seconded by Commissioner Palmer, the Board approved the consent agenda.

VII. RESOLUTIONS FOR DISCUSSION AND POSSIBLE ACTION

- A. Resolution No. 5537: Authorizing the submission of a Choice Neighborhoods Implementation Grant Application, in cooperation with the

City of Renton and Renton Housing Authority for the Sunset Neighborhood Area of Renton in King County

Dan Watson, Deputy Executive Director, reiterated that KCHA partnered with the City of Renton and the Renton Housing Authority, in 2015, to submit a Choice Neighborhood Implementation (CNI) grant application. Mr. Watson stated that although selected as a finalist, the application was ultimately unsuccessful, but an announcement by HUD for new funding of 2016 CNI grants prompted the City of Renton and the Renton Housing Authority to approach KCHA again. Mr. Watson provided detail background information, and strategic rationale behind the new proposed joint application.

Mark Santos-Johnson responded to Commissioner Welch's inquiry related to the City's community outreach conducted and ongoing. Mr. Santos-Johnson stated that a Sunset Area Transformation Resource Council was created as part of the initial grant application in 2015. The Council consists of many stakeholders in the community and monitors the success of the plan as well as identifies other resources and opportunities. Mr. Santos Johnson stated that the additional outreach has been conducted and is continuous.

On motion by Commissioner Brown, seconded by Commissioner Welch, the Board unanimously approved Resolution No. 5537.

- B. Resolution No. 5538: A Resolution of the Housing Authority of the County of King declaring its intention to sell bonds in an amount not to exceed \$25,000,000, to provide financing for the Sunset Area Transformation Plan Housing Project within King County, Washington, and determining related matters

Tim Walter, Senior Director of Development & Asset Management presented Resolution No. 5538 and mentioned that the approval would not commit KCHA to issue bonds but shows readiness. Mr. Walter explained that this action is a necessary step required to undertake the obligation.

In response to Chair Barnes' question, Mr. Walter explained that KCHA staff would return to the Board once the Renton Housing Authority is ready to begin the first phase of the project. KCHA staff would present the project details, lender information and terms for board consideration.

On motion by Commissioner Brown, seconded by Commissioner Welch, the Board unanimously approved Resolution No. 5538.

C. Resolution No. 5539: Authorizing the sale and disposition of Greenbridge West Bulk Parcels to Conner Homes

John Eliason, HOPE VI Development Director briefed the Board on Resolution No. 5539. Mr. Eliason provided background information and the disposition process and the company. Mr. Eliason explained the terms of the transaction as well as associated risks.

In response to Commissioner Welch question, Mr. Eliason stated that the sales price per unit is estimated to be between \$435,000 -\$485,000.

On motion by Commissioner Stewart, seconded by Commissioner Brown, the Board unanimously approved Resolution No. 5538.

VIII. BRIEFINGS & REPORT

A. Greenbridge Homeownership Buildout – Continued

Mr. Eliason continued this presentation from the April 2016 board meeting and provided an overview of Greenbridge parcels. Mr. Eliason gave an update on BDR progress, sales and revenue to KCHA.

B. First Quarter FY 2016 Financial Report

Craig Violante, Director of Finance, gave a briefing on the financials for the first quarter FY 2016. Mr. Violante discussed the inflation adjustment for the Housing Choice Voucher Program which resulted in an increase in funding for KCHA in 2016. Mr. Violante mentioned that the new payment standards were implemented and should result in a significant impact to the Housing Assistance Payments costs which will be reflected in the second quarter. Mr. Violante also provided an update on cash and investments.

C. Fourth Quarter FY 2015 Summary Write-offs

Mr. Violante presented the fourth quarter FY 2015 Summary Write-offs report.

Connie Davis, Deputy Executive Director, provided an update on the collateralization of MTW funds and discussions with HUD pertaining to issues with cash management rules that restrict the Authority's ability to hold HCV block grant cash in its own accounts. Ms. Davis explained that approximately \$ 12 Million combined is being held in trust accounts related to loans for the redevelopment of Green River Homes and an FHLB loan for Moving King County Residents Forward properties. Both trust accounts are considered restricted assets. Ms. Davis noted that HUD was made aware that if KCHA were required to return these funds it would create an incidence of default. Ms. Davis stated that staff provided HUD with additional information and is continuing the discussions but is generally optimistic that HUD would recognize these restrictions.

Chair Barnes asked staff to provide an update concerning this issue at the next Commissioners' meeting. Mr. Barnes stated that he is particularly interested in the impact on KCHA's budget for 2016 and 2017.

D. First Quarter FY 2016 Summary Write-offs

Craig Violante provided an update on the Summary Write-offs for the first quarter of FY 2016.

E. First Quarter FY 2016 Executive Dashboard Report

Andrew Calkins, Administrative Program Manager, gave a briefing on the Executive Dashboard report for the first quarter in 2016.

XI. EXECUTIVE DIRECTOR'S REPORT

Stephen Norman, Executive Director, provided an overview of the MTW contract extension with HUD. Mr. Norman mentioned that although HUD has agreed to extend the contract, this unilateral amendment should be confirmed and countersigned by KCHA through a formal approval process. Mr. Norman stated that stakeholder outreach and local input is being solicited and a Board-approved letter of agreement back to HUD is expected to be sent the fall.

Mr. Norman also discussed the partnership with King County whereby the County's credit rating will be lent to some of the Authority's debt via credit enhancement. The details of this agreement are currently being negotiated.

Mr. Norman announced that he attended the second Annual Housing and Education Summit in Washington, DC. Mr. Norman stated that the event creates partnerships between public housing authorities and public schools. Mr. Norman mentioned that through these partnerships, local initiatives are being discussed and best practices are being noted, in addition to bringing awareness to public school advocacy groups on the collaboration between the two entities.

Mr. Norman asked staff to provide an update on the Highland Village Apartments located in Bellevue. Dan Watson stated that the Bellevue school district approached KCHA with concerns about the complex located next to Eastside Terrace. The property is being sold and the buildings are scheduled for demolition to be replaced by high-end condominiums/townhomes. Mr. Watson mentioned that the school district's concerns pertain to the 85 school age children and their moderate-income families who would be displaced should the development proceed. Mr. Watson stated that staff will explore if there are any other options than demolition and relocation.

XII. KCHA IN THE NEWS

None.

XIII. COMMISSIONER COMMENTS

Commissioner Stewart and Chair Barnes provided feedback on the trip to Washington, DC to meet with State representatives to discuss Public Housing Authority updates and issues.

Stephen Norman thanked Commissioners Stewart and Barnes for accompanying staff on the legislative trip.

XIV. ADJOURNMENT

On motion by Commissioner Stewart, seconded by Commissioner Brown, the Board adjourned the meeting at 10:40 a.m.

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

DOUGLAS BARNES, Chair
Board of Commissioners

STEPHEN J. NORMAN
Secretary

T A B N U M B E R

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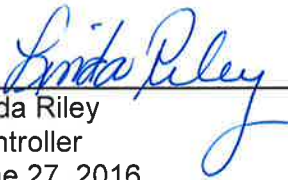
To: Board of Commissioners

From: Linda Riley, Controller

Date: June 27, 2016

Re: **VOUCHER CERTIFICATION FOR MAY 2016**

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
June 27, 2016

Bank Wires / ACH Withdrawals	2,435,846.31
<i>Subtotal</i>	<u>2,435,846.31</u>
Accounts Payable Vouchers	
Key Bank Checks - #302808-#303357	3,485,847.66
Tenant Accounting Checks - #10115-#10138	5,587.46
Commerce Bank Direct Payment	114,539.54
<i>Subtotal</i>	<u>3,605,974.66</u>
Payroll Vouchers	
Checks - #90113-#90140	27,524.82
Direct Deposit	1,263,827.58
<i>Subtotal</i>	<u>1,291,352.40</u>
Section 8 Program Vouchers	
Checks - #613829-#614127	210,307.26
ACH - #348131-#351088	10,147,217.46
<i>Subtotal</i>	<u>10,357,524.72</u>
Purchase Card / ACH Withdrawal	214,546.74
<i>Subtotal</i>	<u>214,546.74</u>
GRAND TOTAL	<u>17,905,244.83</u>

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

FROM: Wen Xu

SUBJECT: VOUCHER CERTIFICATION FOR MAY 2016

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
July 15, 2016

Property	Wired to Operating Account(s) for Obligations of Property			Notes:
May-16	Date	\$	Claim	
Bellepark East	5/5/2016	\$13,513.84	A/P	
	5/12/2016	\$9,166.36	A/P & Payroll	
	5/19/2016	\$27,840.80	A/P	
	5/26/2016	\$13,123.27	A/P & Payroll	
Colonial Gardens	5/5/2016	\$1,648.08	A/P	
	5/12/2016	\$13,942.75	A/P & Payroll	
	5/19/2016	\$6,212.72	A/P	
	5/26/2016	\$11,784.66	A/P	
Cottonwood	5/5/2016	\$2,697.69	A/P & Payroll	
	5/12/2016	\$8,586.08	A/P & Payroll	
	5/19/2016	\$9,410.35	A/P	
	5/26/2016	\$11,829.92	A/P & Payroll	
Cove East	5/5/2016	\$20,030.72	A/P	
	5/12/2016	\$36,040.95	A/P & Payroll	
	5/19/2016	\$6,819.94	A/P	
	5/26/2016	\$36,293.01	A/P & Payroll	
Landmark	5/12/2016	\$35,171.72	A/P & Payroll	
	5/19/2016	\$55,805.16	A/P	
	5/26/2016	\$14,293.36	A/P & Payroll	
Timberwood	5/5/2016	\$4,114.98	A/P	
	5/12/2016	\$11,646.58	A/P & Payroll	
	5/19/2016	\$49,138.08	A/P	
	5/26/2016	\$44,448.99	A/P & Payroll	
Woodland North	5/5/2016	\$13,294.50	A/P	
	5/12/2016	\$10,683.51	A/P & Payroll	
	5/19/2016	\$5,947.90	A/P	
	5/26/2016	\$11,000.27	A/P & Payroll	
Woodside East	5/12/2016	\$16,866.46	A/P & Payroll	
	5/19/2016	\$61,099.50	A/P	
	5/26/2016	\$24,818.71	A/P & Payroll	
Allied Consolidated	5/4/2016	\$8,421.00	HAP to COR TOD	
	5/17/2016	\$329,119.31	Moved to Individual Account	
	5/17/2016	\$206,984.12	Moved to Individual Account	
	5/17/2016	\$234,774.51	Moved to Individual Account	
	5/17/2016	\$223,634.07	Moved to Individual Account	
	5/19/2016	\$72,514.80	Moved to Individual Account	
	5/19/2016	\$281,653.85	Moved to Individual Account	
	5/19/2016	\$43,325.92	Moved to Individual Account	
	5/19/2016	\$333,221.89	Moved to Individual Account	
	5/19/2016	\$156,400.75	Moved to Individual Account	
	5/19/2016	\$476,237.80	Moved to Individual Account	
	5/19/2016	\$476,237.80	Moved to Individual Account	
	5/19/2016	\$317,429.85	Moved to Individual Account	
	5/19/2016	\$374,911.40	Moved to Individual Account	
	5/19/2016	\$388,280.72	Moved to Individual Account	
	5/19/2016	\$506,475.09	Moved to Individual Account	
	5/19/2016	\$571,491.08	Moved to Individual Account	
	5/19/2016	\$600,000.00	Moved to Individual Account	
	5/19/2016	\$169,364.07	Moved to Individual Account	
	5/19/2016	\$8,661.51	Moved to Individual Account	
Alpine Ridge	5/6/2016	\$2,545.08	Payroll	
	5/12/2016	\$21,018.50	A/P	
	5/19/2016	\$2,642.97	Payroll	
	5/26/2016	\$13,937.63	A/P	
Aspen Ridge	5/6/2016	\$4,580.17	Payroll	
	5/12/2016	\$4,897.18	A/P	
	5/19/2016	\$5,270.00	Payroll	
	5/26/2016	\$24,737.84	A/P	
Auburn Square	5/6/2016	\$7,938.16	Payroll	
	5/12/2016	\$42,475.88	A/P	
	5/19/2016	\$7,383.93	Payroll	
	5/26/2016	\$52,585.23	A/P	
Carriage House	5/6/2016	\$11,213.60	Payroll	
	5/12/2016	\$21,027.03	A/P	
	5/19/2016	\$11,137.69	Payroll	
	5/26/2016	\$43,325.56	A/P	
Cascadian	5/6/2016	\$11,069.01	Payroll	
	5/12/2016	\$97,291.32	A/P	
	5/19/2016	\$11,384.28	Payroll	
	5/26/2016	\$20,312.49	A/P	
Fairwood	5/6/2016	\$7,792.79	Payroll	

	5/12/2016	\$23,661.77	A/P	
	5/19/2016	\$7,003.11	Payroll	
	5/26/2016	\$40,459.61	A/P	
Heritage Park	5/6/2016	\$4,890.19	Payroll	
	5/12/2016	\$9,571.22	A/P	
	5/19/2016	\$5,036.73	Payroll	
	5/26/2016	\$24,694.56	A/P	
Laurelwood	5/5/2016	\$780.70	A/P	
	5/6/2016	\$6,065.88	Payroll	
	5/12/2016	\$8,079.29	A/P	
	5/19/2016	\$6,250.38	Payroll	
	5/26/2016	\$13,783.36	A/P	
Meadows	5/5/2016	\$3,857.39	A/P	
	5/6/2016	\$5,041.06	Payroll	
	5/12/2016	\$5,372.16	A/P	
	5/19/2016	\$5,142.64	Payroll	
	5/26/2016	\$26,669.52	A/P	
Newporter	5/6/2016	\$6,716.28	Payroll	
	5/12/2016	\$9,929.61	A/P	
	5/19/2016	\$7,912.02	Payroll	
	5/26/2016	\$36,302.06	A/P	
Parkwood	5/6/2016	\$5,127.61	Payroll	
	5/12/2016	\$48,658.13	A/P	
	5/19/2016	\$5,042.81	Payroll	
	5/26/2016	\$10,539.77	A/P	
Somerset East	5/6/2016	\$4,527.53	Payroll	
	5/12/2016	\$22,763.51	A/P	
	5/12/2016	\$16,586.25	Debt Service	
	5/19/2016	\$4,485.79	Payroll	
	5/26/2016	\$16,982.64	A/P	
Somerset West	5/6/2016	\$5,513.28	Payroll	
	5/12/2016	\$30,071.35	A/P	
	5/12/2016	\$23,155.00	Debt Service	
	5/19/2016	\$5,844.52	Payroll	
	5/26/2016	\$18,039.39	A/P	
Walnut Park	5/6/2016	\$5,569.05	Payroll	
	5/12/2016	\$64,452.53	A/P	
	5/19/2016	\$6,027.76	Payroll	
	5/26/2016	\$94,964.40	A/P	
Windsor Heights	5/6/2016	\$16,585.91	Payroll	
	5/12/2016	\$44,324.87	A/P	
	5/19/2016	\$16,933.17	Payroll	
	5/26/2016	\$22,376.29	A/P	
Woodridge Park	5/6/2016	\$11,369.26	Payroll	
	5/12/2016	\$21,584.30	A/P	
	5/19/2016	\$11,565.38	Payroll	
	5/26/2016	\$42,301.37	A/P	
Gilman Square	5/2/2016	\$36,328.95	A/P	
	5/4/2016	\$7,836.48	Payroll	
	5/5/2016	\$14,687.31	A/P	
	5/18/2016	\$20,026.70	A/P & Payroll	
Meadowbrook	5/4/2016	\$ 8,125.16	Payroll	
	5/5/2016	\$ 31,667.15	A/P	
	5/18/2016	\$ 32,291.88	A/P & Payroll	
Villages at South Station	5/4/2016	\$9,001.28	Payroll	
	5/5/2016	\$42,977.06	A/P	
	5/18/2016	\$47,194.44	A/P & Payroll	
Bellevue Manor	5/12/2016	\$7,948.80	A/P	
Patricia Harris	5/12/2016	\$4,786.55	A/P	
Vashon Terrace	5/12/2016	\$8,111.36	A/P	
	5/26/2016	\$6,226.06	A/P	
Rainier View I	5/11/2016	\$12,392.80	A/P	
	5/19/2016	\$11,234.83	A/P	
Rainier View II	5/11/2016	\$10,009.42	A/P	
	5/19/2016	\$8,349.98	A/P	
Si View	5/11/2016	\$6,613.40	A/P	
	5/19/2016	\$10,793.53	A/P	
Portfolio Total:		\$ 7,959,991.29		

T A B N U M B E R

3



To: Board of Commissioners

From: Tim Walter, Senior Director of Development and Asset Management

Date: July 13, 2016

Re: **Resolution No. 5540: A Resolution of the Housing Authority of the County of King authorizing the transfer of the Arbor Heights Apartments project from, KCHA-Cones LP (the Company) to the Housing Authority, including, but not limited to the acquisition of the investor member interest in the Company's obligations, subsequent dissolution of the Company and all related matters, and;**

Resolution No. 5541: A Resolution of the Housing Authority of the County of King authorizing the transfer of the Southwood Square Apartments project from KCHA-Southwood Square LP (the Company) to the Housing Authority, including, but not limited to the acquisition of the investor member interest in the Company's obligations, subsequent dissolution of the Company and all related matters

Executive Summary

The attached resolutions authorize the Executive Director to take all actions necessary for KCHA to acquire the investor members' interests in KCHA – Cones Limited Partnership which owns Arbor Heights Apartments in Burien and the KCHA – Southwood Square Limited Partnership, which owns the Southwood Square Apartments in Kent. The exit of the investor members' interests results in the termination of their involvement in the partnerships and re-conveys full ownership of these two apartment complexes to KCHA.

Background

KCHA currently serves or has served as the managing general partner or managing member of 28 different tax credit partnerships and limited liability companies. KCHA forms these entities to generate equity from the sale of Federal low income housing tax credits to help finance the rehabilitation or development of affordable housing. Tax credit equity has been an invaluable tool, without which the Housing Authority would not have been able to successfully finance most of the housing it has developed or rehabilitated over the last 22 years.

The tax credit model is structured to pass through tax credits and tax deductions to passive investors (Limited Partner or the "LP") in exchange for their investment of

capital into affordable housing. The tax credits are generally distributed over a 10 to 15 year window and it is over this time period that the investors expect to receive their full investment return.

The basic assumption in the “non-profit managing general partner” investment model utilized by KCHA is that the LP will make their investment up front while a non-profit managing General Partner (“GP”) operates the property for the 15 year term. Over that time the investor will claim their tax benefits and at the conclusion of 15 year window, with the primary investment return realized, the investor will deed the property over to the non-profit general partner.

The current tax code allows for non-profit and government general partners to acquire tax credit properties back from their limited partners at no cost other than the simple assumption of the partnership’s debt plus a payment to the investor sufficient to cover any tax liability they may incur by exiting. This assumption is not an absolute right of the GP but may be agreed to by the partners and the arrangement is generally negotiated at the time the partnership agreement is originally executed.

The structure of the low-income housing tax credit program is designed to allow the limited partner to receive the tax losses generated by the partnership’s activities. The IRS requires that when a limited partner exits from a partnership, the total amount of the tax losses they have claimed over the life of the partnership be measured against the amount of capital they invested (referred to as the investor’s “capital account” balance). If the amount of the cumulative losses exceeds the amount of their investment, the IRS imposes a tax liability on this difference. The theory is an investor cannot lose (i.e. claim in tax losses) more than the total of the cash they invested. If, at the time a limited partner exits a partnership, they have claimed more in losses than the capital they invested, the IRS treats that difference as debt forgiveness which is subject to income tax on the amount of the debt forgiven. Pursuant to the terms of the transfer agreements, the GP generally becomes obligated to the limited partner to pay this tax as part of the cost of acquiring their interest. As tax losses generally grow over time, it is important, whenever possible, to acquire the investor’s interest prior to the time their capital account goes negative to avoid having to compensate the investor for the cost of this tax liability. KCHA has no tax liability payment obligations to the limited partners of either the KCHA – Cones Limited Partnership or the KCHA – Southwood Square Limited Partnership.

Staff Recommendation

The investors in the KCHA – Cones Limited Partnership and the KCHA – Southwood Square Limited Partnership are tax credit investment funds, which are both managed by John Hancock Investments. The proposed structure of the transfer of these properties to KCHA is consistent with the terms of KCHA’s prior partnership exit transactions with other limited partners. KCHA anticipates the transfers to occur on or around December 31, 2016.

At the time of the proposed partnership exits, KCHA will retain approximately \$220,000 in replacement reserve funds and estimated operating cash of \$250,000. Staff recommends passage of Resolution numbers 5540 & 5541.

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5540

(Project Transfer Resolution – Arbor Heights Apartments)

A RESOLUTION of the Housing Authority of the County of King (the “Authority”) authorizing (i) the transfer of the Arbor Heights Apartments project (the “Project”) to the Authority through the acquisition of the interests of the limited partners 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; (iv) the approval, execution and delivery of all documents necessary to effectuate the foregoing; and (v) determining related matters.

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

WHEREAS, RCW 35.82.070(2) provides that a housing authority may, among other things, “prepare, carry out, acquire, lease and operate housing projects; . . .”; 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, and if certain conditions are met, “own, hold, and improve real or personal property” and “sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein”; and

WHEREAS, RCW 35.82.080(1) provides that a housing authority may, among other things, “make and execute contracts and other instruments, . . . necessary or convenient to the exercise of the powers of the authority”; and

WHEREAS, RCW 35.82.040 authorizes the Authority to “delegate to one or more of its agents or employees such powers or duties as it may deem proper”; and

WHEREAS, the Authority is the general partner of KCHA-Cones Limited Partnership, a Washington limited partnership (the “Partnership”), and John Hancock Corporate Tax Credit Fund VIII Limited Partnership, a Massachusetts limited partnership (“Investment Limited Partner”), and John Hancock Realty Management, Inc., a Delaware corporation, (“Special Limited Partner,” together with the Investment Limited Partner, the “Limited Partner”); are the limited partner; and

WHEREAS, the Partnership holds fee title to the real property located at 11603 First Avenue South, Seattle, King County, Washington (the “Property”), and that certain 97-unit multi-family apartment complex for low-income households located on the Property now commonly known as Arbor Heights Apartments (the “Project,” and together with the Property, the “Premises”); and

WHEREAS, the Project was further financed with low income housing tax credits (“LIHTC”); and

WHEREAS, the Project has been operating as “qualified low income housing” pursuant to Section 42 of the Internal Revenue Service Code (“Code”) and, as such, the Partnership has been receiving LIHTC during the compliance period pursuant to the Code (“Compliance Period”); and

WHEREAS, the Compliance Period for the Project has or will soon expire; and

WHEREAS, the Authority desires to own the Premises and continue its operation as affordable low income housing; and

WHEREAS, the Authority has determined that the Limited Partner is willing to transfer its interest in the Partnership (the “Limited Partnership Interests”) to the Authority; and it is in the best interest of the Authority to acquire such Limited Partnership Interests and/or to acquire the Partnership’s interest in the Premises, resulting in a transfer of the Premises to the Authority; and

WHEREAS, the Authority, in its own capacity and as general partner of the Partnership, desires to take such steps as are reasonably necessary to acquire the Limited Partnership Interests and/or to acquire the interest of the Partnership in the Premises, for consideration of the assumption of the debt encumbering the Project pursuant to Exhibit A (the “Debt”); and

WHEREAS, the Authority, in its own capacity and as general partner of the Partnership, desires to take such steps as are reasonably necessary to obtain consents necessary to effectuate the Authority’s assumption of the Debt, and to negotiate, execute and deliver such documents as may be required in connection with the foregoing, including, without limitation, any loan assumption documents, Partnership interest transfer agreement, amendments to the Partnership Agreement, Indemnities, and Guaranties; and

WHEREAS, the Washington State Housing Finance Commission (“Commission”) must approve the transfer of the Premises from the Partnership to the Authority.

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

Section 1. Approval of Transfer of Premises and/or Limited Partnership Interests. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps that are reasonably necessary to acquire the Limited Partnership Interests with respect to the Partnership, to effectuate the transfer of the Premises

from the Partnership to the Authority, and to negotiate, execute, and deliver such documents as may be reasonably required to effectuate such transfer.

Section 2. Authorization of Assignment and Assumption. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps as may be necessary or desirable for the Authority to assume all of the Partnership's obligations with respect to the Debt; and the Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps as may be necessary or desirable to obtain consent from the lenders of the Debt or other necessary parties, and to negotiate, execute and deliver such documents as may be required of such parties in connection with the foregoing, including, without limitation, any loan assumption documents, Partnership interest transfer agreement, amendments to the Partnership Agreement, Indemnities, and Guaranties.

Section 3. Authorization to Forgive or Pay Off Debt. The Authority, acting at the discretion of the Executive Director, is authorized, empowered and directed to take such steps as may be deemed in the best interest of the Authority to repay or forgive any portion of the Debt encumbering the Property.

Section 4. Commission Approval. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps as may be necessary to obtain the Commission's approval of the transfer of the Premises from the Partnership to the Authority, and to negotiate, execute and deliver such documents as may be required by the Commission in connection with the foregoing, including, without limitation, submitting a request to the Commission for the Commission's consent to transfer the Premises from the Partnership to the Authority, and paying any transfer fee required by the Commission.

Section 5. Documents to be Executed by Executive Director. Any and all documents contemplated by this resolution which are authorized to be executed by or on behalf of the Authority, in its own capacity or as general partner of a Partnership, are authorized to be executed by the Executive Director of the Authority.

Section 6. 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, in its own capacity and as general partner of the Partnership, 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 transaction contemplated herein.

Section 7. Acting Officers Authorized. Any action required by this resolution to be taken by the Executive Director of the Authority may be taken by a Deputy Executive Director of the Authority.

Section 8. Expenditures. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to make any reasonable expenditures, including, but not limited to, attorney's fees and costs necessary or required in conjunction with actions authorized by this resolution.

Section 9. 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 10. 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 __25th__ day of ____July____, 2016.

HOUSING AUTHORITY OF THE COUNTY OF KING

By: Douglas J. Barnes, Chair
Board of Commissioners

ATTEST:

Stephen J. Norman, Secretary

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. 5540 (the “Resolution”) is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a meeting of the Authority held on __July 25th __, 2016, 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 __25th__ day of ____July____, 2016.

Secretary-Treasurer and Executive Director of the Authority

EXHIBIT A

- Loan from Housing Authority of King County in the original principal sum of \$3,755,000;
- Loan from Washington State Department of Commerce in the original principal sum of \$775,000;
- Weatherization Loan from Housing Authority of King County in the original principal sum of \$238,000;
- Loan from King County Department of Community and Human Services in the original principal sum of \$775,000.

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5541

(Project Transfer Resolution – Southwood Square Apartments)

A RESOLUTION of the Housing Authority of the County of King (the “Authority”) authorizing (i) the transfer of the Southwood Square Apartments project (the “Project”) to the Authority through the acquisition of the interests of the limited partners of the Partnership by the Authority and/or the acquisition of the leasehold interest of KCHA Southwood Square Limited Partnership (the “Partnership”) in the Premises (as hereinafter defined) by the Authority and/or; (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.

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

WHEREAS, RCW 35.82.070(2) provides that a housing authority may, among other things, “prepare, carry out, acquire, lease and operate housing projects; . . .”; 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, and if certain conditions are met, “own, hold, and improve real or personal property” and “sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein”; and

WHEREAS, RCW 35.82.080(1) provides that a housing authority may, among other things, “make and execute contracts and other instruments, . . . necessary or convenient to the exercise of the powers of the authority”; and

WHEREAS, RCW 35.82.040 authorizes the Authority to “delegate to one or more of its agents or employees such powers or duties as it may deem proper”; and

WHEREAS, the Authority is the general partner of KCHA-Southwood Square Limited Partnership, a Washington limited partnership (the “Partnership”), and John Hancock Corporate Tax Credit Fund VI Limited Partnership, a Massachusetts limited partnership (“Investment Limited Partner”), and John Hancock Realty Management, Inc., a Delaware corporation (“Special Limited Partner,” together with Investment Limited Partner, the “Limited Partner”) are the limited partner; and

WHEREAS, the Authority is the fee owner of the real property located at 26224-106th Place SE, Kent, King County, Washington (the “Property”), and pursuant to the terms of that certain Lease Agreement between the Authority and the Partnership dated as of October 1, 2001 (the “Lease”), the Partnership has a long-term leasehold interest in the Property and that certain 104-unit multi-family apartment complex located on the Property now commonly known as Southwood Square Apartments (the “Project,” and together with the Property, the “Premises”) with the intent that the Partnership would be treated as the owner of the Premises for federal income tax purposes and that the full burdens and benefits associated with the Premises would pass to the Partnership during the term of the Lease; and

WHEREAS, the Project was financed in part with low income housing tax credits (“LIHTC”) and proceeds of the Authority’s Housing and Revenue Bonds, 2001 (Southwood Square Apartments Project) (the “Bonds”), its Tax Credit Revolving Line of Credit Note, 2001,

and its Tax-Exempt Tax Credit Line of Credit Note, 2001(Southwood Square Apartment Project); and

WHEREAS, the Project has been operating as “qualified low income housing” pursuant to Section 42 of the Internal Revenue Service Code (“Code”) and, as such, the Partnership has been receiving LIHTC during the compliance period pursuant to the Code (“Compliance Period”); and

WHEREAS, the Compliance Period for the Project has or will soon expire; and

WHEREAS, the Authority desires to own the Project and continue its operation as affordable low income housing; and

WHEREAS, the Authority has determined that the Limited Partner is willing to transfer its interest in the Partnership (the “Limited Partnership Interests”) or consent to the transfer of the Partnership’s leasehold estate to the Authority; and it is in the best interest of the Authority to acquire such Limited Partnership Interests and/or to acquire the Partnership’s leasehold interest in the Premises, resulting in a transfer of the Project to the Authority; and

WHEREAS, the Authority, in its own capacity and as general partner of the Partnership, desires to take such steps as are reasonably necessary to acquire the Limited Partnership Interests and/or the leasehold interest of the Partnership in the Premises for consideration of the assumption of the debt encumbering the Project, including the Bonds (the “Debt”); and

WHEREAS, the Authority, in its own capacity and as general partner of the Partnership, desires to take such steps as are reasonably necessary to obtain consents necessary to effectuate the Authority’s assumption of the Debt, and to negotiate, execute and deliver such documents as may be required in connection with the foregoing, including, without limitation, any loan

assumption documents, Partnership interest transfer agreement, amendments to the Partnership Agreement, Indemnities, and Guaranties; and

WHEREAS, the Washington State Housing Finance Commission (“Commission”) must approve the transfer of the Premises from the Partnership to the Authority.

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

Section 1. Approval of Transfer of Limited Partnership Interests and/or Leasehold Interest. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps that are reasonably necessary to acquire the Limited Partnership Interests with respect to the Partnership, to effectuate the transfer of the leasehold interest in the Premises from the Partnership to the Authority, resulting in a transfer of the Project to the Authority, and to negotiate, execute, and deliver such documents as may be reasonably required to effectuate such transfer, including, without limitation, any loan assumption documents, Partnership interest transfer agreement, amendments to the Partnership Agreement, Indemnities, and Guaranties.

Section 2. Authorization of Assignment and Assumption. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps as may be necessary or desirable for (1) the Authority to assume all of the Partnership’s obligations with respect to the Debt, including, without limitation, the Partnership’s obligations under any lease, hazardous substances agreement, continuing disclosure agreement, loan and regulatory agreement, and any other document executed in connection with the applicable series of Bonds (the “Bond Documents”); and (2) the Partnership to assign to the Authority all of its rights and obligations under the Bond Documents. The Authority, in its own

capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps as may be necessary or desirable to obtain consent from the lenders of the Debt, the trustee for the Bonds, King County, as a provider of credit enhancement for the Bonds, or other necessary parties, and to negotiate, execute and deliver such documents as may be required of such parties in connection with the foregoing, including, without limitation, any loan assumption documents, Partnership interest transfer agreement, amendments to the Partnership Agreement, Indemnities, and Guaranties.

Section 3. Lease and Bond Document Amendments. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to make any amendments to the Lease or the Bond Documents as may be necessary or desirable in connection with the transaction contemplated by this resolution.

Section 4. Commission Approval. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to take such steps as may be necessary to obtain the Commission's approval of the transfer of the Project from the Partnership to the Authority, and to negotiate, execute and deliver such documents as may be required by the Commission in connection with the foregoing, including, without limitation, submitting a request to the Commission for the Commission's consent to transfer the Project from the Partnership to the Authority, and paying any transfer fee required by the Commission.

Section 5. Documents to be Executed by Executive Director. Any and all documents contemplated by this resolution which are authorized to be executed by or on behalf of the Authority, in its own capacity or as general partner of a Partnership, are authorized to be executed by the Executive Director of the Authority.

Section 6. 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, in its own capacity and as general partner of the Partnership, 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 transaction contemplated herein.

Section 7. Acting Officers Authorized. Any action required by this resolution to be taken by the Executive Director of the Authority may be taken by a Deputy Executive Director of the Authority.

Section 8. Expenditures. The Authority, in its own capacity and as general partner of the Partnership, is authorized, empowered and directed to make any reasonable expenditures, including, but not limited to, attorney's fees and costs necessary or required in conjunction with actions authorized by this resolution.

Section 9. 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 10. 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 ____25th__ day of ____July____, 2016.

HOUSING AUTHORITY OF THE COUNTY OF KING

By: Douglas J. Barnes, Chair
Board of Commissioners

ATTEST:

Stephen J. Norman, Secretary

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. 5541 (the “Resolution”) is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a meeting of the Authority held on July 25, 2016, 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 __25th__ day of ____July____, 2016.

Secretary-Treasurer and Executive Director of the Authority

T A B N U M B E R



TO: Board of Commissioners

From: Tim Walter, Sr. Director of Development & Asset Management

Date July 20, 2016

Re: **Resolution No. 5542:** A Resolution authorizing the acquisition of the Highland Village Apartments

Executive Summary

Resolution No. 5542 authorizes the Executive Director to negotiate and execute a purchase agreement for the Highland Village Apartments in Bellevue.

Background

In June, 2016, the Bellevue School District (“BSD”) made KCHA aware of a privately owned multifamily affordable workforce housing apartment community in Bellevue they learned had been slated for demolition and redevelopment as high-end for sale townhomes. The property, Highland Village, is an apartment complex whose rents have been below market for decades and has provided an enormous housing resource for the community. The apartments are predominantly occupied by lower income and minority families who will be unable to find alternative housing in the City and whose displacement will result in their children no longer being able to be in the Bellevue School system. Many of the wage earners are also at risk of losing employment opportunities by having to move significant distances away from their jobs in order to find comparably priced housing.

The City of Bellevue has also reached out to KCHA requesting assistance to preserve this housing resource. The loss of this affordable housing is a huge set back to the City of Bellevue who is struggling to address an affordable housing crisis. A description of the property, the strategic rationale for acquiring the property, proposed financing plan and an assessment of the risk and risk mitigations associated with the acquisition are described in the attached Project Profile.

Staff Recommendation

The acquisition of Highland Village is an extremely important affordable housing acquisition opportunity for KCHA. Staff recommends passage of Resolution No. 5542.

Highland Village Apartments Project Profile

The Highland Village Apartments are located 14526 NE 7th Pl in Bellevue adjacent to KCHA's Eastside Terrace public housing development. Built in 1978, the Highland Village Apartments are comprised of 76 units in 12 two-story buildings, including 10 one bedroom/one bath units, 40 two-bedroom/one bath units, 22 two-bedroom/1½ bath units and 4 three-bedroom/2 bath units. The property is currently under contract with a private developer who is planning on demolishing the rental housing and building 87 for-sale townhouse units. KCHA's acquisition would prevent the loss of affordable housing for the low-income families that live there.

Strategic Rationale for Acquisition

KCHA recently learned from the Bellevue School District ("BSD") of the pending demolition and redevelopment of Highland Village, an existing privately owned 76 unit family apartment complex, as a new market rate townhome development. BSD reports that 85 students who live at Highland Village are enrolled in the school district. The majority of these students are from minority households and qualify for free and reduced meals, indicating that they come from very low-income families. The School District identified Highland Village as one of the only privately-owned housing complexes in the city currently offering affordable rents to very low income families. BSD contacted KCHA to see if we would be able to preserve the existing housing, as they are aware there are no replacement housing alternatives for these households in the BSD catchment area and that these children would have to leave the BSD because of the pending displacement.

The City of Bellevue has cited the need for additional affordable housing in the City as a top public priority. The City recently produced a draft Housing Needs Assessment which states that there is an affordable housing crisis in Bellevue. The Mayor has appointed a task force of industry professionals to assist the City in identifying measures that could be taken to preserve and increase the supply of affordable housing. The redevelopment of this site into for-sale townhomes would represent a significant step backward in preserving the supply of housing that the City is seeking to increase. KCHA has been contacted by City officials who have urged KCHA to use whatever resources it has at its disposal to preserve this housing and offered to partner with us in this effort.

If KCHA is unable to acquire Highland Village, the site will be redeveloped as high-end townhomes, and the low-income families who currently live there will likely be forced to relocate outside the City of Bellevue in order to find units with comparable rents. Currently, the average rents at Highland Village are 66% of the average two-bedroom Bellevue rent. One single mother at the property who was recently interviewed by King 5 News in a story about the closure of the site stated that she and her children will have no alternative but to live in her car (<http://www.king5.com/news/local/redevelopment-plans-put-bellevue-families-in-limbo/271307673>).

KCHA's strategic rationale for acquiring the property is to preserve existing affordable housing in this high cost area, ensuring that the low-income children who currently live at the property, as well as the children of future low-income residents, have access to the high quality educational opportunities available in this community. This aligns with the Board's priority to preserve and expand affordable housing availability in high opportunity communities in the region.

Acquisition of these existing housing will be less expensive than developing a similarly sized property at a comparable location even if such a site could be found, which in this market is increasingly difficult. The high public priority that the City of Bellevue and the Bellevue School District are placing on the preservation of this property and the proximity to a Rapid Ride station, making this property eligible for County Transit Oriented Development funding, increase the likelihood that KCHA will be able to leverage adequate funding to successfully finance the acquisition.

Purchase Status

KCHA is currently negotiating the acquisition of the property with Intracorp, a Seattle based development company, to prevent the conversion of the site from modestly priced workforce rental housing to higher end (\$650,000 - \$900,000) for-sale townhomes. Intracorp is under contract to acquire the property from the current owner. The sale is scheduled to close mid-October. Intracorp has invested significant effort and resources in preparing the site for redevelopment. They represent that they have received letters of interest (LOI's) from two national scale developers to acquire the site, once entitled, and complete the build-out. According to the developer, the value of the site, based on a residual land value analysis, is between \$21,500,000 to \$22,000,000, which is consistent with the amounts offered in the LOI's. The existing purchase agreement is binding on the current owner, which precludes KCHA from negotiating a sale other than through Intracorp.

An Income Capitalization valuation using the market potential rents on the existing multi-family units and a 5% cap rate generates a value of approximately \$15,500,000, which is significantly lower than the development value of the site. Based on a comparison of the local market for-sale redevelopment versus multifamily rental, the highest and best use from a valuation standpoint is to demolish the rental housing and convert the property into a for-sale townhouse development. The cost to replace this rental housing, however, would be significantly more than the cost to preserve it. This is a reality of the current market that will, over the next 3 to 5 years, put virtually all of the older, more affordable multi-family housing in Bellevue at risk of redevelopment or significant recapitalization as higher end rentals.

Due Diligence

Because the developer's intention is to raze the existing housing, there is no interest on the part of the current owner in addressing any deficiencies or deferred maintenance and the property is being sold 'as-is'. Based on a visual inspection of the exterior of the property and information from existing residents, it appears the property has had few upgrades but is in relatively structurally sound condition.

Reliance on a traditional income based multifamily appraisal in valuing this property is not useful as it is clear that the property's value as a development site is significantly higher than what an income based appraisal would produce. Staff has reviewed the pro forma for an 87 unit for-sale townhouse development and it appears the value of \$21.5 - \$22 million may be within reason based on current housing market conditions. KCHA is performing further due diligence, including third-party validation regarding market conditions. KCHA staff have also reviewed the two letters of interest the developer has received for the property which support the higher valuation.

The title report indicates that the property was refinanced by the current owner in 2011 and the deed of trust is held by US Bank. Staff has reviewed the Phase I report that was ordered by the lender at the time of the refinance. There were no unusual items identified in the Phase I and there was no recommendation for a Phase II. The refinance further suggests the lender's

inspections found the property at that time to be of a satisfactory condition for it to secure the loan. KCHA expects there will need to be a full cosmetic upgrade of the property over time and anticipates use of Low Income housing Tax Credits to finance necessary work. While the developer has not at this point in the discussion been willing to provide a standard 30 day feasibility inspection, staff will, at the least, review the structural condition of the building as well as the primary water and electrical system prior to any closing to ensure there are no significant systemic issues.

The current owner has owned the property since it was built. KCHA's experience has been that property owners who built and have owned the properties for 30+ years generally keep the structure of the property in good condition and generally forego cosmetic improvements in exchange for keeping the rents low at the property. This appears to be the case with Highland Village.

Property Description & Building Condition

Highland Village is a garden style apartment development located at 14526 NE 7th Place in Bellevue. It is immediately to the west of KCHA's Eastside Terrace. The property consists of an "L" shaped parcel totaling 4.5 acres. It is developed for multifamily residential use consistent with its R-20 zoning.

The development includes 12 two-story residential buildings with 75,476 rentable square feet. There are 147 surface parking spaces (1.93 spaces/unit, or just over 1 space per bedroom). The buildings provide secured entrances and a common laundry facility. The buildings were constructed in 1978 and all have pitched roofs.

Staff anticipates the property will need approximately \$60,000 per unit in improvements over time to address the capital needs of the property. These improvements are anticipated to be financed through a conversion of the site to a low-income housing tax credit development where the tax credit equity would fund the rehab. The existing owners appear to have owned the property for more than 15 years, which would qualify the property for acquisition credits. A chain of title verification will be completed as part of the due diligence prior to any closing.

Unit Configuration

The unit mix includes:

- 4 one bedroom/one bath flats, averaging 720 square feet
- 6 one bedroom/one bath townhomes, averaging 950 square feet
- 40 two-bedroom/one bath flats, averaging 990 square feet
- 20 two-bedroom/1½ bath flats, averaging 1,040 square feet
- 2 two-bedroom/1 ½ bath townhomes, averaging 1,140 square feet
- 4 three-bedroom/2 bath flats, averaging 1,300 square feet

Neighborhood Description

The Highland Village Apartments are located in the Crossroads neighborhood of the City of Bellevue, just south of NE 8th Street and west of 148th Avenue NE. KCHA's Eastside Terrace public housing project abuts the property to the east. Single family homes surround the property to the west and south. Stevenson Elementary School and a Montessori school are across 8th Street from the property and Frank Odle Junior High is one block to west of the property.

The King County Metro Rapid Ride B Line runs along the property on 8th and the closest station is 0.15 miles to the west. The Crossroads Shopping Center, with grocery stores, a movie multiplex and numerous restaurants and stores, is just eight blocks away.

Proposed Financing

Interim Financing - KCHA anticipates acquiring the property with proceeds from a draw on a line of credit from KeyBank. The line of credit would bear an indicative variable interest rate of approximately 1.1% and be subject to changes in the monthly LIBOR rate.

Permanent Financing - KCHA would finance the acquisition and rehabilitation of the Highland Village Apartments by combining tax-exempt bond financing, 4% Low Income Housing Tax Credits, funds from the City of Bellevue, King County and the State of Washington, and additional investment from KCHA. It is estimated that this project would generate close to \$6 million in tax credit investor equity and support between \$9 - \$10 million in bond financing.

It should also be noted the current rents are approximately 20% below market, which limits the amount of debt KCHA would be able to leverage without raising rents. We estimate the equity gap on the acquisition of the property to be approximately \$12 million, subject to final determination of the acquisition price. We recommend that KCHA be prepared to provide up to \$4 million in equity, and that the remainder of the gap be covered with funding from the City of Bellevue, Washington State and King County. Discussions with Bellevue and King County are currently underway. Given the time constraints involved in moving this deal forward we will update at the Board meeting and then keep the Board closely apprised as we move forward.

Risks & Mitigation

Acquisition Risks & Mitigation

- (Risk) The purchase price for the property is above its true market value and KCHA could risk overpaying for the property.
- (Mitigation) Staff and third party reviews of the development pro forma and confirmation of existing townhome sales prices support market valuation as a for-sale redevelopment property. This is a more difficult valuation than a straight multi-family acquisition and staff will work with third party experts to establish an accurate market valuation for purposes of negotiating an appropriate purchase price with the developer. The Resolution being considered by the Board limits the final purchase price to a Board approved 'not to exceed' percentage of an independent third party valuation of the property with a cap on maximum acquisition cost.
- (Risk) The condition of the property has title or physical defects unforeseen/unknown. A review of title indicates that the property is not eligible for the Low Income Housing Tax Credit (LIHTC) syndication.
- (Mitigation) KCHA is conducting due diligence with a title insurance company and is conducting engineering and environmental due diligence on the property. KCHA has determined that, upon sale, KCHA will be able to obtain a full owners' policy insuring clean title with extended coverage and has reviewed the existing Phase 1 environmental assessment. As a part of the due diligence, KCHA will request a chain of title verification on the property to ensure its eligibility for acquisition credits. A review of the most recent title report indicates there has been

no change in the ownership within the last 10 years and KCHA will make this requirement a condition of the sale.

Financing Risk & Mitigation

- (Risk) KCHA does not have sufficient credit capacity within its line(s) of credit for the initial acquisition financing.
- (Mitigation) KCHA has completed an updated credit review with Key Bank and Key Bank has stated they are willing to increase KCHA's development line of credit (LOC) by \$30,000,000, which would be adequate, when combined with existing credit capacity, to finance the acquisitions of both Abbey Ridge and Highland Village.
- (Risk) Short term interest rates spike.
- (Mitigation) Current interest rates on the Line of Credit are very low (1.1%) and tied to the 30-day LIBOR. Even if LIBOR triples, the existing NOI at Highland Village would be more than adequate to make required payments on the LOC with a 1.44 debt service coverage.
- (Risk) The line of credit is not renewed in two years and KCHA is not able to secure an alternative LOC.
- (Mitigation) Key Bank has verbally indicated its interest in extending KCHA's current development Line of Credit to June 2018. Because of our strong history and commercial banking relationship with KeyBank, it is unlikely they will not renew at that point. If, however, the line is not renewed, KCHA would seek to establish a line of credit with another lender sufficient to provide the bridge financing. The recent commitment by King County to credit enhance KCHA's debt further increases the likelihood of renewal. Should KCHA be unsuccessful in securing an alternative line of credit, it would use its reserves to repay the LOC and then reimburse itself from permanent financing sources.
- (Risk) The City of Bellevue, King County and/or the State of Washington do not provide sufficient financial assistance for this project.
- (Mitigation) Preserving Highland Village is being represented to KCHA as a high priority issue for the City of Bellevue, and they have made a preliminary commitment to helping KCHA access necessary soft financing from the public funders. The project qualifies for funding under the King County TOD Bond program and there is a set-aside of these funds for the Eastside. The Resolution under consideration by the Board instructs the Executive Director to move forward with the project only if sufficient funding is available to assure the long term financial viability of the project.

Rehab Risk & Mitigation

- (Risk) Additional repair and improvement costs are needed beyond what is visible from due diligence inspections.
- (Mitigation) KCHA staff is experienced in inspecting, acquiring and operating sites of this size, age and structure type. Staff estimates the property will need \$60,000 in capital improvements per unit, and has built this cost into its preliminary development budget.

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5542

**A RESOLUTION AUTHORIZING ACQUISITION OF
HIGHLAND VILLAGE APARTMENTS**

WHEREAS, RCW 35.82.070(2) provides, in part, that a housing authority shall have the power to acquire housing projects within its area of operations, and RCW 35.82.070(5) authorizes a housing authority to acquire real property by exercise of the power of eminent domain; and

WHEREAS, there is an increasingly serious shortage of affordable housing in King County, particularly in the City of Bellevue, which the King County Housing Authority (“Housing Authority”) is charged with addressing pursuant to its mission of providing quality affordable housing opportunities equitably distributed within King County; and

WHEREAS, it is a goal of local government and the Housing Authority to further fair housing in the region affirmatively, in part through preservation of existing affordable housing opportunities in areas with significantly appreciating housing costs; and

WHEREAS, Highland Village Apartments (the “Property”) comprise the 76-unit apartment complex located at 14526 NE 7th Place, Bellevue, Washington, in an area of King County where rents are increasingly unaffordable to low-income households; and

WHEREAS, the Property presently houses low-income residents who will be displaced if the presently pending sale of the Property closes and the Property is redeveloped by the buyer; and

WHEREAS, acquisition of the Property by the Housing Authority will preserve uniquely situated affordable housing and will serve the mission of the Housing Authority and the housing goals of the region through an approach that is less expensive than constructing the same number of new units in the vicinity of the Property.

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

Section 1: Acquisition of the Property by the Housing Authority is necessary to preserve and provide housing for persons of low income that is equitably distributed in various areas of its operations, and in areas of rising rents and high housing market costs in particular.

Section 2: The Board of Commissioners hereby authorizes the Executive Director to acquire the Property by condemnation through exercise of the Housing Authority's power of eminent domain, if it is unsuccessful in acquiring the Property on satisfactory terms through negotiation with and purchase from the owner in lieu of condemnation for a price which shall not exceed [%] of an independent third party valuation of the Property. The Executive Director is hereby further vested with the authority, and with discretion in the exercise thereof, to give notice to both the current owner of the Property and the holder of the contractual right to purchase the Property, of the Housing Authority's intention to acquire the Property by eminent domain if it is unsuccessful in acquiring the Property on satisfactory terms through negotiation and purchase in lieu of condemnation.

Section 3: The Executive Director is hereby vested with the authority, and with discretion in the exercise thereof, to attempt to negotiate purchase of the Property from the owner in lieu of condemnation. If the Executive Director is successful in negotiation of the purchase of the Property in lieu of condemnation for the price authorized above, then the Executive Director is hereby authorized (a) to sign a Purchase and Sale Agreement providing for the acquisition of the Property containing 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 the Housing Authority, (b) to sign such other agreements in connection with acquisition of the Property as are deemed by the Executive Director to be in the best interests of the Housing Authority including without limitation addressing the interest and compensation rights of the holder of the contractual right to purchase the Property, and (c) to pay into the purchase escrow the earnest money deposit for the purchase of the Property provided for under the Purchase and Sale Agreement under terms that would permit the earnest money to be forfeited to the seller as liquidated damages if the sale fails to close through no fault of the seller.

Section 4: The Executive Director is further hereby vested with the authority, and with discretion in the exercise of such authority, to make a final determination after reviewing the results of the due diligence of the Property as to whether to proceed with the purchase of the Property if, and only if, a satisfactory plan for the financing of this acquisition has been established and he deems it in the best interest of the Housing Authority to proceed. The Executive Director shall certify to the Board of Commissioners in writing the final determination he has made regarding the availability of adequate financing for the acquisition of the property and the decision as to whether to

proceed. If the Executive Director makes a final determination to proceed, the Board of Commissioners hereby further authorizes the Executive Director, Stephen J. Norman, to take any and all actions necessary to consummate acquisition of the Property.

Section 5: The Board of Commissioners hereby elects pursuant to RCW 8.26.010(2) not to comply with the provisions of RCW 8.26.035 through RCW 8.26.115 in connection with the acquisition of the Property because no existing occupants of the Property will be displaced by reason of the acquisition.

Section 6: The Board of Commissioners hereby authorizes the Executive Director, Stephen J. Norman, to execute any and all applications, agreements, certifications or other documents in connection with the submission of various funding and financing applications, in order to provide all or part of the interim and/or permanent financing of the Property.

Section 7: The Board of Commissioners hereby authorizes the Executive Director, Stephen J. Norman, and in his absence, Deputy Executive Director Daniel R. Watson or Deputy Executive Director Constance C. Davis, to execute any and all contracts, agreements, certifications or other documents in connection with the acquisition of Property.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF KING THIS __25__ DAY OF __July__,
2016.**

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

DOUGLAS J. BARNES, Chair

Attest:

STEPHEN J. NORMAN, Secretary

T A B N U M B E R

5



To: Board of Commissioners

From: Tim Walter, Sr. Director of Development & Asset Management

Date: July 13, 2016

Re: **Resolution No. 5543:** A Resolution providing for the issuance of revenue bonds of the Authority in aggregate principal amount of not to exceed \$7,000,000, 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; and determining related matters

Executive Summary

Resolution No. 5543 will authorize the issuance of \$7,000,000 in tax-exempt bonds to provide permanent financing for a majority of the acquisition financing for the Corinthian Apartments in Seatac.

Background

The Corinthian was purchased by KCHA in June, 2015, and subsequently transferred to a low-income housing tax credit partnership of which KCHA is the sole managing general partner. The property was originally financed with proceeds from a short-term line of credit with KeyBank.

In March 2016, KCHA submitted a credit enhancement application to King County for a County loan guarantee of the permanent financing of the development. KCHA received confirmation in May, 2016 that the credit enhancement was approved which allows KCHA to borrow funds at rates based on the County's strong AAA credit rating. Having secured the credit enhancement, KCHA is prepared to issue the permanent financing that will be used to retire the majority of the interim short-term KeyBank line of credit.

The bonds will be publically sold and, based on current market conditions, the underwriter estimates the interest rate will be between 2.75% - 3.0% with 30 year amortization and a 20 year term. The current interest rate environment is more favorable than when the property was acquired, and the lower interest rate environment coupled with the County's credit enhancement will allow KCHA to borrow approximately \$1,000,000 more than initially projected, at approximately the same debt as originally underwritten.

Pursuant to the structure of the tax credit program, the bonds will be issued by KCHA and the proceeds lent to the partnership through a loan agreement. The partnership will then use the loaned bond proceeds to make a financing lease payment to KCHA for the acquisition of the property. KCHA will use the lease payment to pay down its line of credit by an equal amount.

Because the actual interest rate is expected to be lower than the investor's projections, the investor may ask KCHA to loan the funds to the partnership at a slightly higher rate than our borrowing cost in order to maintain the yield on their investment. Tax credit investors assume a certain amount of tax losses based on the initial deal analysis. A reduction in the interest rate on the financing results in lower interest expense, which translates into lower tax benefits than originally assumed.

Staff Recommendation

The issuance of these bonds was contemplated as part of the overall financing package described in the project profile provided to the Board of Commissioners in April, 2015. Because the interest rate environment has moved in a positive direction since the property was acquired, KCHA will be able to finance more than originally anticipated at approximately the same cost.

Staff recommends approval of Resolution 5543.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5543

(Corinthian Apartments Bonds)

A RESOLUTION providing for the issuance of revenue bonds of the Authority in the aggregate principal amount of not to exceed \$7,000,000, 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; and determining related matters.

ADOPTED July 25, 2016

This document was prepared by:

*FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3000
Seattle, Washington 98101
(206) 447-4400*

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5543

A RESOLUTION providing for the issuance of revenue bonds of the Authority in the aggregate principal amount of not to exceed \$7,000,000, 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; and determining related matters.

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 \$7,000,000 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 154th Street, SeaTac, Washington, to provide housing for low-income persons in the County (the “Project”); and

WHEREAS, the Board of Commissioners of the Authority deems it necessary and advisable and in the best interest of the Authority to issue the Bonds, in an aggregate principal amount not to exceed \$7,000,000, the proceeds of which will be lent to the Borrower (defined below) for the purposes described herein; and

WHEREAS, it is anticipated that the County will enter into a Contingent Loan Agreement with the Authority to provide credit enhancement for the Bonds; and

WHEREAS, it is anticipated that KeyBanc Capital Markets Inc. will offer to purchase the Bonds under the terms and conditions set forth in this resolution; 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.

“Authorized Officer” means the Chair of the Board, Executive Director of the Authority, or any Deputy Executive Director of the Authority.

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

“Bond Registrar” means the entity serving as registrar, authenticating agent and paying agent under the Indenture, initially the Trustee.

“Bond” or “Bonds” means one or more of the revenue bonds of the Authority issued pursuant to, under the authority of and for the purposes provided in this resolution and the Indenture.

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

“Code” means the Internal Revenue Code of 1986, as amended.

“Contingent Loan Agreement” means the Contingent Loan Agreement between the County and the Authority relating to the Bonds and other obligations of the Authority relating to the Project.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Borrower and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, relating to the Bonds, including any supplements or amendments thereto.

“County” means King County, Washington.

“Deed of Trust” means the Leasehold Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (Corinthian Apartments Bond Loan), to be made by the Borrower, as grantor, for the benefit of the Authority, as beneficiary.

“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 Bonds 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.

“Indenture” means the Trust Indenture between the Authority and the Trustee relating to the Bonds, including any supplements or amendments thereto made in conformity herewith and therewith.

“Loan” means the loan from the Authority to the Borrower of the proceeds of the Bonds.

“Loan Agreement” means the Loan Agreement by and 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.

“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 154th Street, SeaTac, Washington, or (2) the Corinthian Apartments.

“Promissory Note” means the promissory note to be made by the Borrower to the Authority to evidence the Loan.

“Trustee” means the entity serving as trustee under the Indenture, initially The Bank of New York Mellon Trust Company, N.A.

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

Section 2. Authorization of Bonds and Application of Proceeds. The Authority shall issue the Bonds for the purpose of making the Loan to the Borrower to provide a portion of the funds required to pay, or reimburse the Borrower for, costs of the Project. Such Bond financing is declared and determined to be important for feasibility of the Project. All proceeds of the Bonds shall be lent to the Borrower for those purposes, and shall be deposited with the Trustee, all as provided in the Indenture. The Board finds that it is in the best interest of the Authority to issue the Bonds for the purposes set forth in this resolution.

Section 3. Description of Bonds. The Bonds shall be issued in registered form in an aggregate principal amount not to exceed \$7,000,000. The Bonds shall be dated such date, shall be in such denominations, shall bear interest payable on such dates and at such rates, shall mature at such times and in such amounts, shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as shall be set forth in the Indenture.

Section 4. Security for the Bonds. The Bonds shall be special, nonrecourse obligations of the Authority payable solely from sources described herein and in the Indenture. The Bonds shall be secured by a pledge of the Trust Estate, which shall include (a) all rights, title and interests of the Authority in the proceeds of any loans made by the County with respect to the Bonds under the Contingent Loan Agreement, (b) General Revenues of the Authority, subject to the parity lien of other obligations, as described herein and in the Indenture, and (c) certain funds and accounts established under the Indenture (subject to disbursements from any such fund or account), (d) money and securities from time to time held by the Trustee under the Indenture, and (e) to the extent not covered, all proceeds of all of the foregoing, all as described in the Indenture.

The Bonds shall not be a debt of the County, the State or any political subdivision thereof, and the Bonds shall so state on their face. Neither the County, the State nor any political subdivision thereof (except the Authority, from the sources identified herein and in the Indenture) shall be liable for payment of the Bonds nor in any event shall principal of, premium, if any, on and interest on the Bonds be payable out of any funds or assets other than those pledged to that purpose by the Authority herein and in the Indenture. The Authority has no taxing power.

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 of lien with the Bonds. At its option, the Authority may pledge any revenues that comprise a portion of the General Revenues to the payment of other obligations, such payments to have priority over the payments to be made under the Bonds with respect to that portion of the General Revenues so pledged.

Neither the Authority nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Bonds.

Section 5. Form and Execution of Bonds. The Bonds shall be in a form consistent with the provisions of this resolution, the Indenture 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.

The Bonds shall be authenticated by the Bond Registrar as set forth in the Indenture. No Bonds shall be valid for any purpose until so authenticated. The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 6. Preservation of Tax Exemption for Interest on Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the Bonds 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 Bonds or other funds of the Authority treated as proceeds of the Bonds at any time during the term of the Bonds which would cause interest on the Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that, to the extent arbitrage rebate requirement of Section 148 of the Code is applicable to the Bonds, it will take all actions necessary to comply (or to be treated as having complied) with that requirement in

connection with the Bonds, 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 Bonds from being included in gross income for federal income tax purposes.

Section 7. Authorization of Bond and Loan Documents and Execution Thereof. The Board authorizes the Authorized Officers, and each of them acting alone, to negotiate and approve the Indenture, the Loan Agreement, the Deed of Trust, the Promissory Note, the Contingent Loan Agreement, the Continuing Disclosure Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Bonds, the sale of the Bonds and the making of the Loan to the Borrower. The Authority authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Bonds, the Indenture, the Loan Agreement, the Contingent Loan Agreement, the Continuing Disclosure Agreement and this resolution and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Bonds and the documentation of the loan from the Authority to the Borrower. The Authorized Officers, and each of them acting alone, are authorized and directed to do everything necessary for the issuance, execution and delivery of the Bonds, including appointing the Trustee and “deeming final” the preliminary official statement for the Bonds for the sole purpose of the Bond purchaser’s compliance with Securities and Exchange Commission Rule 15c2-12(b)(1), and to execute and deliver, on behalf of the Authority, the Indenture, the Loan Agreement, the Contingent Loan Agreement, the Continuing Disclosure Agreement, and any other documents that may be useful or necessary in connection with the issuance of the Bonds and to ensure the proper use and application of the proceeds from the sale of the Bonds. The Authorized Officers, and each of them acting alone,

are further authorized to approve and execute an official statement for the Bonds on behalf of the Authority. The execution of any instrument by an Authorized Officer shall be conclusive evidence such instrument has been duly approved by such Authorized Officer.

Section 8. Authorization of Borrower Documents and Execution Thereof. The Board authorizes and directs the Authorized Officers, and each of them acting alone, to negotiate, execute and deliver, on behalf of the Authority in its capacity as general partner of the Borrower, the Loan Agreement, the Deed of Trust, the Promissory Note, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Bonds, the sale of the Bonds and the Loan to the Borrower.

Section 9. Authorization of Purchase Contract. It is anticipated that KeyBanc Capital Markets Inc. will present a purchase contract (the “Bond Purchase Contract”) to the Authority offering to purchase the Bonds under the terms and conditions provided herein and therein. The Board finds that entering into such a Bond Purchase Contract is in the best interest of the Authority, to accept the offer contained in the Bond Purchase Contract and to execute the Bond Purchase Contract on behalf of the Authority.

Section 10. 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 by a Deputy Executive Director of the Authority, respectively.

Section 11. 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 12. 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 13. 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 thereof this 25th day of July, 2016.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By: _____
Chair

ATTEST:

Executive Director

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. 5543 (the "Resolution") is a full, true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a meeting of the Authority held on July 25, 2016, 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 25th day of July, 2016.

Stephen Norman, Secretary and Executive Director
of the Authority

CERTIFICATE

APPENDIX I

T A B N U M B E R

6



To: Board of Commissioners

From: Tim Walter, Sr. Director of Development & Asset Management

Date: July 13, 2016

Re: **Resolution No. 5544:** A Resolution authorizing the acquisition of the Abbey Ridge Apartments

Executive Summary

Resolution No. 5544 authorizes the Executive Director to negotiate and enter into a purchase agreement for the Abbey Ridge Apartments located .4 miles from the Angle Lake light rail station in Seatac.

Background

In February 2016, the Board reviewed and encouraged KCHA to pursue a 5-Year real estate development strategy for acquiring and building 2,000 units of affordable housing. One of the highlighted areas for acquisitions was workforce housing in close proximity to high capacity transit, especially property in light-rail station areas. Light rail provides frequent, all-day access to services, employment, shopping, schools, cultural and other activities. This emphasis ties in with the regional consensus regarding preservation and development of affordable housing opportunities along these emerging mass transit corridors.

KCHA staff has conducted a comprehensive review of property within a 10-minute walk of the new Angle Lake Light Rail Station in Seatac. As a result of this review, staff has identified a potential Transit Oriented Development ("TOD") acquisition opportunity called Abbey Ridge, located at 3035 S 204th Street in Seatac. This property is an existing 146-unit apartment complex within ½ mile of the Station. Light rail service will begin serving this Station later this year, and the area has experienced a significant uptick in development activity. Abbey Ridge Apartments is a privately owned apartment complex that is one of the closest large multifamily complexes to the Angle Lake station. The property is not currently for sale on the open market but KCHA has reached out to the owner and has entered into direct negotiations with the owner to purchase the property.

Staff Recommendation

A full Project Profile is attached which outlines the strategic rationale for the acquisition, description of the property, proposed financing plan and analysis of the risks and risk mitigations associated with the transaction. Staff recommends approval of Resolution No. 5544.

Abbey Ridge Project Profile

Abbey Ridge is a 146 unit multifamily transit oriented development (TOD) apartment community located in Seatac within a 10 minute walk of the new Angle Lake light rail station. Built in 1969, the development consists of 13 two-story and three-story buildings (52 one-bedroom units with 1 bath, 14 two-bedroom units with 1 bath, 19 two-bedroom units with one and a half baths, 54 two-bedroom units with two baths and 7 three-bedroom units), a leasing office/community building and swimming pool. KCHA has begun pre-acquisition due diligence including title review and physical investigation of the condition of the buildings.

Purchase Status

This property is currently owned by Garden Villa Apts Ltd, an affiliate of Goodman Real Estate, Inc. In April 2016 KCHA approached the ownership to discuss our interest in acquiring the property. Through a series of negotiations, the ownership has agreed in principal to sell the property to KCHA subject to final negotiations of the specific terms of such agreement, approval by KCHA's the Board of Commissioners and the satisfaction of the Executive Director with the results of KCHA's due diligence review.

The proposed terms of a purchase and sale agreement contemplate a sales price of \$21,900,000 (\$150,000/unit) and KCHA has the option of either assuming the Seller's underlying financing of approximately \$10,000,000 or paying the Seller's prepayment penalty related to terminating the loan prior to maturity. The prepayment penalty is estimated to be approximately \$1,600,000. However, for the Authority to assume the loan, it would have to create a separate ownership structure which would cause KCHA to lose its housing authority real estate tax exemption. In addition, the interest rate on the \$10,000,000 loan is more than 3% higher than KCHA's interim borrowing costs. Assuming the loan would result in more than \$2,400,000 in additional interest and real estate tax expenses. Paying the Seller's prepayment penalty is expected to save KCHA more than \$800,000 over the term of the loan. The total cost of the acquisition including the loan prepayment penalty is approximately \$23,500,000 (\$161,250/unit).

The agreement provides for a 45 day due diligence inspection window in order for KCHA to complete a thorough review of title, physical condition and overall feasibility of the project. An earnest money deposit will be required by the seller. The closing date would be 90 days after mutual acceptance of the purchase agreement, anticipated to be October 31, 2016 with the ability to extend the closing date an additional 30 days by increasing the earnest money deposit by an additional \$100,000.

Due Diligence Status

KCHA has ordered an appraisal, and will order a capital needs assessment, Phase I Environmental assessment, zoning review and a survey from third party consultants. The due diligence inspection reports are expected to be completed by mid-September. Based on initial property inspections and assessments by KCHA staff, the property appears to be in average to good condition.

Property Description & Building Condition

Abbey Ridge is a residential development located on a rectangular-shaped, 6.8 acre parcel, located at 3035 S 204th Street in Seatac. It is developed for multifamily residential use consistent with current zoning.

The development was built in 1969 and has been operated as a rental apartment complex since that time. The property consists of 13 multi-family buildings with a leasing office/laundry room/gym, outdoor playground and swimming pool and landscaped areas. The wood frame buildings, totaling 142,422 square feet, are two-story and three-story, low rise structures with pitched roofs. The buildings provide secured entrances, common laundry facilities and extra storage for the tenants. There are 54 covered parking spaces and 146 open spaces, with a parking ratio of 1.37 spaces per unit.

The units are exceptionally large with the one bedrooms averaging close to 800 sq. feet and the two bedrooms averaging over 1,000 sq. feet.

KCHA's Capital Construction and Asset Management Construction staff, along with third party consultants, will be performing an environmental review of the property and inspections of the buildings, including interior inspections of residential units. These reports will allow us to gauge the extent of short and longer term improvements anticipated to be necessary, and the approximate cost of these improvements.

Given the age of the building and general condition of the units, staff is estimating approximately \$20,000 per unit (\$3 million) for general repairs and improvements.

Unit Configuration

The unit mix includes:

- 52 one-bedroom, one bath units of approximately 780 square feet each,
- 14 two-bedroom, one bath units of approximately 860 square feet,
- 19 two-bedroom, one and a half bath units of approximately 1,040 square feet,
- 54 two-bedroom, two bath units of approximately 1,060 square feet,
- 3 three bedroom, two bath units of approximately 1,310 square feet.
- 4 three bedroom, two bath units of approximately 1,410 square feet.

Neighborhood Description

The property is located in Seatac, one block east of International Boulevard (Highway 99) and within one half mile of the new Angle Lake light rail station. The site is adjacent to three other large multifamily complexes, and an older mobile home park. Madrona Elementary School is directly across the street from Abbey Ridge. Of the four apartment complexes, Abbey Ridge is the closest to the light rail station.

In July 2015 the City of SeaTac adopted the Angle Lake District Area Plan to encourage transit-oriented development near the Angle Lake Station. The plan envisions a new commercial center adjacent to the station and a more pedestrian-friendly environment that improves connectivity for walking, cycling and driving in the area. While Abbey Ridge lies just outside the formal boundaries of the Angle Lake District, it will benefit from the infrastructure improvements and new commercial development envisioned in the plan. The plan identifies its purpose as guiding "future development by establishing a community supported vision and an achievable strategy that can transform the Angle Lake District into a pedestrian-friendly, transit-oriented

community.

Although light rail service to the Angle Lake Station won't start until fall of 2016, development in the area has already taken off. In September AVS Communities will be opening the newly constructed 289-unit high end senior community just north of the station. Two new hotels are under development in the station area, and Wright Runstad has announced plans for large mixed-use development on 7.8 acres adjacent to the station.

Strategic Rationale for Acquisition

KCHA's Board of Commissioner's has identified the acquisition and development of affordable housing near or adjacent to light rail (transit oriented development "TOD") as a priority in order to address a shortage of affordable housing with easy access to reliable public transportation. Abbey Ridge is one of the closest multifamily properties to the Angle Lake light rail station.

Current market trends show significant increases in rental costs around light rail stations and KCHA anticipates that over time lower income working households and elderly individuals will be priced out of housing proximate to stations along the emerging light rail corridor. This acquisition is intended to lock in affordability before rising rents put acquisition costs even higher.

Per Kidder Mathews Valuation Advisors, vacancy rates in the immediate vicinity have averaged below 5% over the last 10 years, 3.6% over the last 5 years and were less than 2.5% as of March, 2016. The rents at the property have been growing rapidly, and the current management has indicated their intention to continue this trend. Turnover rents at the property are more than \$200 above current average rents, and market data indicates that market potential rents are up to \$300 above current average rents.

Current rents at the property are between \$865 and \$1,125 for one-bedroom units, \$1,020 to \$1,295 for two-bedroom units and \$1,425 to \$1,545 for the 3 bedroom apartments. KCHA's acquisition of the property would ensure that rents remain affordable to households at or below 80% of the area median income and allow the property to be a resource for KCHA's Section 8 voucher holders.

Proposed Financing

Interim Financing - KCHA anticipates acquiring the property with proceeds from a draw on a proposed line of credit from KeyBank. The line of credit would bear an approximate interest rate of 1.1% and is subject to changes in the monthly LIBOR rate.

Permanent Financing – The project permanent financing would be a combination of tax-exempt bond financing with King County credit enhancement (staff anticipates net operating revenue to support approximately \$18 million in permanent debt) and potential grant or loan proceeds from King County's hospitality tax revenue that will be available to fund, in part, TOD housing within .5 miles of a light rail station which provides affordable housing for households earning under 80% of the area median income. The NOFA for these funds should be issued sometime this summer or early fall.

Because of the extremely low short-term borrowing rates KCHA is able to secure, staff estimates the property will be able to pay-off between \$1 – 1.5 million of the line of credit financing over the next three years, leaving a net gap of \$7 - \$7.5 million. The Housing Authority will attempt to secure \$3 - \$5 million in TOD funding from King County and absorb the addition gap through an upcoming pooled refinancing with other seasoned KCHA workforce housing sites to reallocate the

portion of the debt that Abbey Ridge could not support to other properties in the pool. This is similar to the 2013 KeyBank pooled financing through which KCHA financed the Chausee portfolio.

Sources & Uses

USES

Acquisition	\$23,500,000
Closing	\$30,000
Immediate Replacements	\$2,920,000
Other	\$50,000
TOTAL	\$26,500,000

SOURCES

KeyBank Line of Credit	\$26,500,000
TOTAL	\$26,500,000

Risks & Mitigation

Acquisition Risks & Mitigation

- (Risk) The purchase price for the property is above its true market value and KCHA could risk overpaying for the property.
- (Mitigation) As part of the due diligence process, KCHA will obtain a market rate appraisal of the property performed by an MAI appraiser licensed to do business in the State of Washington and will limit the acquisition cost to no more than 105% of the appraised value. Based on current cap rates and market potential rents at the site, staff believes the purchase price to be below market value.
- (Risk) The condition of the property has title or physical defects unforeseen/unknown.
- (Mitigation) KCHA is conducting due diligence with a title insurance company and is conducting extensive engineering and environmental due diligence on the property. KCHA has determined that, upon sale, KCHA will be able to obtain a full owners' policy insuring clean title with extended coverage. KCHA is conducting Phase 1 environmental assessments and a completing a survey of the property.

Financing Risk & Mitigation

- (Risk) KCHA does not have sufficient credit capacity within its line(s) of credit for the initial acquisition financing.
- (Mitigation) KCHA has completed an updated credit review with Key Bank and Key Bank has stated they are willing to increase KCHA's development line of credit (LOC) by \$30,000,000, which would be adequate, when combined with existing credit capacity, to finance the acquisitions of both Abbey Ridge and Highland Village.

- (Risk) Short term interest rates spike.
- (Mitigation) Current interest rates on the Line of Credit are very low (1.1%) and tied to the 30-day LIBOR. Even if LIBOR triples, the existing NOI at Abbey Ridge would be more than adequate to make required payments on the LOC with a 2.0 debt service coverage ratio and at the same time hyper amortize the outstanding debt by up to \$500,000 per year.
- (Risk) The line of credit is not renewed in two years and KCHA is not able to secure an alternative LOC.
- (Mitigation) Key Bank has verbally indicated its interest in extending KCHA's current development Line of Credit to June 2018. Because of our strong history and commercial banking relationship with KeyBank, it is unlikely they will not renew at that point. The recent commitment by King County to credit enhance KCHA's debt further increases the likelihood of renewal. If, however, the line is not renewed, KCHA would seek to establish a line of credit with another lender sufficient to provide the bridge financing. Should KCHA be unsuccessful in securing an alternative line of credit, it would use its reserves to repay the LOC and then reimburse itself from permanent financing sources.
- (Risk) King County does not provide sufficient financial assistance for this project.
- (Mitigation) The current rental market in the area would allow KCHA to raise rents, increasing the net operating income which in turn would allow KCHA to finance more debt and decrease the overall equity gap. KCHA could also accelerate rolling the Abbey Ridge into a pooled housing refinance with other KCHA owned seasoned properties that have net cash flow sufficient to support the additional debt which cannot be carried by the Abbey Ridge.
- (Risk) Long term interest rates increase significantly.
- (Mitigation) The pool of properties that KCHA intends to roll this acquisition into has been able to retire a significant amount of outstanding debt in the current low interest rate environment. In consequence, the debt coverage on the refinancing should be sufficiently robust to enable the financing of significant debt above what can be covered by property cash flow even with a significant increase in interest rates.

Rehab Risk & Mitigation

- (Risk) Additional repair and improvement costs are needed beyond what is visible from due diligence inspections.
- (Mitigation) KCHA is in the process of completing its due diligence of the property. Staff estimates of the \$3 million budgeted for repairs and improvements, the property will require less than \$250,000 in immediate repairs. The additional budgeted improvements can be deferred for 3 – 5 years without negatively impacting the physical viability of the property and-going routine repairs and replacements can be paid for through net cash flow from property operations. Unforeseen repairs not able to be paid from property operations could also be funded from additional draws on a KCHA line of credit or from KCHA reserves. KCHA has extensive experience in the assessment and upgrading of this type of property. Should the property need major repairs beyond this, preliminary investigation indicates that the property has been held by the same owner for over 15 years, which would qualify it for acquisition tax credits and make a LIHTC financing a feasible alternative.

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5544

**A RESOLUTION AUTHORIZING ACQUISITION OF
THE ABBEY RIDGE APARTMENTS**

WHEREAS, RCW 35.82.070(2) provides, in part, that a housing authority shall have the power to acquire housing projects within its area of operations, and RCW 35.82.070(5) authorizes a housing authority to acquire real property by exercise of the power of eminent domain; and

WHEREAS, there is an increasingly serious shortage of affordable housing in King County, which the King County Housing Authority (“Housing Authority”) is charged with addressing pursuant to its mission of providing quality affordable housing opportunities equitably distributed within King County; and

WHEREAS, it is a goal of local government and the Housing Authority to further fair housing in the region affirmatively, in part through preservation of existing affordable housing opportunities in areas with significantly appreciating housing costs; and

WHEREAS, there is a growing loss of affordable housing within transit corridors and around light rail stations in King County; and

WHEREAS, access to reliable public transportation is a critical resource for low-income households, providing access to work, services, school, shopping, cultural and other activities for these residents; and

WHEREAS, the Housing Authority has identified acquiring and developing housing along planned mass transit corridors as a strategic priority to ensure the long-term availability of low-income housing near reliable public transportation; and

WHEREAS, Abbey Ridge Apartments (the “Property”) comprise the 146-unit apartment complex located at 3035 South 204th Street, SeaTac, Washington, in an area of King County that is within a transit corridor and close to light rail where rents are increasingly unaffordable to low-income households; and

WHEREAS, acquisition of the Property by the Housing Authority will serve the mission of the Housing Authority and the housing goals of the region through an approach that is considerably less expensive than constructing the same number of new units.

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

Section 1: Acquisition of the Property by the Housing Authority is necessary to preserve and provide housing for persons of low income that is equitably distributed in various areas of its operations, and in planned mass transit corridors with rising housing market costs in particular.

Section 2: The Board of Commissioners hereby authorizes the Executive Director to acquire the Property by condemnation through exercise of the Housing Authority’s power of eminent domain, if it is unsuccessful in acquiring the Property on satisfactory terms through negotiation with and purchase from the owner in lieu of condemnation for a price anticipated to be approximately Twenty One Million Nine

Hundred Thousand Dollars (\$21,900,000) (\$150,000 per unit) but which shall not exceed 105% of the appraised value of the Property pursuant to an appraisal completed by a Washington State licensed MAI appraiser. The Executive Director is hereby further vested with the authority, and with discretion in the exercise thereof, to give notice to the current owner of the Property of the Housing Authority's intention to acquire the Property by eminent domain if it is unsuccessful in acquiring the Property on satisfactory terms through negotiation and purchase in lieu of condemnation.

Section 3: The Executive Director is hereby vested with the authority, and with discretion in the exercise thereof, to attempt to negotiate purchase of the Property from the owner in lieu of condemnation. If the Executive Director is successful in negotiation of the purchase of the Property from the owner in lieu of condemnation for the price authorized above, then the Executive Director is hereby authorized (a) to sign a Purchase and Sale Agreement providing for the acquisition of the Property containing 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 the Housing Authority including without limitation payment by the Housing Authority, in addition to the purchase price, of any loan prepayment fee payable by the owner of the Property in connection with sale of the Property, and (b) to pay into the purchase escrow the earnest money deposit for the purchase of the Property provided for under the Purchase and Sale Agreement under terms that would permit the earnest money to be forfeited to the seller as liquidated damages if the sale fails to close through no fault of the seller.

Section 4: The Executive Director is further hereby vested with the authority, and with discretion in the exercise of such authority, to make a final determination after

reviewing the results of the due diligence of the Property as to whether to proceed with the purchase of the Property if he deems it in the best interest of the Housing Authority. If the Executive Director makes a final determination to proceed, the Board of Commissioners hereby further authorizes the Executive Director, Stephen J. Norman, to take any and all actions necessary to consummate acquisition of the Property.

Section 5: The Board of Commissioners hereby elects pursuant to RCW 8.26.010(2) not to comply with the provisions of RCW 8.26.035 through RCW 8.26.115 in connection with the acquisition of the Property because no existing occupants of the Property will be displaced by reason of the acquisition.

Section 6: The Board of Commissioners hereby authorizes the Executive Director, Stephen J. Norman, to execute any and all applications, agreements, certifications or other documents in connection with the submission of various funding and financing applications, in order to provide all or part of the interim and/or permanent financing of the Property.

Section 7: The Board of Commissioners hereby authorizes the Executive Director, Stephen J. Norman, and in his absence, Deputy Executive Director Daniel R. Watson or Deputy Executive Director Constance C. Davis, to execute any and all contracts, agreements, certifications or other documents in connection with the acquisition of Property.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF KING THIS __25__ DAY OF
__July_____, 2016.**

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

DOUGLAS J. BARNES, Chair

Attest:

STEPHEN J. NORMAN, Secretary

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To: Board of Commissioners

From: Mark Abernathy, Risk Manager

Date: July 13, 2016

Re: Discussion of KCHA's Risk Management and Insurance Programs

The King County Housing Authority's (KCHA) Risk Management Department will provide a short summary about the risk management program, including the following topics:

- Initiatives/Completed Projects
- Claims History and Insurance Costs
- 2016/17 Current Projects

Risk Management administers the agencies risk, loss prevention, and insurance programs. Its mission is to provide loss prevention and control programs including insurance, environmental and casualty claims management services to KCHA Departments in order to reduce or eliminate losses and protect KCHA's assets. Risk Management's primary activities are:

- Risk identification and mitigation
- Insurance procurement and broker selection
- Co-administration and monitoring of third party administrators' adjustment of workers' compensation claims
- Coordination of the casualty and property claims and lawsuits
- Safety training, reporting, and compliance
- Loss prevention and control programs
- Environmental investigation, remediation, and reporting
- Contractual indemnification and insurance requirement language drafting and review

Risk Management appreciates the opportunity to present a summary of KCHA's insurance, risk, and loss prevention/control initiatives and will be happy to answer any questions that the Board may have following the presentation.

King County Housing Authority

2016 Risk and Insurance Program Annual Review

Presented by KCHA Risk Management
July 25, 2016

Introductions/Overview

- Risk Mitigation Strategies
- Completed Projects
- New Initiatives
- Claims History and Insurance Costs

Risk Mitigation Options

Avoid

- Don't provide the product or service
- Outsource with a vendor accepting risk

Transfer

- Insure the risk
- Provide the service, but without the risk

Hold

- Accept the risk as part of doing business
- Retain part of the risk as a deductible

Loss Control/ Prevention

- Implement measures reducing loss probability
- Reduce potential impacts or severity of a loss

Risk Management Report Overview: Completed Projects

Avoid

Transfer

Hold

**Loss Control/
Prevention**

- Reduced Long-term L&I Costs (Safety Officer, Training/Meetings, Physicals, Retro Pool)
- Achieved Compliance with Chemical Hazard Rules
- Partnered w/ Housing Management and Resource Conservation on Chemical Usage, Storage, and Inventory
- Completed Tenant Risk Assessment (i.e. Childcare Business)
- Consolidated/Improved Insurance Coverage and Added Higher Limits
- Developed New Accident & Incident Prevention Policy
- Upgraded EPREP Plans/Flipchart and Restocked Supplies

Risk Management Report Overview: Future Initiatives

Avoid

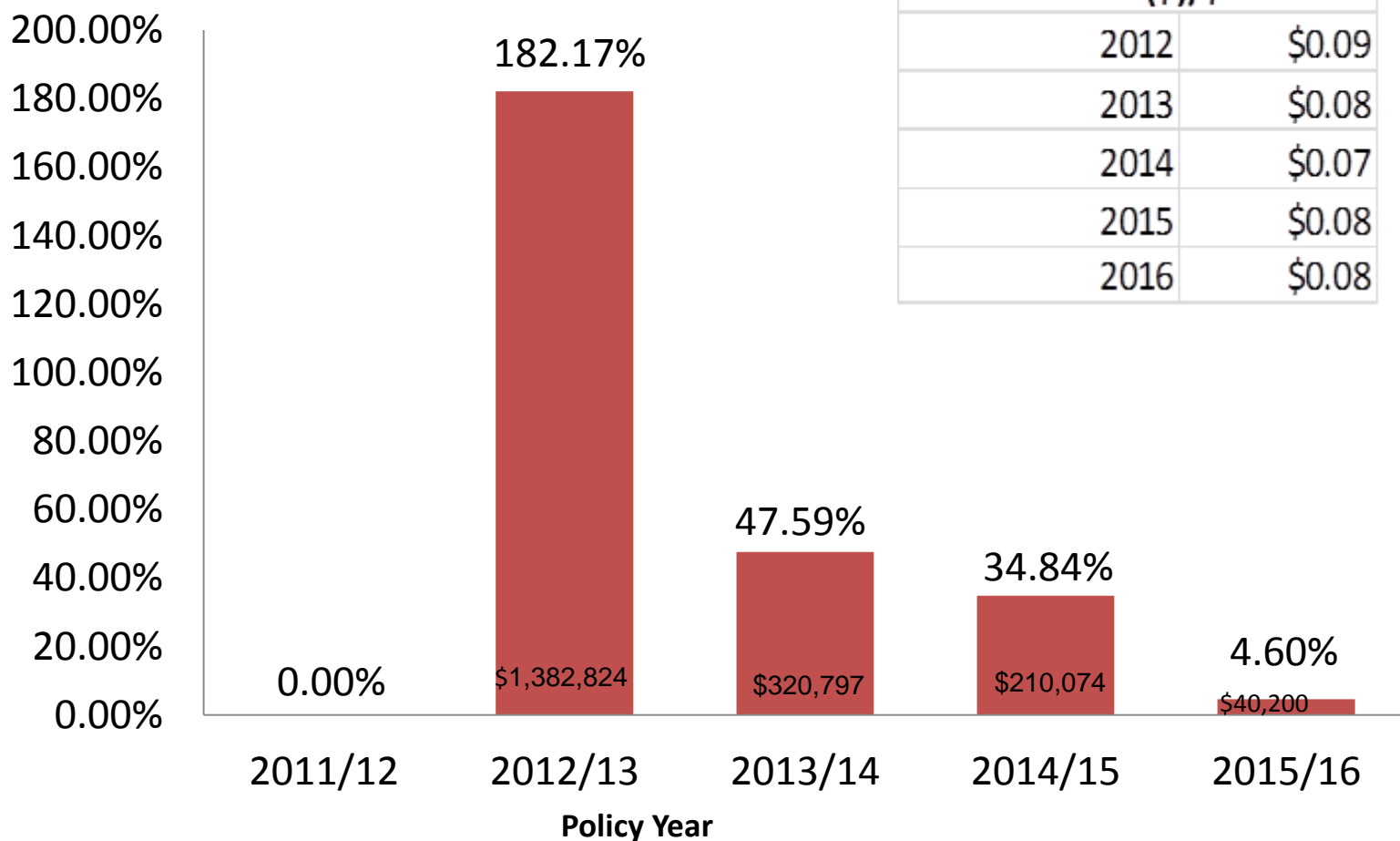
Transfer

Hold

**Loss Control/
Prevention**

- Expand Emergency Preparation Activities
- Moisture Management at Housing Properties
- Management Plan for Daycares and Youth Services
- Develop Claims Reporting and Contract Guidelines
- Assess/Mitigate Cyber Risks w/ IT
- Expand the Playground Audit and Inspection Program
- Create Measurable Performance Indicators for Site Safety Inspections, Corrective Action, and Training

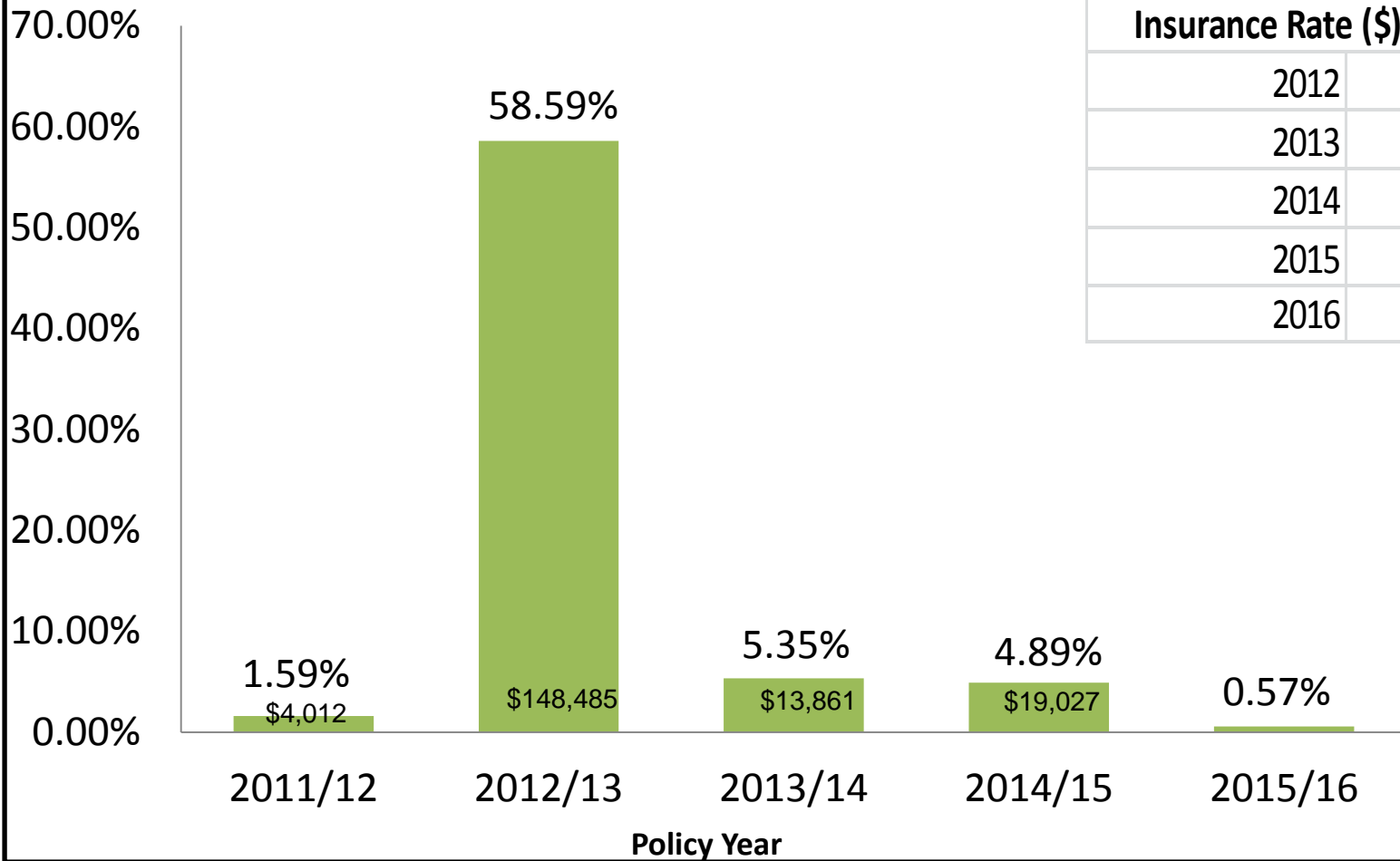
PROPERTY LOSS HISTORY (Loss Ratio)



Insurance Rate (\$)/\$100 Value

2012	\$0.09
2013	\$0.08
2014	\$0.07
2015	\$0.08
2016	\$0.08

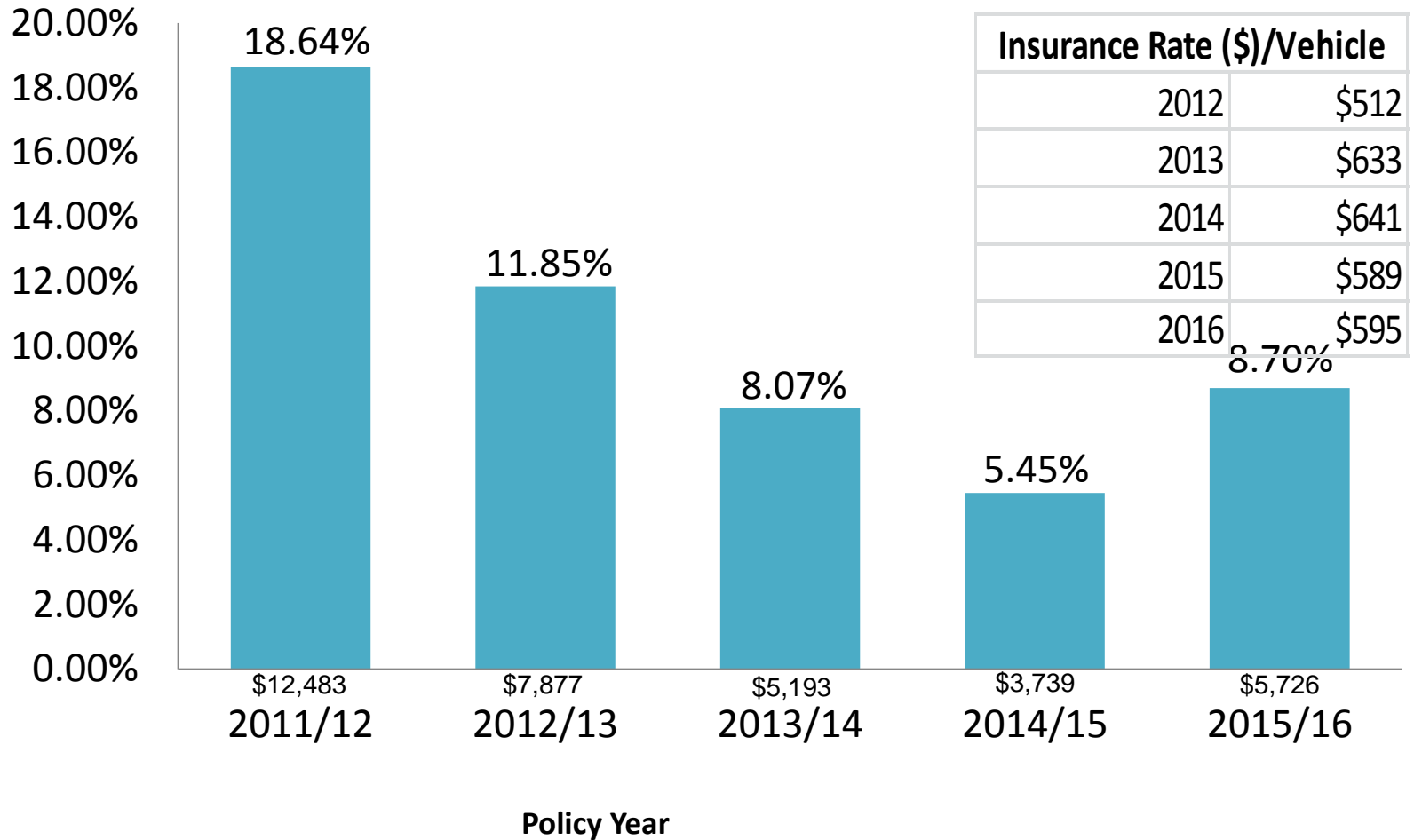
LIABILITY LOSS HISTORY (Loss ratio)



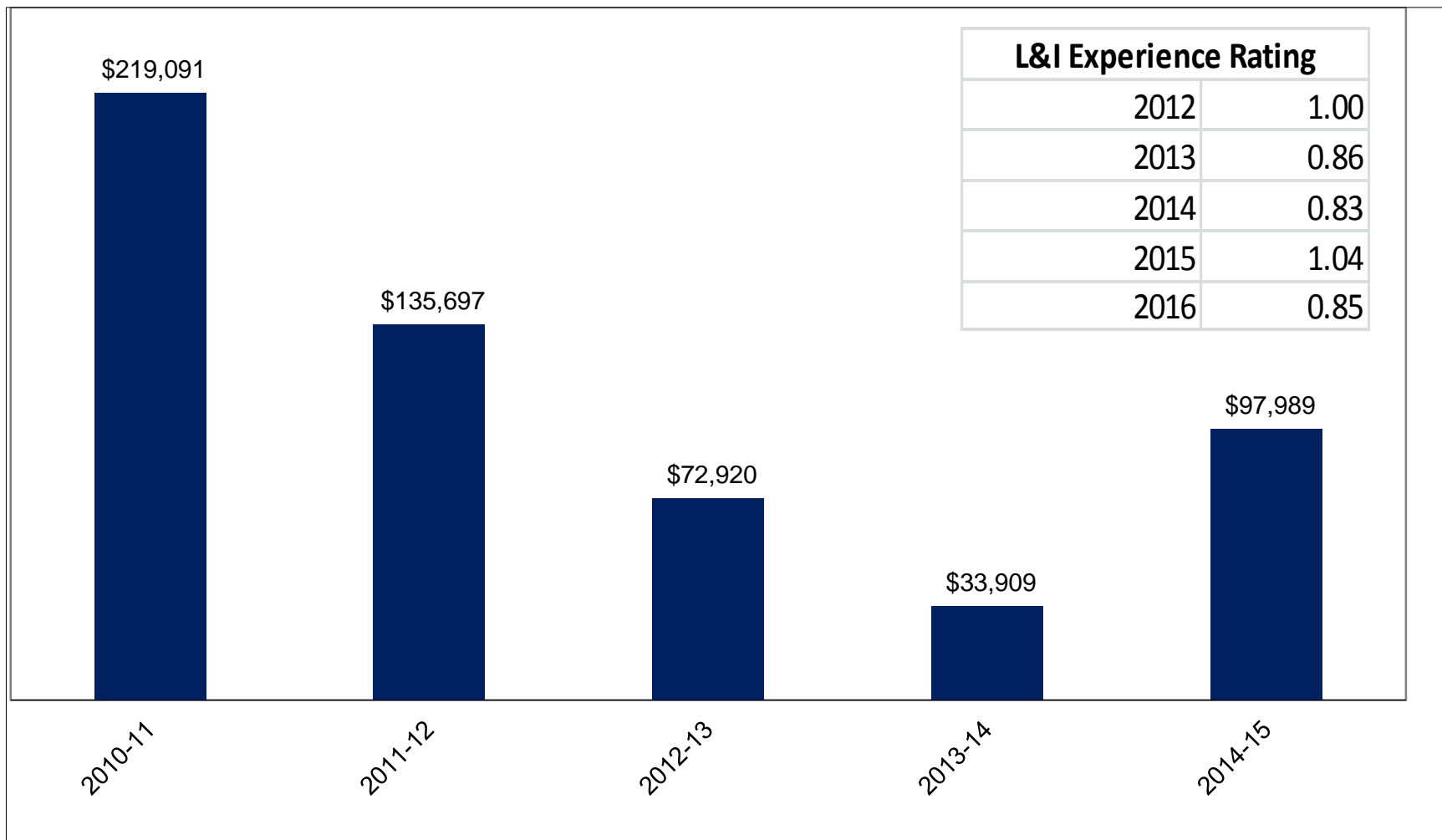
Insurance Rate (\$)/Unit

2012	\$40
2013	\$40
2014	\$45
2015	\$50
2016	\$47

AUTO LOSS HISTORY (loss ratio)



KCHA L&I INCURRED LOSS TREND (TOTAL COST OF CLAIMS)



T A B N U M B E R



TO: Board of Commissioners

FROM: Tim Baker, Senior Management Analyst

DATE: July 13, 2016

RE: **Second Quarter CY 2016 Procurement Report**

In order to update the Board concerning KCHA's procurement activities, staff is presenting the attached Quarterly Procurement Report. This report covers all procurement activities from April through June 2016 that involved the award of contracts valued over the amount of \$100,000 and change orders that have cumulatively exceeded 10% of the original or not to exceed contract amount.

Awarded Contracts Over \$100,000:

The awarded contracts section of the report lists the issuing department, contract type, the company awarded the contract, the award and estimate/budgeted amounts, procurement process involved, the number of bids received and notes about the procurement.

In the second quarter, there were 15 contracts awarded and valued at more than \$100,000, representing 92% of the contracts executed in the quarter. The largest contract executed for construction work was for \$970,000 awarded to American West Contracting for the Corinthian Apartments exterior renovation project. The largest non-construction contracts executed were for \$1,000,000 each to Fsi Consulting and Tres West for mechanical and electrical services to be provided on an on-call basis to the Capital Construction Department, with no guarantee that the full contract amount will be expended.

Contract Change Orders Exceeding 10%:

KCHA's internal procedures require heightened oversight and review once a contract has incurred change orders valued at more than 10% of the original contract amount. The change order (CO) section of the report includes the issuing department, contract type, company awarded the contract, the original amount awarded, as well as the number of change orders, the amounts of the total change orders to date expressed both in dollars and percentages above the original contract value, and notes about the procurement. Per the Board's request, this section was divided between change orders issued in response to unforeseen field conditions or expanded project scopes, and change orders which were foreseen at the time the initial contract was let (primarily through contract extensions on multi-year

contracts). The not-to-exceed total for the “foreseen” change order section is the projected total amount of the contract once all the foreseen change orders are completed.

There were four “field condition” change or “scope change” order on contracts whose total value had exceeded 10% of the initial contract amount. The largest one was \$500,000 that was issued to Energy Savers for weatherization and repair services to provide for stop-gap funding while new contracts are let out to bid.

There were 4 anticipated change orders involving the extension of the contract as allowed in the original contract. The largest ones were for \$100,000 and \$75,000 each for pest control services.

KING COUNTY HOUSING AUTHORITY
QUARTERLY PROCUREMENT REPORT
April-June 2016 (Second Quarter)

Awarded Contracts Over \$100,000

Issuing Department	Contract type	Contract Awarded to	Estimate/Budget Amount	Initial Contract Amount	NTE with extensions	Procurement Process	# of bids	Notes
Asset Management	Corinthian bathroom renovations	American West Contracting	\$309,909	\$326,310	\$326,310	sealed bid	3	Contractor has performed several successful projects for KCHA
Asset Management	Windsor Heights & Carriage House fire alarm upgrade	Guardian Security	\$409,412	\$432,100	\$432,100	sealed bid	4	Contractor has performed several successful projects for KCHA
Asset Management	Corinthian exterior renovations	American West Contracting	\$936,401	\$970,000	\$970,000	sealed bid	4	Contractor has performed several successful projects for KCHA
Cap Const-WX	mechanical and electrical services	Fsi Consulting	\$1,000,000	\$1,000,000	\$1,000,000	RFQ	2	KCHA not obligated to spend entire contract amount
Cap Const-WX	mechanical and electrical services	Tres West	\$1,000,000	\$1,000,000	\$1,000,000	RFQ	2	KCHA not obligated to spend entire contract amount
HOPE VI	Wind Rose final plat analysis	Hugh G. Goldsmith	\$103,092	\$103,092	\$103,092	sole source	n/a	Consultant originally procured as a sub through GGLO
HOPE VI	Greenbridge 9, 10, 11 geotechnical services	GeoEngineers	\$287,663	\$287,663	\$287,663	sole source	n/a	Consultant originally procured as a sub through GGLO
HOPE VI	Greenbridge 9, 10, 11 landscape services	GGLO	\$338,940	\$338,940	\$338,940	RFQ	4	Originally procured in 2002 to start overall project design
HOPE VI	Greenbridge 9, 10, 11 design & consulting services	Hugh G. Goldsmith	\$360,548	\$360,548	\$360,548	sole source	n/a	Consultant originally procured as a sub through GGLO
HOPE VI	Greenbridge 9, 10, 11 civil engineering services	KPFF	\$855,343	\$855,343	\$855,343	sole source	n/a	Consultant originally procured as a sub through GGLO
Housing Management-Maint	landscaping services, task order contract	Brightview	\$250,000	\$115,000	\$235,000	RFP	2	Contractor has performed several successful projects for KCHA
Housing Management-Maint	landscaping services, task order contract	Superior Maintenance Solutions	\$250,000	\$115,000	\$235,000	RFP	2	New contractor for KCHA. Minority owned.
Housing Management-Maint	landscaping services at 8 sites	Brightview	\$629,000	\$146,492	\$350,000	RFP	3	Contractor has performed several successful projects for KCHA
Housing Management-Maint	fencing services task order	All Around Fence Co.	\$250,000	\$250,000	\$500,000	RFP	1	Contractor has performed several successful projects for KCHA
Housing Management-Maint	cabinet supplies	Home Depot	\$255,000	\$255,000	\$255,000	sole source	n/a	Vendor selected through cooperative purchasing with US Communities
Totals			\$7,235,308	\$6,555,488	\$7,248,996			

Contracts exceeding 10% cumulative change order-Condition Changes

Issuing Department	Contract type	Contract awarded to	Initial Contract Amount/NTE*	Change Order Amount & No. This Quarter	Total Contract Value to Date	% Change from Original	Notes (Current Quarter Change Orders)
Asset Management	Meadowbrook pool resurfacing	Mikon Const.	\$34,750	\$5,060 (1)	\$39,810	15%	replacement of skimmers & returns needed after deck surface was removed
Asset Management	Harrison House exterior painting	Mattila Painting	\$69,437	\$10,950 (1)	\$80,387	16%	deck rails and gutters needing repainting due to pressure washing damage
Asset Management	Woodland North stairway replacement	Harkness	\$33,760	\$6,151 (1)	\$39,911	18%	dry rot discovered when removing building envelope in stairwell, remediation needed
Capital Construction/WX	weatherization & repair services	Energy Savers	\$2,000,000	\$500,000 (2)	\$2,500,000	25%	additional funds needed to continue services until new contracts are executed
Totals			\$2,137,947	\$522,161	\$2,660,108		

Contracts with contract extensions or other foreseen change orders

Issuing Department	Contract type	Contract awarded to	NTE*	Change Order Amount & No. This Quarter	Current Contract Value	% of NTE*	Notes (Current Quarter Change Orders)
Housing Management-maint	pest control services	Sprague Pest Control	\$500,000	\$75,000 (1)	\$225,000	45%	1st extension to the contract
Housing Management-maint	pest control services	Eden Advanced Pest Technologies	\$500,000	\$100,000 (2)	\$500,000	100%	2nd extension to the contract
Resident Services	child care technical resources	Child Care Resources	\$180,000	\$30,000 (1)	\$60,000	33%	1st extension to the contract
Resident Services	Seola Gardens technology center	YWCA	\$284,280	\$40,800 (2)	\$171,815	60%	2nd extension to the contract
Totals			\$1,464,280	\$245,800	\$956,815		

*NTE = Not To Exceed

T A B N U M B E R



To: Board of Commissioners

From: Craig Violante, Director of Finance

Date: July 13, 2016

Re: **2016 Mid-Year Financial Forecast**

Executive Summary

The Board previously adopted the CY 2016 Operating and Capital Budget via Resolution No. 5525 on December 14, 2015. As a budget is a plan based on a set of assumptions that don't always match actual experiences during the execution phase, it is prudent to review the plan and make adjustments so that the plan is consistent with revised expectations.

This Mid-year Financial Forecast includes several adjustments resulting in a combined projected cash balance at December 31, 2016 of \$166.2 million, an increase of \$34.6 million from the initial budget. Of this increase, \$30.2 million is transitory and will be expended in 2017 and 2018, and \$4.7 million is the result of an adjustment in the beginning balance on December 31, 2015. It is also important to note that at the end of 2016, it is projected that KCHA will have at least \$73 million outstanding on lines of credit with scheduled repayment periods of two years or less. A summary of the changes begin on page two.

HUD is moving to enforce the Treasury Department's cash management rules, and any excess block grant cash held by MTW housing authorities on March 31, 2016 will be transitioned to HUD control beginning in August via offsets to monthly HAP funding. KCHA had approximately \$12 million held by third party banks as collateral for the financing of the 509 and Green River repositioning initiatives. No other excess block grant cash was in our account at the end of March. The funds being utilized for collateral are not available for operating purposes, yet HUD has not indicated whether it will accept our argument that these funds are currently obligated under the terms of the debt instruments. Should this offset take place, KCHA would receive no block grant funding for August and only partial funding for September. Sufficient other HUD and local funds are on hand to cover August landlord payments while we continue to negotiate.

Background

The Midyear Financial Forecast provides the Board with an overall synopsis of the changes in the current and near-term fiscal outlook for KCHA in relation to the Authority's adopted FY 2016 budget. Reported changes are limited to those with an

aggregate financial impact of \$1 million or greater, those affecting Moving to Work (MTW) that have an aggregate impact of \$500,000 or greater, and other changes significant enough to include even though neither dollar threshold is met. The format in the table below is chosen in lieu of the standard working capital format as cash basis is a better tool for providing a short-term expenditure analysis.

Changes to the approved number of employees are also included in this report to the Board, but are not included in the fiscal projection as their inclusion would not materially impact the forecast.

SUMMARY OF FORECASTED CHANGES IN CASH BALANCES

The following table shows forecasted changes from the adopted budget for the MTW program, the Central Office Cost Center (COCC), and the remainder of KCHA's operations. The MTW funds reflect changes in our HUD-based operations while the COCC reflects changes in overhead-type balances. Major changes and comments follow in the Financial Forecast Highlights section below.

Original Projected Cash Balances at 12/31/2016	MTW	COCC	Programs	Total
Unrestricted	\$8,136	\$25,450,293	\$32,298,796	\$57,757,225
Designated	1,959,909	9,041,626	35,670,621	46,672,156
Restricted	11,009,728	6,800	16,104,416	27,120,944
Projected cash at 12/31/2016, adopted 2016 budget	\$12,977,773	\$34,498,719	\$84,073,833	\$131,550,325
Adjust projected 12/31/2015 cash balances to actual	(95,051)	(934,385)	5,683,272	4,653,835
Projected Changes				
<i>Changes in Federal funding and program expenses</i>				
Section 8 block grant inflation factor adjustment	13,505,943			13,505,943
Additional Public Housing subsidy	524,915			524,915
Increased Admin Fees-Section 8			83,108	83,108
Reduced HAP expenses	1,190,000			1,190,000
Supplant CFP funding with MTW for part of Birch Creek debt payment	(3,150,990)			(3,150,990)
<i>Energy Performance Contract (EPC) changes</i>				
Loan of MTW funds to EPC	(11,800,000)		11,800,000	0
Portion of external debt not spent in 2016			3,400,000	3,400,000
<i>Vantage Point Financing Changes</i>				
Additional loan to Vantage Point	(2,160,000)		2,160,000	0
Vantage Point grant from the State of Washington			2,000,000	2,000,000
<i>Spiritwood/Corinthian Financing Changes</i>				
Lease payment from Spiritwood LIHTC partnership, cash held until 2017			11,900,000	11,900,000
Developer fee payments inaccurately budgeted for 2016-will occur in 2017			(5,051,500)	(5,051,500)
<i>Other Changes</i>				
REDI Fund investment delayed to 2017		2,000,000		2,000,000
Deferral of capital projects at asset-managed properties to 2017			2,100,000	2,100,000
Cash from LIHTC properties added to KCHA portfolio			1,050,000	1,050,000
Additional repayments on internal loan (higher land sales at Greenbridge)	400,000			400,000
Additional interest income	21,000			21,000
Total projected changes	(1,564,183)	1,065,615	35,124,880	34,626,312
Revised Forecast of Cash Balance, 12/31/2016				
Unrestricted	(\$3,420,648)	\$26,517,689	\$38,596,903	\$61,693,944
Designated	3,987,928	9,039,844	59,897,394	72,925,166
Restricted	10,846,310	6,800	20,704,416	31,557,527
Projected cash at 12/31/2016, revised forecast	\$11,413,590	\$35,564,334	\$119,198,713	\$166,176,637

FINANCIAL FORECAST HIGHLIGHTS

CHANGES TO CASH

Federal Funding and Expenditures

KCHA received a 12% inflation adjustment for the Housing Choice Voucher (HCV) program. When combined with an actual prorate of 99.582% vs. the original budget assumption of 99%, KCHA's 2016 block grant funding will increase by \$13.5 million.

HUD has been using an 89.7% prorate vs. the budget assumption of 83.5% for the Public Housing Operating Fund subsidy. Although the final prorate will not be known until the fourth quarter, the forecast includes an increase of nearly \$525,000.

Aggregated administrative fees on non-block grant vouchers will rise by approximately \$83,000, due mostly due an 84% prorate vs. the budget assumption of 77%.

Housing Assistance Payments made to Section 8 landlords on behalf of program participants, is projected to be approximately \$1.19 million lower than originally projected as the average per unit cost (PUC) has been less than budgeted estimates. The budget assumed the new payments standards would go into effect in January 2016, but as actual adoption occurred February 2016, the impact on the average PUC has been delayed. For example, the budgeted PUC for June was \$861.69 while the actual cost was \$838.55. It is still anticipated that the average PUC will increase throughout the remainder of 2016, but the aggregate impact will be smaller than reflected in the original budget. We will continue to monitor this closely, as volatility in per unit HAP costs can have significant impact on KCHA's run rate and rent increases are continuing to accelerate in the current market.

The original budget assumed a Capital Fund Program (CFP) draw of \$3.7 million to fund the 2016 Birch Creek bonds debt service payment. In March, \$653,800 was drawn from 2012 CFP grant as that was the amount necessary to draw before the grant expired. The midyear forecast now assumes the use of \$3,150,990 of MTW funding in lieu of additional CFP grants.

Energy Performance Contract (EPC)

At the time of adoption of the original 2016 budget, specific details of the EPC project, including schedules and funding sources, were not available. As an estimate, \$13 million was projected to be borrowed and expended during the year. Staff spent the first half of the 2016 refining both the cost of the project and securing financing. Currently, the project is expected to cost \$22.2 million.

KCHA has been allocated \$10.4 million in Qualified Energy Conservation Bonds (QECCB) by the State of Washington. The balance of the project will be funded through an MTW loan. KCHA now expects the full amount of the QECCB instrument to be lent to the EPC project this year, with an estimated \$7.0 million spent on energy measures and consulting fees by year's end. In summary, the project will be

funded for a total \$22.2 million and \$7.0 paid to the contractor, leaving \$15.2 million of cash to be expended through the remaining life of the project in 2017-2018.

Vantage Point Funding Commitments

KCHA has obtained commitments for a \$2 million King County Housing Finance Program (HFP) loan and a \$1.95 million State Housing Trust Fund (HTF) grant for the 77-unit Vantage Point senior housing project. KCHA has requested an additional \$1 million of funding from the State, but further funding is unlikely. The HTF grant will be used to partially pay down a \$3.0 million outstanding line of credit. Without additional State funding, KCHA will need to use internal funds to pay off the remaining line of credit, and its net investment in Vantage Point would be approximately \$5.5 million.

Spiritwood Manor and Corinthian Apartment Financing Changes

In 2016, KCHA entered into a lease agreement with the Spiritwood Manor LLLP, the entity to which KCHA transferred ownership of Spiritwood Manor. The financing lease includes a \$26,530,000 beginning principal balance owed to KCHA, equal to the fair market value of the property. To enable the partnership to have sufficient funds to make the first lease payment of \$11.9 million in 2016, KCHA will draw approximately \$11.9 million from a line of credit and loan the proceeds to the partnership. After the partnership makes the lease payment, KCHA will hold the cash until 2017 when it will make a permanent subordinate loan to the partnership. As a result, KCHA will temporarily reflect an additional \$11.9 million of cash on its books at the end of 2016. In 2017, investor equity will be used to pay off the line of credit. This transaction is necessary to meet certain LIHTC rules.

KCHA's original 2016 budget inadvertently included developer fee payments of \$2,144,000 and \$2,907,500 for Corinthian and Spiritwood Manor, respectively. These cash payments will actually occur in 2017.

Asset Management Department Non-Routine Maintenance

The Asset Management Department projects that \$2.1 million of non-routine maintenance expenditures will be deferred to 2017. Of this amount, \$1.6 million was slated to be funded via draws from current replacement reserves, so working capital will rise by only \$500,000.

REDI Fund Investment

A planned \$2.0 million investment into the Regional Equitable Development Initiative (REDI) Fund is anticipated to occur at some future date instead of in 2016 as originally planned. The REDI Fund will provide non-profit, mission-aligned for-profit and public entity borrowers access to efficient financing for the acquisition of sites for the preservation and development of affordable housing near high-capacity transit corridors. Actual draw-down of these funds is dependent upon the Fund, administered by Enterprise Partners, actually making loans.

Property Transfers from Tax Credit Partnerships to KCHA Ownership - Harrison House, Arbor Heights, and Southwood Square

Three tax credit partnerships, Harrison House, Arbor Heights, and Southwood Square, are transitioning into KCHA's portfolio in 2016. When Harrison House transitioned on June 1, 2016, its partnership assets included cash and replacement reserves of approximately \$580,000. Similarly, when Arbor Heights and Southwood Square join KCHA, cash and replacement reserves in the amounts of approximately \$470,000 will be received. These cash receipts are included in the midyear forecast.

APPROVED CHANGES TO STAFFING LEVELS

Although the midyear reforecast has not quantified or included the following personnel changes in the fiscal outlook due to materiality, these modifications are presented as they help provide clarity regarding staffing needs.

- In early 2016, the Housing Management Department received approval to hire two temporary Senior Housing Specialists as a short term strategy to address a backlog of work related to the software conversion. As part of a plan to increase Section 8 issuances by approximately 450 households, the department subsequently received approval in June to reclassify these two Senior Housing Specialists as regular employees. At the same time the department also received approval to hire an additional Housing Assistant, two Housing Specialists, an Owner Liaison and a Long-Term Temporary Management Analyst to support this initiative and to respond to the rising challenge of finding landlords willing to participate in the Section 8 program in this rental market.
- As part of the Energy Performance Contract (EPC), Property Management added a Long-Term Temporary Construction Project Manager and a Long-Term Temporary Construction Coordinator position by promoting current employees.
- The Resident Services Department will hire a Temporary 504 Coordinator for the second half of the year. The position is expected to last for approximately eight months and will assist in facilitating KCHA's reasonable accommodations program.
- A Long-Term Temporary Construction Project Manager position in the Hope VI Greenbridge Department, originally budgeted to end after the first six months of 2016, will be filled for the entire year and reclassified from temporary to regular status.
- Asset Management Department will hire a Long-Term Temporary Senior Construction Manager during the second half of the year.

In summary, the Authority has added a total of four new positions, reclassified three formerly temporary positions to regular status, hired or promoted temporary staff, and kept one position vacant.

King County Housing Authority
Midyear Financial Re-forecast
2016

	Actual Thru 5/31/2016	Budget Thru 5/31/2016	Variance to Budget	% Actual to Annual Budget	Annual Budget	Total Adjustments	2016 Revised Projection
<i>Cash Balance, Beginning of Year</i>							
Cash & Cash Equivalents-Unrestricted	\$53,909,014	\$51,244,773	\$2,664,241		\$51,244,773		\$53,909,014
Cash & Cash Equivalents-Designated/Restricted	80,716,786	78,727,192	1,989,594		78,727,192		80,716,786
Total Cash Balances, Beginning of Year	134,625,800	129,971,965 ⁽¹⁾	4,653,835		129,971,965		134,625,800
Tenant Revenue	31,471,399	30,947,796	523,603	42.1%	74,681,873	0	74,681,873
Block Grant Subsidy	43,214,240	34,235,746	8,978,494	42.2%	102,434,188	13,505,943	115,940,131
Other Section 8 Subsidy	5,271,998	13,362,094	(8,090,096)	43.0%	12,257,434	83,108	12,340,542
Public Housing Operating Fund Subsidy	3,117,733	3,068,019	49,714	42.3%	7,363,230	524,915	7,888,145
Interest Income from Investing	744,683	713,934	30,749	43.5%	1,710,193	21,000	1,731,193
Interest Income from Loans	3,410,688	3,797,898	(387,210)	37.2%	9,174,556	0	9,174,556
Grant Revenue-Operations	1,464,404	2,150,417	(686,013)	23.1%	6,335,922	0	6,335,922
Grant Revenue-Capital	1,699,440	3,069,214	(1,369,774)	43.4%	3,912,161	(1,200,990)	2,711,171
Portability Income	12,361,495	11,147,963	1,213,532	45.9%	26,910,405	0	26,910,405
Other Revenue	3,434,532	1,800,562	1,633,970	25.7%	13,355,177	400,000	13,755,177
Total Revenues	106,190,613	104,293,643	1,896,970	41.1%	258,135,139	13,333,977	271,469,116
<i>Expenses</i>							
Salaries-Administration	(7,640,124)	(7,890,861)	250,737	38.2%	(20,005,870)	0	(20,005,870)
Salaries-Resident Services	(857,204)	(886,254)	29,050	37.2%	(2,304,260)	0	(2,304,260)
Salaries-Maintenance	(2,853,654)	(2,885,286)	31,632	38.9%	(7,337,384)	0	(7,337,384)
Employee Benefits	(4,306,525)	(4,399,146)	92,621	39.4%	(10,920,272)	0	(10,920,272)
Professional Services & Contracts	(1,412,884)	(1,943,835)	530,951	28.5%	(4,962,932)	0	(4,962,932)
Other Administrative Expenses	(1,613,101)	(1,856,700)	243,599	38.8%	(4,158,208)	0	(4,158,208)
HAP Expenses & FSS	(39,329,609)	(39,416,082)	86,473	40.4%	(97,248,775)	1,190,000	(96,058,775)
HAP on Ports In	(12,305,976)	(11,147,963)	(1,158,013)	45.7%	(26,910,405)	0	(26,910,405)
Homeless Subsidy	(457,836)	(1,015,125)	557,289	17.2%	(2,659,906)	0	(2,659,906)
Public Housing Subsidy Paid to LIHTC Partnerships	(272,404)	(300,635)	28,231	37.8%	(721,524)	0	(721,524)
Resident Services Expenses	(1,462,179)	(1,498,732)	36,553	40.4%	(3,622,997)	0	(3,622,997)
Weatherization and Rehabilitation costs	(1,153,563)	(1,431,487)	277,924	30.5%	(3,781,000)	0	(3,781,000)
Maintenance Expenses	(6,080,072)	(8,749,352)	2,669,280	27.0%	(22,483,945)	2,100,000	(20,383,945)
Utilities	(4,330,364)	(4,617,722)	287,358	38.9%	(11,121,650)	0	(11,121,650)
Taxes, Insurance & Other	(721,803)	(742,643)	20,840	45.4%	(1,589,066)	0	(1,589,066)
Interest Expense	(5,828,337)	(6,635,131)	806,794	35.9%	(16,244,161)	0	(16,244,161)
Other Expenses	22,559,550	(644,788)	23,204,338	-839.4%	(2,687,674)	23,570,590 ⁽²⁾	20,882,916
Total Expenses	(68,066,085)	(96,061,742)	27,995,657	28.5%	(238,760,029)	26,860,590	(211,899,439)
Net Income	38,124,527	8,231,901	29,892,626	196.8%	19,375,110	40,194,567	59,569,677
<i>Other Sources/(Uses) of Working Capital</i>							
Change in Designated/Restricted Cash	149,370	716,089	(566,719)	3.0%	4,934,093	(17,470,000)	(12,535,907)
Change in LT Receivables	(38,033,374)	1,108,488	(39,141,862)	527.3%	(7,213,017)	(39,030,000)	(46,243,017)
Change in Capital Assets	(7,054,494)	(15,372,314)	8,317,820	12.8%	(54,919,279)	8,959,410	(45,959,869)
Depreciation	(8,998,184)	0	(8,998,184)	NA	0	0	0
Change in Suspense	164,851	0	164,851	NA	0	0	0
Change in Other Assets	192,625	(833,333)	1,025,958	-9.6%	(2,000,000)	2,000,000	0
Amortization	(147,060)	0	(147,060)	NA	0	0	0
Change in Deferrals & Other Obligations	(245,286)	0	(245,286)	NA	0	0	0
Deferral	159,612	0	159,612	NA	0	0	0
Change in LT Debt	24,412,048	(1,249,226)	25,661,274	150.9%	16,177,491	0	16,177,491
Change in Other Liabilities	(1,599,093)	440,813	(2,039,906)	-111.5%	1,433,951	0	1,433,951
Change in Equity	34,895	0	34,895	0.2%	15,279,104	1,050,000	(29,211,486)
Total Other Sources/(Uses) of Working Capital	(30,964,090)	(15,189,483)	(15,774,607)	117.7%	(26,307,657)	(44,490,590)	(30,603,680)
Change in working capital	7,160,437	(6,957,582)	14,118,019	-103.3%	(6,932,547)	(4,296,023)	(11,228,570)
<i>Other Sources/(Uses) of Cash</i>							
Change in Designated/Restricted Cash	(149,370)	(716,089)	566,719	3.0%	(4,934,093)	28,700,000	23,765,907
Change in ST Assets	1,775,461	0	1,775,461	13.2%	13,445,000	7,518,500	20,963,500
Change in ST Liabilities	(4,891,320)	0	(4,891,320)	NA	0	(1,950,000)	(1,950,000)
Deferral	(159,612)	0	(159,612)	NA	0	0	0
Change in Cash	3,735,596	(7,673,671)	11,409,267	236.7%	1,578,360	29,972,477	31,550,837
<i>Cash Balance, End of Period</i>							
Cash & Cash Equivalents-Unrestricted	57,793,980				57,757,226	1,272,477	61,693,944
Cash & Cash Equivalents-Designated/Restricted	80,567,416				73,793,099	28,700,000	104,482,693
Total Cash Balances, End of Period	\$138,361,396				\$131,550,325	\$29,972,477	\$166,176,637

1) Differs from beginning balance as found in the December 9, 2015 budget memo to the Board due to a discrepancy regarding how MKCRF was handled.

2) Amount is the accounting gain related to the sale of Spiritwood to the tax credit partnership and the gain had no affect on cash.

T A B N U M B E R

10



TO: Board of Commissioners

FROM: Linda Riley, ^{AR} Controller

DATE: July 5, 2016

RE: 2nd Quarter 2016 Summary Write-Offs

For the 2nd quarter of 2016, 28 accounts were written off with a total of \$23,594.38, compared to \$6,936.09 in the same period last year but consistent with the amount written off last quarter. As our staff are becoming more familiar with Tenmast, they are able to better analyze the status of their tenant's accounts. We continue to expect to see a higher rate of write-offs in the coming months as the accounts are reviewed. A breakdown for accounts written off is listed below.

The net collections remitted from our collection agency are \$4,798.56 or approximately \$3,089 higher than this period last year.

	Total WRITE-OFFS	YTD WRITE-OFFS
Rent Balance Forward to Vacate Month	\$ 3,392.93	\$ 6,185.05
Retro Rent Write-offs	\$ 3,673.83	\$ 3,673.83
<u>VACATE CHARGES:</u>		
Rent Delinquent in Vacate Month	7,014.58	8,367.14
Cleaning & Damages	15,975.49	34,500.82
Paper Service & Court Costs	-	-
Miscellaneous Charges	337.34	5,073.26
Total Charges	<u>23,327.41</u>	<u>47,941.22</u>
Total All Charges	<u>30,394.17</u>	<u>57,800.10</u>
<u>CREDITS:</u>		
Security Deposits	(3,000.00)	(4,950.00)
Miscellaneous Payments & Credits	(3,799.79)	(5,820.73)
Total Credits	<u>(6,799.79)</u>	<u>(10,770.73)</u>
Total Net Write-offs	<u>\$ 23,594.38</u>	<u>\$ 47,029.37</u>
Net Write-offs by Portfolio		
Public Housing	\$ 15,818.12	\$ 23,529.82
Valley Park	-	2,657.26
Green River II	-	1,188.93
Egis	7,776.26	9,152.23
Birch Creek	-	10,501.13
	<u>\$ 23,594.38</u>	<u>\$ 47,029.37</u>

**Write-off and Collection Summary
2014 - 2016**

NET WRITE-OFFS			
	2016	2015	2014
January to March	23,434.99	15,702.57	40,825.34
April to June	23,594.38	6,936.09	23,983.44
July to September		13,136.18	19,120.45
October to December		5,492.73	19,003.22
TOTAL	47,029.37	41,267.57	102,932.45

NET COLLECTIONS			
	2016	2015	2014
January to March	6,130.40	2,141.47	1,175.65
April to June	4,798.56	1,709.91	2,013.79
July to September		490.48	966.30
October to December		1128.87	1441.03
TOTAL	10,928.96	5,470.73	5,596.77

****Detail by tenant is available by request.

T A B N U M B E R

KCHA IN THE NEWS

http://www.dailyrecordnews.com/members/county-officials-community-leaders-tour-king-county-mobile-home-parks/article_c8ef69da-3d4c-11e6-8195-4f7eeb8b09ed.html

County officials, community leaders tour King County mobile home parks

BY TONY BUHR staff writer Jun 28, 2016

A field trip to King County last week to tour mobile home parks operated by the King County Housing Authority generated more information for local officials and community leaders intent on resolving the fate of the Shady Acres Mobile Home Park in Ellensburg.

Members of Kittitas County government and the Friends of Shady Acres went to south King County to meet with members of the King County Housing Authority.

Director of the Kittitas County Housing Authority Lowel Krueger, who set up the trip, said he thought it was productive.

"It let us answer a lot of questions," said Krueger.

Krueger said, though, that he didn't think the trip drastically changed minds.

The group consisted of Kittitas County Commissioner Obie O'Brien, members of the housing authority, the Kittitas County Homelessness & Affordable Housing Committee and representatives of the Friends of Shady Acres.

They met with deputy executive director Dan Watson, and Tim Walter, senior director of acquisitions and asset management, from the King County Housing Authority. Watson and Walter took the group to two trailer parks — Wonderland Estates in Maple Valley and Vantage Glen in Renton.

Krueger said it interested him how Watson mentioned that once housing, like a mobile home parks, were gone it was almost impossible to bring them back.

“Once a mobile home park goes away. It’s gone for good,” Watson said.

Mark Auslander, a founder of the friends of Shady Acres, agreed with Krueger that Watson made an interesting point.

“Dan and Tim spoke very eloquently about why the closing of a (mobile home park) is always a human tragedy,” Auslander said.

Auslander also said he worried about mobile home residents losing their independence.

“They are proud of being homeowners and resist losing their autonomy,” he said.

O’Brien said the trip was a good opportunity for the housing authority to look at options for building more affordable housing.

“More affordable housing is needed to find places for residents,” O’Brien said.

He emphasized that he attended the tour to demonstrate that the county is exploring all options.

O’Brien said it was pressed upon him that King County spent \$4 million to upgrade one of those trailer parks.

“That’s \$40,000 per pad that you’re going to upgrade,” he said.

O’Brien said the housing authority should consider its options carefully and that purchasing Shady Acres and updating it wasn’t the most logical choice.

"It would be cheaper for the housing authority to build a new park," O'Brien said.

O'Brien restated the county's desire for a solution to its housing problem and mentioned his efforts to find land for groups like the housing authority and HopeSource to purchase.

"We are very concerned, which is why I have been working with private landowners," he said.

The county cannot build additional mobile home parks as it has a ban, O'Brien said. But it is looking at passing an ordinance in October that would allow manufactured homes to be built near Ellensburg.

Krueger said he made this trip to look for a solution that worked for everyone.

"My job was to bring everyone together and see what someone has done," he said. "I wanted to create a dialogue."

Daily Record Staff



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Featured Article

HUD USER Home > PD&R Edge Home > Featured Article

Aligning Housing and Education: CLPHA's 2nd Annual Affordable Housing & Education Summit



HUD Secretary Julián Castro emphasized the importance of housing-education partnerships at the Council of Large Public Housing Authorities Affordable Housing & Education Summit, which was held in May.

In May 2016, more than 100 leaders in housing and education convened for the Council of Large Public Housing Authorities (CLPHA) Affordable Housing & Education Summit. The Summit built on a growing movement to align housing and education programs and policies at the local, state, and federal levels to best support people's development and opportunities. Participants emphasized how housing and education, along with other factors such as health, play related and complementary roles in children's lives; for instance, homelessness prevention can contribute to educational success. As HUD Secretary Julián Castro commented, "This work is fundamentally about people."

Secretary Castro, one of the Summit's keynote speakers, emphasized the importance of housing-education partnerships and described three principles for HUD's work. First, HUD must expand partnerships at all levels — for instance, HUD's new National Partnership on Housing and Education with the Gates Foundation Pacific Northwest Initiative and the MacArthur

Foundation will lift up emerging strategies and best practices from communities. Second, federal agencies must collaborate more, including breaking down bureaucratic barriers. Third, those working in this space should explore ways to share data to better measure results.

Developing Partnerships

At the start of the Summit, Stephen Norman, executive director of the King County Housing Authority, asked, "How can we structure and sustain housing and school partnerships?" Much of the Summit was dedicated to exploring this question. Across areas of overlap, such as homelessness, early childhood, and time out of school, participants considered better ways for housing and education organizations to work together at all levels.

Erik Soliván of the Philadelphia Housing Authority and Paul Vallas of the School Construction Fund discussed a new example of cross-system collaboration, the 10-phase plan to redevelop the Sharswood neighborhood of Philadelphia. The plan includes more than 1,000 units of new mixed-income housing, replacing all the affordable units from the demolished public housing on the site and adding market-rate units as well. The plan also includes a new community school that will provide students from pre-K to grade 12 with personalized educational programs and applied learning in real-world contexts. The plan envisions a high-quality school that includes a comprehensive educational program with accelerated enrichment, which will provide deep and continuous relationships with parents and the community, give families with means a reason to stay, and attract other families to the area.

One key area for partnerships is technology and access to the Internet. Calvin Johnson of HUD's Office of Policy Development and Research and Google Fiber's Erica Swanson presented on the ConnectHome initiative, a public-private collaboration aimed at narrowing the digital divide among HUD-assisted families with school-age children. As Johnson discussed, too many HUD-assisted families lack access to computers and the Internet despite the importance of connectivity for education, jobs, and health. Swanson emphasized how local leadership and broad coalitions with diverse stakeholders and partners are essential to making progress in this area.

Data, Metrics, and Research

The Summit also considered data sharing as a foundation and focus for housing-education partnerships. Professor Dennis Culhane of the University of Pennsylvania — co-leader of Actionable Intelligence for Social Policy, a professional network of states, counties, cities, and academic partners working to integrate data and make decisions — discussed the mechanics and importance of data-sharing agreements. Culhane demonstrated, for instance, how integrated administrative data from a range of sources such as jails and psychiatric hospitals showed that providing housing for people experiencing homelessness saved governments tens of thousands of dollars per person housed each year.

Anchor institutions can serve as essential partners in this work. Cassandra Brooks of the Chicago Housing Authority (CHA) and Denali Dasgupta and Nick Mader of Chapin Hall at the University of Chicago described their organizations' joint research partnership aimed at improving CHA residents' quality of life, including educational achievement. Chapin Hall acts as a clearinghouse, linking CHA data with other data sets such as school and child welfare, and putting that data in context to inform the design of interventions to support youth. CHA and Chapin Hall learned, for instance, that English language learners are concentrated in only a handful of CHA developments, enabling CHA to better direct their services and understand the students they support. CHA has also taken advantage of this data to examine the social and behavioral causes of school absenteeism among assisted residents as well as opportunities for collaboration with Chicago Public Schools.

Housing and Education Partnerships Moving Forward

Fellow keynote speaker James Cole, Jr., general counsel delegated the duties of the Deputy Secretary of Education, emphasized the urgent need for cooperative action. As Cole commented, "[T]he fact remains that the odds are still stacked against too many of our young people, especially in urban areas." Cole described the importance of partnerships among school systems, housing, and philanthropy and identified places with promising school-housing collaborations such as Tacoma, Washington, and Boulder, Colorado. "These models," noted Cole, "began as bold ideas that were acted upon."

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Sustainability

Homelessness

Research & Publications

Publications

Data on Tenants in LIHTC Units as of December 31, 2013

Cityscape: Volume 18, Number 1

A Qualitative Assessment of Parental Preschool Choices and Challenges Among Families Experiencing Homelessness: Policy and Practice Implications

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Rutgers-Camden Expanding into Downtown and Improving Outcomes for K-12 Students

East Harlem, New York: Supporting Affordable Living and Health Care as Part of State Medicaid Redesign

Newsletters

Partners in Progress eNewsletter
April 2016 Issue

Evidence Matters
Spring 2016

The Affordable Housing & Education Summit itself is one example of emerging housing-school initiatives. Kollin Min, senior program officer at the Bill & Melinda Gates Foundation, described three indicators of progress since last year's inaugural Summit: growing interest on housing-school partnerships from philanthropy, increasing federal interest and cooperation, and broader participation from community groups. As CLPHA executive director Sunia Zaterman commented, "This is the beginning of a beautiful thing."

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Photo by William Wright Photography

KCHA opens 77 units for seniors in Renton

King County Housing Authority held a grand opening last Friday for Vantage Point Senior Apartments, a 77-unit complex at 17901 105th Place S.E. in Renton.

The \$18 million project serves very low-income seniors and people with disabilities.

Vantage Point is the first new public housing built by KCHA since 1992, aside from HOPE VI redevelopments such as Greenbridge in White Center.

The building has 72 one-bedroom units and five two-bedroom units.

Half the units are reserved for tenants earning less than 50 percent of the area median income, and half are for people earning less than 30 percent of the area median income.

Vantage Point has a fitness room, library, game room, community living rooms, and an arts-and-crafts room.

The site is near North Benson Shopping Center and less than a mile from Valley Medical Center.

Federal housing subsidies will generate around \$26 million over a 40-year period for operation and maintenance of the property, according to KCHA.

Tonkin Architecture was the architect and Walsh Construction was the general contractor. Additional design team members include KPFF Consulting Engineers, Tres West Engineers, I.L. Gross Structural Engineers, GeoDesign and Nakano Associates.